

ANNUAL FINANCIAL STATEMENTS 2018





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DIRECTORS' RESPONSIBILITY FOR FINANCIAL REPORTING

TO THE SHAREHOLDERS OF JASCO ELECTRONICS HOLDINGS LIMITED

The directors are required in terms of the Companies Act, 2008 as amended, of South Africa to maintain adequate accounting records and are responsible for the content and integrity of the consolidated and separate annual financial statements and related financial information included in this report. It is their responsibility to ensure that the consolidated and separate annual financial statements fairly present the state of affairs of the group as at the end of the financial year and the results of its operations and cash flows for the period then ended, in conformity with International Financial Reporting Standards.

The consolidated and separate annual financial statements have been prepared in accordance with International Financial Reporting Standards ("IFRS"), the SAICA Financial Reporting Guides as issued by the Accounting Practices Committee, the Financial Reporting Pronouncements as issued by the Financial Reporting Standards Council, the South African Companies Act, No. 71 of 2008, as amended and the Listings Requirements of the JSE Limited. The accounting policies and methods of computation used in the preparation of this report are consistent with those of the previous year except for the restatements disclosed in note 35 on pages 79 to 86. The directors take full responsibility for the preparation of the consolidated and separate annual financial statements.

The directors acknowledge that they are ultimately responsible for the system of internal financial control established by the group and place considerable importance on maintaining a strong control environment aimed at reducing the risk of error or loss in a cost-effective manner. The standards include the proper delegation of responsibilities within a clearly defined framework, effective accounting procedures and adequate segregation of duties to ensure an acceptable level of risk. These controls are monitored throughout the group and all employees are required to maintain the highest ethical standards in ensuring the group's business is conducted in a manner that in all reasonable circumstances is above reproach. The focus of risk management in the group is on identifying, assessing, managing and monitoring all known forms of risk across the group. While operating risk cannot be fully eliminated, the group endeavours to minimise this risk by ensuring that appropriate infrastructure, controls, systems and ethical behaviour are applied and managed within predetermined procedures and constraints.

Based on the information and explanations given by management, the directors are of the opinion that the system of internal control provides reasonable assurance that the financial records may be relied on for the preparation of the consolidated and separate annual financial statements. However, any system of internal financial control can provide only reasonable, and not absolute, assurance against material misstatement or loss.

The directors have reviewed the group's cash flow forecast for the ensuing 12 months from the approval of these annual financial statements and, in the light of this review and the current financial position, they are satisfied that the group has or has access to adequate resources to continue in operational existence for the foreseeable future.

The external auditors are responsible for auditing and reporting on the consolidated and separate annual financial statements. The consolidated and separate annual financial statements have been examined by the group's external auditors and their report is presented on pages 2 to 10 in the annual financial statements, which are available on the website www.jasco.co.za.

The consolidated and separate annual financial statements set out on pages 17 to 88, which have been prepared under the supervision of WA Prinsloo CA(SA), on the going-concern basis, were approved by the Board and were signed on its behalf by:



Dr ATM Mokgokong
Non-executive chairman



MJ van Vuuren
Chief executive officer



WA Prinsloo
Chief financial officer
Midrand
5 November 2018

INDEPENDENT AUDITOR'S REPORT

TO THE SHAREHOLDERS OF JASCO ELECTRONICS HOLDINGS LIMITED

Report on the audit of the consolidated and separate financial statements

Our opinion

In our opinion, the consolidated and separate financial statements present fairly, in all material respects, the consolidated and separate financial position of Jasco Electronics Holdings Limited (the company) and its subsidiaries (together the Group) as at 30 June 2018, and its consolidated and separate financial performance and its consolidated and separate cash flows for the year then ended in accordance with International Financial Reporting Standards and the requirements of the Companies Act of South Africa.

What we have audited

Jasco Electronics Holdings Limited's consolidated and separate financial statements set out on pages 17 to 88 comprise:

- the consolidated and separate statements of financial position as at 30 June 2018;
- the consolidated and separate statements of comprehensive income for the year then ended;
- the consolidated and separate statements of changes in equity for the year then ended;
- the consolidated and separate statements of cash flows for the year then ended; and
- the notes to the financial statements, which include a summary of significant accounting policies.

Basis for opinion

We conducted our audit in accordance with International Standards on Auditing (ISAs). Our responsibilities under those standards are further described in the *Auditor's responsibilities for the audit of the consolidated and separate financial statements* section of our report.

We believe that the audit evidence we have obtained is sufficient and appropriate to provide a basis for our opinion.

Independence

We are independent of the Group in accordance with the *Independent Regulatory Board for Auditors Code of Professional Conduct for Registered Auditors (IRBA Code)* and other independence requirements applicable to performing audits of financial statements in South Africa. We have fulfilled our other ethical responsibilities in accordance with the IRBA Code and in accordance with other ethical requirements applicable to performing audits in South Africa. The IRBA Code is consistent with the International Ethics Standards Board for Accountants *Code of Ethics for Professional Accountants* (Parts A and B).

Emphasis of matter

We draw attention to note 34.3 to the financial statements, which indicates that a legal dispute has arisen between the company and the minority shareholders of Reflex Solutions (Pty) Ltd over the ownership of Reflex Solutions (Pty) Ltd, the outcome of which is uncertain. Our opinion is not modified in respect of this matter.



Our audit approach
Overview

	<p>Overall group materiality R11,5 million, which represents 1% of Group Revenue.</p>
	<p>Group audit scope The group consists of a consolidation of twenty four components. We identified seven components, which in our view, required a full scope audit due to their financial significance. The main indicator used to identify significant components is Group revenue. We performed review procedures or specified audit procedures for the remaining components.</p>
	<p>Key audit matters</p> <ul style="list-style-type: none"> • Impairment assessment of goodwill arising from business combinations • Recoverability of deferred tax assets on assessed losses • Acquisition of RAMM Systems Proprietary Limited • Control Assessment of Jasco Technical Services Proprietary Limited • Accounting for dividend income relating to the 2017 financial year

As part of designing our audit, we determined materiality and assessed the risks of material misstatement in the consolidated and separate financial statements. In particular, we considered where the directors made subjective judgements; for example, in respect of significant accounting estimates that involved making assumptions and considering future events that are inherently uncertain. As in all of our audits, we also addressed the risk of management override of internal controls, including among other matters, consideration of whether there was evidence of bias that represented a risk of material misstatement due to fraud.

INDEPENDENT AUDITOR'S REPORT

continued

Materiality

The scope of our audit was influenced by our application of materiality. An audit is designed to obtain reasonable assurance whether the financial statements are free from material misstatement. Misstatements may arise due to fraud or error. They are considered material if individually or in aggregate, they could reasonably be expected to influence the economic decisions of users taken on the basis of the consolidated financial statements.

Based on our professional judgement, we determined certain quantitative thresholds for materiality, including the overall group materiality for the consolidated financial statements as a whole as set out in the table below. These, together with qualitative considerations, helped us to determine the scope of our audit and the nature, timing and extent of our audit procedures and to evaluate the effect of misstatements, both individually and in aggregate on the financial statements as a whole.

Overall group materiality	R11,5 million
How we determined it	1% of Group Revenue.
Rationale for the materiality benchmark applied	We chose total revenue as the benchmark because, in our view, this is the most stable benchmark, as profit before tax relative to Group revenues suggests that the results are near breakeven, and considered more representative of the business operations. We chose 1% which is consistent with quantitative materiality thresholds used for profit-oriented companies using revenue as a benchmark.

How we tailored our group audit scope

We tailored the scope of our audit in order to perform sufficient work to enable us to provide an opinion on the consolidated financial statements as a whole, taking into account the structure of the Group, the accounting processes and controls, and the industry in which the Group operates.

Our scoping assessment included consideration of significant components as well as taking into consideration sufficiency of work performed over material line items in the financial statements.

The group consists of a consolidation of twenty four components, twenty two of which are located in South Africa. Seven significant components, all of which are located in South Africa, were identified based on their financial significance in relation to their contribution to Group revenues. Full scope audits were performed on these. We performed review procedures or specified audit procedures over the remaining insignificant components.

In establishing the overall audit approach to the Group audit, we determined the type of work that needed to be performed by ourselves, as the Group engagement team, and component auditors from other PwC network firms under our instruction.

Detailed Group audit instructions were communicated to all significant components in scope, and comprehensive audit approach and planning meetings were held with all component teams before commencing their respective audits.

Where the work was performed by component auditors, we determined the level of involvement necessary in the audit work at those components to be able to conclude whether sufficient appropriate audit evidence has been obtained as a basis for our opinion on the group financial statements as a whole.



Key audit matters

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

Key audit matter	How our audit addressed the key audit matter
<p>Impairment assessment of goodwill arising from business combinations</p> <p>Due to the business combinations that the group has entered into, the group's net assets include goodwill of R86.7 million (refer to note 10 to the financial statements). Goodwill acquired in a business combination is tested annually for impairment or when management identifies any indication of impairment either individually or at the cash-generating unit ("CGU") level. (Refer to note 2.12 to the financial statements).</p> <p>In determining if goodwill is impaired, management calculated the recoverable amount of each CGU (or group of CGUs) to which goodwill relates. The recoverable amount of each CGU (or group of CGU) is determined based on the value-in-use methodology which makes use of discounted cash flow models.</p> <p>An impairment of R28.3 million in relation to the Enterprise CGU was recognised and accounted for as a prior year restatement as the indicators giving rise to the impairment were evident in the 2017 financial year while an impairment of R4.5 million was recognised in the current financial year relating to goodwill recognised on the Datafusion acquisition (refer to note 10 and 35.1.3 to the financial statements).</p> <p>The impairment assessment of goodwill was a matter of most significance to our audit due to the significant judgement involved regarding the future results of the relevant businesses, the discount rates applied to future cash flow forecasts and the terminal growth rates utilised by management to perform the impairment assessment. In addition, the restatement of the goodwill balances in the 2017 financial year was also considered to be a matter of most significance to the current year audit due to the magnitude of the restatement.</p> <p><i>This key audit matter relates to the consolidated financial statements.</i></p>	<p>We have tested the mathematical accuracy of the valuation models, assessed the allocation of assets and liabilities to the relevant CGUs, and evaluated the appropriateness of the approach adopted by management. We found this to be in line with the requirements of IAS 36 <i>Impairment of Assets</i>.</p> <p>We agreed management's five-year forecast of the future results to the approved budgets of the relevant CGUs, and held discussions with management on the reasonability of these forecasts. We compared the actual results of the CGUs against the prior years' cash flow forecasts, to assess the reliability of management's forecasts. With the exception of the Enterprise CGU, we found management's cash flow forecasts to be within a reasonable range.</p> <p>By utilising our valuation expertise, we assessed the key inputs in the calculations by performing the following procedures:</p> <ul style="list-style-type: none"> • Compared the terminal growth rates to long-term growth rates most reflective of the underlying CGU's operations, obtained from independent external sources; and • Recalculated the discount rate for the group, taking into account independently obtained data such as the cost of debt, risk-free rates in the market, market risk premiums, debt:equity ratios, as well as the beta of comparable companies. <p>The terminal growth rates and discount rates of management were considered to be within an acceptable range of our independent calculations.</p> <p>As part of our sensitivity procedures, we flexed the discount rate, the annual growth rates, the terminal growth rates and the forecast cash flows for each CGU and found that, with the exception of the Enterprise CGU, there was still sufficient headroom between the carrying amount and the recalculated recoverable amount.</p> <p><i>Restatement of prior year impairment charge on Goodwill relating to the Enterprise CGU.</i></p> <p>We assessed the financial performance of the Enterprise CGU, and found the recoverable amount to be less than the carrying amount.</p> <p>This resulted in a R28.3 million impairment of goodwill that should have been recognised in the 2017 financial year, as these impairment indicators already existed in the 2017 financial year. By utilising our IFRS accounting specialists we assessed management's accounting treatment and the disclosure of this restatement in the financial statements. We found these to be in accordance with the requirements of IAS 8 <i>Accounting Policies, Changes in Accounting Estimates and Errors</i>. (Refer to note 35 to the financial statements).</p>

INDEPENDENT AUDITOR'S REPORT

continued

Key audit matter	How our audit addressed the key audit matter
<p>Recoverability of deferred tax assets on assessed losses</p> <p>Due to significant tax losses in prior years, the group has recognised a deferred tax asset of R19.7 million at 30 June 2018, of which R14.4 million relates to unused tax losses (Refer to note 7 to the financial statements).</p> <p>Management has performed an assessment to determine whether the group will generate sufficient future taxable profits to utilise these tax losses against. In assessing the future taxable income, management has made estimates based on assumptions in relation to the future taxable income of the entity, thereby concluding on the recoverability of these deferred tax assets.</p> <p>These judgements and assumptions include the forecasted future taxable income of the entities which have tax losses.</p> <p>Due to the significant estimation uncertainty related to the future taxable income, the assessments of the recoverability of deferred tax assets are considered to be a matter of most significance to the current year audit. In addition, the restatement of the deferred tax asset balances in the 2017 financial year was also considered to be a matter of most significance to the current year audit due to the magnitude of the restatement.</p> <p><i>This key audit matter relates to the consolidated financial statements.</i></p>	<p>We obtained management's assessment of the recoverability of the deferred tax asset balances at 30 June 2018 and performed the following procedures:</p> <ul style="list-style-type: none"> • We tested the mathematical accuracy of the assessment; and • We evaluated the reasonableness of the future taxable income. <p>Based on our procedures performed, we found management's assessments to be reasonable except for Jasco Enterprise Proprietary Limited where we found that the future taxable income was not sufficient to recover the deferred tax asset balance recognised in the prior year. This resulted in management processing a restatement of the comparative figures.</p> <p><i>Restatement of prior year deferred tax asset balances relating to Jasco Enterprise Proprietary Limited</i></p> <p>In assessing the profitability of Jasco Enterprise Proprietary Limited we found that it was not probable that sufficient future taxable income will be generated for the full deferred taxation asset to be recovered. This resulted in a R10.8 million reduction of the previously recognised deferred tax asset in the 2017 financial year as the conditions already existed then.</p> <p>By utilising our IFRS accounting specialists we assessed management's accounting treatment and the disclosure of this restatement. We found these to be in accordance with the requirements of IAS 8 <i>Accounting Policies, Changes in Accounting Estimates and Errors</i> (refer to note 35 to the financial statements).</p>



Key audit matter	How our audit addressed the key audit matter
<p>Acquisition of RAMM Systems Proprietary Limited</p> <p>The group acquired a 51% interest in RAMM Systems Proprietary Limited (RAMM) on 1 March 2018 for an undiscounted purchase consideration of R30.6 million (refer to note 3 to the financial statements).</p> <p>The acquisition of RAMM was accounted for as a business combination in the consolidated financial statements in accordance with IFRS 3 <i>Business Combinations</i>.</p> <p>In determining the fair values of the customer related intangibles, management applied discounted cash flow techniques which required significant unobservable inputs in order to calculate the fair values of the intangible assets acquired.</p> <p>The acquisition of RAMM was considered a matter of most significance to the current year due to:</p> <ul style="list-style-type: none"> • The significant judgements made by management regarding the discount rate, the growth rate and the forecasted cash flows that were used to perform the valuation of the intangible assets acquired; and • the magnitude of the acquisition. <p><i>This key audit matter relates to the consolidated and separate financial statements.</i></p>	<p>We inspected the purchase agreement to assess whether all the suspensive conditions had been met for an acquisition to be accounted for. We found that the acquisition of RAMM has been correctly accounted for as an investment in subsidiary in terms of IAS 27 <i>Separate Financial Statements</i> in the company financial statements.</p> <p>We utilised our IFRS accounting specialists to assess the appropriateness of the recognition of the identifiable intangible assets in accordance with IFRS 3 <i>Business Combinations</i> and found that management have correctly applied the principles in their identification of the intangible assets related to this acquisition.</p> <p>We obtained management's fair value calculation of the identified assets and liabilities acquired and tested the mathematical accuracy of the calculation. By utilising our valuation expertise, we satisfied ourselves that the approach adopted by management in valuing the intangible assets acquired is appropriate and in line with market practice.</p> <p>By utilising our valuation expertise, we assessed the key inputs in the calculations by performing the following procedures:</p> <ul style="list-style-type: none"> • Recalculated the discount rate, taking into account independently obtained data such as the cost of debt, risk-free rates in the market, market risk premiums, debt:equity ratios, as well as the beta of comparable companies. • Assessed the appropriateness of the growth rate and forecasted cash flows to historic trends. <p>We found that management have applied reasonable assumptions and estimates to value the identified intangible assets.</p>
<p>Control Assessment of Jasco Technical Services (Pty) Ltd</p> <p>On 30 June 2017, Jasco Enterprise Proprietary Limited ("JE") sold 75% of its security installation service business for a profit of R3.4 million (on loan account) under an enterprise development initiative, to Jasco Technical Services Proprietary Limited ("JTS"). As part of the agreement, Jasco Electronics Holdings Limited ("JEHL") retains a 25% interest in this business. The shares of the majority shareholders of JTS were pledged as security in favour of JEHL for the loan provided (refer to note 35.1.2 to the financial statements).</p> <p>The group initially accounted for the 25% interest in JTS as an investment in associate in the 2017 financial year and equity accounted the share of losses for the 2018 financial year.</p> <p>The sale of JTS was considered a matter of most significance to our audit of the consolidated financial statements due to the degree of management judgement applied in accounting for the transaction on disposal date.</p> <p><i>This key audit matter relates to the consolidated financial statements.</i></p>	<p>We inspected the sale of business agreement between JTS and JE, the sale of shares and cession of shares agreements between JEHL and JTS, and utilised our IFRS accounting specialists to assess whether the initial accounting applied by management in the 2017 financial year was appropriate.</p> <p>We found that in applying the principles of IFRS 2 <i>Share-based Payment</i> and IFRS 10 <i>Consolidated Financial Statements</i>, JTS should still be consolidated as the transaction is akin to the grant of an option to acquire shares at a future date.</p> <p><i>Restatement of prior year profit on the sale of Jasco Technical Services Proprietary Limited</i></p> <p>This resulted in management processing a restatement, including reversing the profit on sale of JTS of R3.4 million recognised in the 2017 financial year. By utilising our IFRS accounting specialists we assessed management's subsequent accounting treatment and the disclosure of this restatement. We found these to be in accordance with the requirements of IAS 8 <i>Accounting Policies, Changes in Accounting Estimates and Errors</i>. (Refer to note 35 to the financial statements).</p>



INDEPENDENT AUDITOR'S REPORT

continued

Key audit matter	How our audit addressed the key audit matter
<p>Accounting for dividend income relating to the 2017 financial year</p> <p>During the 2017 financial year, Jasco Electronics Holdings Limited recognised a dividend in specie of R132 million and a related intercompany receivable in the company financial statements which was still outstanding at 30 June 2018 (Refer to note 35.2.1 to the financial statements).</p> <p>At 30 June 2018, management assessed whether there are any impairment indicators in relation to the intercompany receivable balance. This resulted in the intercompany receivable balance being fully impaired in the prior year due to the conditions existing at 30 June 2017 (Refer to note 35.2.1 to the financial statements).</p> <p>The accounting treatment for the dividend in the company financial statements was considered a matter of most significance to our audit of the separate financial statements due to the magnitude of the dividend <i>in specie</i> and intercompany receivable balance and the judgement applied in assessing the recoverability of the intercompany receivable.</p> <p><i>This key audit matter relates to the separate financial statements.</i></p>	<p>We obtained management's impairment assessment and assessed the reasonability thereof by comparing to forecasts supporting management's assessment. We also compared the actual results of the current year against the prior year forecasts to assess the reliability of budgeting techniques applied by management and found that the actual results were significantly below management's forecasts.</p> <p>This condition also existed in the 2017 financial year and accordingly resulted in management processing a R132 million reversal of the dividend declared and the related intercompany receivable balance in the 2017 financial year (refer to note 35 to the financial statements).</p>

Other information

The directors are responsible for the other information. The other information comprises the information included in the *Jasco Annual Financial Statements 2018*, which includes the Report of the Directors, the Audit and Risk Committee Report and the company Secretary's Certification as required by the Companies Act of South Africa which we obtained prior to the date of the auditor's report and the *Jasco Integrated Annual Report 2018*, which is expected to be made available to us after that date. Other information does not include the consolidated and separate financial statements and our auditor's report thereon.

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

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

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

Responsibilities of the directors for the consolidated and separate financial statements

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

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



Auditor's responsibilities for the audit of the consolidated and separate financial statements

Our objectives are to obtain reasonable assurance about whether the consolidated and separate financial statements as a whole are free from material misstatement, whether due to fraud or error, and to issue an auditor's report that includes our opinion.

Reasonable assurance is a high level of assurance, but is not a guarantee that an audit conducted in accordance with ISAs will always detect a material misstatement when it exists. Misstatements can arise from fraud or error and are considered material if, individually or in the aggregate, they could reasonably be expected to influence the economic decisions of users taken on the basis of these consolidated and separate financial statements.

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

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

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

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

INDEPENDENT AUDITOR'S REPORT

continued

Report on other legal and regulatory requirements

In accordance with our responsibilities in terms of section 44(2) and 44(3) of the Auditing Profession Act, we report that we have identified a reportable irregularity in terms of the Auditing Profession Act. We have reported such matter to the Independent Regulatory Board for Auditors. The matters pertaining to the reportable irregularity has been described in note 36 to the financial statements.

In terms of the IRBA Rule published in Government Gazette Number 39475 dated 4 December 2015, we report that PricewaterhouseCoopers Inc. has been the auditor of Jasco Electronics Holdings Limited for one year.

PricewaterhouseCoopers Inc.

PricewaterhouseCoopers Inc.

Director: **BS Humphreys**
Registered Auditor

Johannesburg
5 November 2018



COMPANY SECRETARY'S CERTIFICATION

I, the group company secretary as at 30 June 2018, certify that the company has lodged with the Registrar of Companies all such returns as are required of a public company, in terms of the Companies Act, No. 71 of 2008, as amended, and that all such returns are true, correct and up to date.

N Modisakeng

Group company secretary at 30 June 2018

Midrand

5 November 2018

AUDIT AND RISK COMMITTEE REPORT

For the year ended 30 June 2018

Jasco’s independent audit and risk committee (“the committee”) is pleased to submit its report to the shareholders for the financial year ended 30 June 2018 in accordance with section 94(7)(f) of the South African Companies Act of 2008.

Introduction

The committee’s duties and objectives are governed by a formal charter which is in line with the Companies Act and King IV requirements. This independent statutory committee is appointed by Jasco’s board of directors, which has delegated duties and responsibilities to the committee.

Composition, meeting and assessments

The committee consists of three independent non-executive directors who usually meet at least four times per year as per the committee’s mandate and charter. Biographical details of the committee members are provided in the Integrated Annual Report and the fees paid to the committee members are outlined in note 29.

The group’s chief executive officer, chief financial officer, outsourced internal auditors and independent external auditors attend meetings by invitation.

During the year under review, five meetings were held.

Name of member	6 September 2017	17 November 2017	30 January 2018	11 April 2018	5 June 2018
Mr JC Farrant	Present	Present	Present	Present	Present
Ms T Zondi	Present	Present	Present	Present	Present
Ms PF Radebe	Present	Present	Present	Present	Present

Audit and risk committee mandate

The committee is governed by a formal charter adopted and approved by the board, which is reviewed annually. The board supports and endorses the committee, which operates independently of management and is free of any organisational influence. The provisions of the Companies Act together with the King IV requirements and best practice are incorporated in the charter. The charter guides the committee in terms of its role, responsibilities and duties.

The committee has conducted its work in terms of its charter as per the corporate governance report, and has ensured that the respective roles and functions of external audit and internal audit are sufficiently clarified and that the combined assurance received is appropriate to address all significant risks.

The committee’s charter prescribes that the effectiveness of the committee, its chairman and individual members are annually assessed and evaluated by the board chairman. No significant issues that require improvement were highlighted during the most recent evaluation conducted in 2018. The committee is satisfied that it has fulfilled all its statutory duties and duties assigned to it by the board during the financial year under review, as further detailed below.

The committee performed the following activities:

- Received and reviewed reports from both internal and external auditors concerning the effectiveness of the internal control environment, systems and processes;
- Considered the effectiveness of internal audit; the approval of the one year operational internal audit work plan and monitored adherence of internal audit to its annual plan;
- Reviewed the reports of both internal and external auditors detailing their findings arising out of their audits and requested appropriate responses from management;
- Made appropriate recommendations to the board of directors regarding the corrective actions to be taken as a consequence of audit findings;

- Reviewed the risk and opportunities register and categorised the level of each risk, probability and the monetary value and made appropriate recommendations to the board regarding the corrective actions needed;
- Reviewed the report prepared by internal audit regarding the risk management process in the group and the level of adoption of the group policies and procedures within each operating division;
- Nominated for appointment PwC Inc. and Mr Brett Humphreys as auditors of the company and the group for the current financial year and for the next financial year;
- The committee considered the proposed external audit fees and approved the group audit fees in consultation with group management. The committee is responsible for determining the nature and extent of any non-audit services that the external auditors may provide to the group and pre-approve any proposed contract with the external auditors for the provision of non-audit services to the group;
- Considered the independence and objectivity of the external auditors and ensured that the scope of their additional services provided was not such that they could be seen to have impaired their independence;
- The committee is satisfied that the external auditors are independent of the group and are thereby able to conduct their audit functions without any influence from the group;
- The committee is responsible for reviewing any major breach of relevant legal and regulatory requirements. Refer to subsequent events in the Directors Report on page 15;
- The committee has satisfied itself that the group chief financial officer, Mr WA Prinsloo, has the appropriate expertise and experience to act in his capacity; and
- The committee is responsible for considering and making recommendations to the board relating to the group's Integrated Annual Report, the financial statements and any other reports (with reference to the financial affairs of the group) for external distribution or publication, including those required by any regulatory or statutory authority. The Integrated Annual Report of the company for the year under review will be approved by the board upon the recommendation of the committee.

In addition, the committee discharges all audit and risk committee responsibilities of all subsidiary companies within the group. To help it discharge the responsibility, the committee reviews the results of all material operating subsidiary companies in detail with the external auditors and the management of respective subsidiaries.

JC Farrant

Audit and risk committee chairman

Midrand

5 November 2018

REPORT OF THE DIRECTORS

For the year ended 30 June 2018

The directors have pleasure in submitting their report on the activities of the group and the company for the year ended 30 June 2018.

Nature of the business

The trading activities of the group companies are divided into four main business units, namely Carrier, Enterprise, Intelligent Technologies and Electrical Manufacturers. Refer to the Integrated Annual Report for more information on what the nature of each business unit is.

Financial results

The results of the operations for the year are set out in the consolidated and separate annual financial statements.

Going concern

The consolidated and separate annual financial statements have been prepared on the basis of accounting policies applicable to a going concern. This basis presumes that funds will be available to finance future operations and that the realisation of assets and settlement of liabilities, contingent obligations and commitments will occur in the ordinary course of business.

The board has considered all operational and financial related activity and forecasts for the ensuing 12 months from the approval of these annual financial statements.

Plant and equipment

There were no material changes in the nature of the plant and equipment of the group or in the policy regarding their use.

Corporate actions

With effect from 1 September 2017, the group acquired 51% of the shares in Jasco ICT-Datafusion Proprietary Limited (Datafusion) for a maximum undiscounted purchase consideration of R3 000 000. Datafusion provides internet access, voice solutions, as well as cloud and infrastructure services and solutions.

With effect from 1 October 2017, Jasco sold 59% of the shares in Jasco East Africa to two Kenyan partners for R1 000. As part of the agreement, Jasco retains a 40% interest in the business.

In June 2017, 75% of shares on Jasco Technical Services Proprietary Limited (JTS) were acquired on loan amount for R3 million by outside shareholders. The shares acquired were pledged as security over the outstanding loan balance of R3 million.

With effect from 1 January 2018, the group sold 15% of the shares in Jasco Technical Services Proprietary Limited for R15. As part of the agreement, Jasco retains a 10% interest in the business. As the shares held by the acquirer are pledged as security over the loan receivable of R3 million, this entity is 100% consolidated by the group.

With effect from 1 March 2018, Reflex Solutions (a group subsidiary) acquired a 100% interest in Datafusion including the working capital loan for an amount of R5,0 million as a common control transaction.

With effect from 1 March 2018, Jasco acquired 51% of the shares in RAMM Systems Proprietary Limited (RAMM) for an undiscounted purchase consideration of R30 600 000. RAMM provides real-time asset monitoring and measuring services and is an entry for Jasco into the Internet of Things (IoT) market.

Share capital

The authorised share capital is 750 000 000 ordinary shares and 29 884 633 redeemable preference shares.

For information on the Jasco ordinary shareholders' spread, refer to page 89.

Share incentive scheme

The Jasco Employee Share Incentive Trust was formed in 1993 to enable executives of the group to acquire shares in Jasco to provide them with incentives to advance the group's interests. The maximum number of shares and/or options that may be issued may not exceed 32 759 885 shares, being 15% of the issued share capital at the inception of the Trust and all subsequent capitalisation issues. The maximum number allowed for any one person is 8 735 969 of the issued share capital of the company.



In terms of the scheme rules, 50% of shares issued and options granted may be exercised after two years, 75% after three years and 100% after four years. Further details relating to the Jasco Employee Share Incentive Trust are set out in note 19.1 to the financial statements.

The Spescom Limited Share Incentive Trust was formed in 1990 to enable all employees of the Spescom group to acquire options in Spescom to provide them with incentives to advance the group's interests. The options issued by this trust lapsed in February 2017, and the trust is in the process of being wound down.

Directors

Details of the present directorate of the company are set out in the Integrated Annual Report. In terms of the Memorandum of Incorporation of the company, Mr S Bawa and Mr MJ Madungandaba retire at the forthcoming annual general meeting (AGM) and are eligible for re-election.

Mr JC Farrant will retire from the Board at the next AGM, after 21 years of service to the company. The Board thanks him for his contribution and sound guidance.

Subsidiary companies

Details are given on page 34.

Borrowings

In terms of the Memorandum of Incorporation, the directors of the company are permitted to borrow or raise such funds as they deem necessary for the operation of the group. At the close of business on 30 June 2018, the total borrowings less cash resources was R114 693 000 (2017: R86 861 000). At 30 June 2018, the group had approved general banking facilities of R150 000 000 (2017: R150 000 000). The corporate bond is classified as short-term at 30 June 2018.

Subsequent events

The directors are aware of the following material changes of circumstances or fact that occurred between the accounting date and the date of this report:

- The dividend number 24 of 1 cent per share declared by the Board on 27 September 2018 was withdrawn on 1 October 2018.
- The Board announced the June 2018 results on 27 September 2018 and erroneously referred to the results as audited. This announcement was retracted on 1 October 2018 and the Jasco share was voluntarily suspended before 09:00 on the same date.
- During the current year, the external auditors, PwC Incorporated, reported that suspected irregularities were taking place as defined in the Auditing Professions Act, 2005 (APA) to the Independent Regulatory Board of Auditors (IRBA) on 12 October 2018 relating to the SENS announcements made on 27 September and 1 October 2018 respectively. The suspected reportable irregularities related to statements made in these announcements that were materially false and misleading as the audit of the consolidated annual financial statements were not finalised at the date of publication and this could constitute a breach of the provisions of section 29 of the Companies Act, 2008 and/or breach of the provisions of section 81 of the Financial Markets Act, 2012. PwC followed up this report to the IRBA with a second report as required by the APA, advising the IRBA that, in its view, the reportable irregularities are no longer occurring.
- The interest cover loan covenant for the six-month period ended 30 June 2018 was breached and was condoned by the corporate bondholder on 28 October 2018. As the breach occurred at 30 June 2018, the related were classified to current liabilities in the group statement of financial position at 30 June 2018.
- The guarantees issued in favour of various subsidiaries will be reduced following the reduction in the company's shareholders equity.
- The minority shareholders in Reflex Solutions have raised a legal dispute with Jasco regarding the majority ownership by Jasco of Reflex Solutions and the outcome of this dispute may affect the payment of the second tranche payment in respect of Reflex Solutions.

Special resolutions

The following special resolutions were passed at the previous annual general meeting:

- Non-executive directors' remuneration
- Financial assistance to a related or inter-related company or companies

Dividend

Dividend number 23 of 1 cent per share was declared on 7 September 2017. The record date was 6 October 2017.

REPORT OF THE DIRECTORS continued

FOR THE YEAR ENDED 30 JUNE 2018

Directors' interests in share capital

At the close of business on 30 June 2018, the interests of the directors in the issued share capital of the company amounted to:

	2018	2017
DIRECT BENEFICIAL		
JC Farrant	150 000	150 000
MSC Bawa	50 509	50 509
AMF da Silva	520 500	520 500
WA Prinsloo	25 000	25 000
INDIRECT – BENEFICIAL		
MJ Madungandaba	41 896 865	19 416 163
ATM Mokgokong	30 757 914	8 321 213
MSC Bawa	3 781 887	3 781 887
INDIRECT – NON-BENEFICIAL		
JC Farrant	5 500	5 500
Total	77 188 175	32 270 772

During the financial year the Jasco Employee Share Incentive Trust ("the Trust") purchased a total of 678 983 Jasco shares in the open market for a total amount of R414 497.03.

On 13 June 2018 664 409 shares and 417 441 shares vested in favour of Mr AFM da Silva and Mr WA Prinsloo respectively. This resulted in the shareholding owned by the Trust becoming a deficit of 747 249 shares. Consequently Mr AMF da Silva agreed to forfeit 900 000 shares at the applicable exercise price on the same date, thereby increasing the Trust's holding to 250 338 unallocated shares. Refer to note 18.

During the year (1 June 2018), Community Investment Holdings Proprietary Limited acquired 44 263 793 shares from AfroCentric Investment Corporation Limited for a price of 72 cents per share or R32 million.

The company has not been informed of any material changes in these holdings up to the date of this report.

Prescribed officers' interest in share capital

	Options	2018	2017
Direct – Beneficial			
M Janse van Vuuren		2 394 488	2 394 488
TS Petje		465 702	465 702

There were no share options issued during the year.

STATEMENTS OF COMPREHENSIVE INCOME

FOR THE YEAR ENDED 30 JUNE 2018

	Notes	Group		Company	
		2018 R'000	Restated 2017 R'000	2018 R'000	Restated 2017 R'000
Revenue	4	1 147 083	1 036 509	20 906	12 571
Cost of sales	5	(786 607)	(724 064)	–	–
Gross profit		360 476	312 445	20 906	12 571
Other income	6	27 437	24 490	1 092	681
Selling and distribution costs		(1 814)	(3 145)	–	–
Administrative expenses		(246 584)	(209 337)	(8 271)	(8 794)
Other expenses		(99 122)	(120 561)	(7 041)	(8 962)
Operating profit/(loss)		40 393	3 892	6 686	(4 504)
Finance income	6	4 285	6 986	1 455	1 598
Finance costs	6	(24 451)	(18 521)	(21 668)	(15 201)
Equity accounted share of loss from joint venture/associate	12	(4 091)	(1 823)	–	–
Profit/(loss) before taxation	6	16 136	(9 465)	(13 527)	(18 107)
Taxation	7	(12 754)	(25 976)	(418)	(1 139)
Profit/(loss) for the year		3 382	(35 441)	(13 945)	(19 246)
Other comprehensive income/(loss) (this may subsequently be reclassified to profit or loss)		(351)	319	–	–
Foreign currency translation reserve arising during the year*		(351)	319	–	–
Total comprehensive income/(loss) for the year		3 031	(35 122)	(13 945)	(19 246)
Profit/(loss) for the year attributable to:					
– non-controlling interests		11 047	3 807	–	–
– ordinary shareholders of the parent		(7 665)	(39 248)	(13 945)	(19 246)
		3 382	(35 441)	(13 945)	(19 246)
Total comprehensive income/(loss) attributable to:					
– non-controlling interests		11 047	3 807	–	–
– ordinary shareholders of the parent		(8 016)	(38 929)	(13 945)	(19 246)
		3 031	(35 122)	(13 945)	(19 246)
Earnings per ordinary share (cents) – basic	8	(3,3)	(17,3)	–	–
– diluted	8.1	(3,3)	(17,1)	–	–

* Foreign currency translation reserves do not attract any income tax.

Refer to note 35 for group and company restatement note.

STATEMENTS OF FINANCIAL POSITION

AT 30 JUNE 2018

	Notes	Group		Company	
		2018 R'000	Restated 2017 R'000	2018 R'000	Restated 2017 R'000
ASSETS					
Non-current assets		258 819	210 788	133 462	100 069
Plant and equipment	9	79 596	78 936	–	–
Intangible assets	10	154 509	112 608	–	–
Investment in subsidiaries	11	–	–	121 718	92 747
Investment in joint venture/associate	12	4 412	284	6 166	2 107
Deferred income tax	7	19 725	17 803	–	–
Other non-current assets	13	577	1 157	5 578	5 215
Current assets		467 229	474 072	98 811	125 965
Inventories	14	102 642	86 334	–	–
Trade and other receivables	15	286 197	269 975	174	170
Amounts owing by group companies	11	–	–	98 295	114 337
Taxation refundable		9 506	7 280	–	–
Short-term portion of other non-current assets	13	995	14 932	–	–
Cash and cash equivalents	16	67 889	95 551	342	11 458
Total assets		726 048	684 860	232 273	226 034
EQUITY AND LIABILITIES					
Shareholders' equity		204 219	201 630	16 354	32 590
Share capital	17.2	281 283	281 283	281 283	281 283
Treasury shares	18	(450)	(2 635)	–	–
Non-distributable reserves	19	6 941	6 427	14	14
Retained loss		(110 392)	(100 495)	(264 943)	(248 707)
<i>Equity attributable to equity holders of the parent</i>		<i>177 382</i>	<i>184 580</i>	<i>16 354</i>	<i>32 590</i>
Non-controlling interests	3	26 837	17 050	–	–
Non-current liabilities		139 440	168 504	122 730	152 286
Interest-bearing liabilities	20	128 549	162 598	122 710	152 266
Deferred maintenance revenue	21	518	331	–	–
Deferred income tax	7	10 373	5 575	20	20
Current liabilities		382 389	314 726	93 189	41 158
Trade and other payables	22	268 432	215 604	44 286	31 494
Provisions	23	18 027	19 984	950	800
Amounts owing to group companies	11	–	–	–	5 011
Taxation		2 992	2 626	418	467
Deferred maintenance revenue	21	38 237	56 139	–	–
Short-term borrowings	24	54 701	20 373	47 535	3 386
Total equity and liabilities		726 048	684 860	232 273	226 034

Refer to note 35 for group and company restatement note.

STATEMENTS OF CHANGES IN EQUITY

FOR THE YEAR ENDED 30 JUNE 2018

	Notes	Share capital R'000	Treasury shares R'000	Non-distributable reserves R'000	Retained loss R'000	Total parent share-holders' equity R'000	Non-controlling interest R'000	Total equity R'000
GROUP								
Balance as at 30 June 2016		281 283	(6 232)	6 599	(56 901)	224 749	7 100	231 849
Treasury shares – Share Incentive Trust	17	–	3 597	–	–	3 597	–	3 597
Equity settled share-based payment	19.1	–	–	3 162	–	3 162	–	3 162
Recycling of equity settled share-based payment reserve	19	–	–	(132)	132	–	–	–
Acquisition of companies	3	–	–	–	–	–	6 966	6 966
Dividend paid	34	–	–	–	(4 478)	(4 478)	–	(4 478)
Dividend paid to non-controlling shareholder		–	–	–	–	–	(826)	(826)
Transactions with non-controlling shareholders		–	–	–	–	–	3	3
Utilisation of equity settled share-based payment reserve	19	–	–	(3 521)	–	(3 521)	–	(3 521)
Total comprehensive income		–	–	319	(39 248)	(38 929)	3 807	(35 122)
Profit for the year		–	–	–	(39 248)	(39 248)	3 807	(35 441)
Other comprehensive income		–	–	319	–	319	–	319
Restated balance as at 30 June 2017		281 283	(2 635)	6 427	(100 495)	184 580	17 050	201 630
Treasury shares – Share Incentive Trust	18	–	2 185	–	–	2 185	–	2 185
Equity settled share-based payment	19.1	–	–	1 820	–	1 820	–	1 820
Recycling of equity settled share-based payment reserve	19	–	–	–	–	–	–	–
Acquisition of companies	3	–	–	–	–	–	8 496	8 496
Dividend paid	34	–	–	–	(2 232)	(2 232)	–	(2 232)
Dividend to non-controlling shareholder		–	–	–	–	–	(8 998)	(8 998)
Transactions with non-controlling shareholders	3	–	–	–	–	–	(758)	(758)
Utilisation of equity settled share-based payment reserve	19	–	–	(955)	–	(955)	–	(955)
Total comprehensive (loss)/income		–	–	(351)	(7 665)	(8 016)	11 047	3 031
(Loss)/profit for the year		–	–	–	(7 665)	(7 665)	11 047	3 382
Other comprehensive loss		–	–	(351)	–	(351)	–	(351)
Balance as at 30 June 2018		281 283	(450)	6 941	(110 392)	177 382	26 837	204 219
COMPANY								
Balance as at 30 June 2016		281 283	–	14	(224 874)	56 423	–	56 423
Dividend paid	34	–	–	–	(4 587)	(4 587)	–	(4 587)
Total comprehensive loss		–	–	–	(19 246)	(19 246)	–	(19 246)
Loss for the year		–	–	–	(19 246)	(19 246)	–	(19 246)
Other comprehensive income		–	–	–	–	–	–	–
Restated balance as at 30 June 2017		281 283	–	14	(248 707)	32 590	–	32 590
Dividend paid	34	–	–	–	(2 291)	(2 291)	–	(2 291)
Total comprehensive loss		–	–	–	(13 945)	(13 945)	–	(13 945)
Loss for the year		–	–	–	(13 945)	(13 945)	–	(13 945)
Other comprehensive loss		–	–	–	–	–	–	–
Balance as at 30 June 2018		281 283	–	14	(264 943)	16 354	–	16 354

STATEMENTS OF CASH FLOWS

FOR THE YEAR ENDED 30 JUNE 2018

	Notes	Group		Company	
		2018 R'000	Restated 2017 R'000	2018 R'000	Restated 2017 R'000
Cash flows from operating activities		16 618	25 239	3 707	(17 937)
Cash generated from/(utilised in) operations	25.1	55 168	55 394	2 459	(9 673)
Interest received		4 194	6 986	1 364	–
Interest paid		(18 119)	(15 720)	(1 183)	(3 677)
Taxation paid	25.2	(18 718)	(16 943)	(467)	–
Dividend received		–	–	3 825	–
Dividend paid		(2 232)	(4 478)	(2 291)	(4 587)
Dividend paid to non-controlling shareholder		(3 675)	–	–	–
Cash flows from investing activities		(43 971)	21 373	(34 648)	(6 371)
Acquisition/Disposal of subsidiary, net of cash acquired	25.3	(27 217)	5 616	(2 362)	(25)
Additions to intangibles		(13 296)	(15 097)	–	–
Investment/loans in associate/joint venture	25.4	(4 725)	(2 186)	(1 317)	(1 028)
Receipt of deferred proceeds (M-Tec)		–	40 734	–	–
Decrease in group company loan accounts		–	–	(30 916)	(4 912)
Receipts from finance lease asset		12 675	9 411	–	–
Increase in the loan to the Jasco Employee Share Incentive Trust		–	–	(53)	(406)
Purchase of plant and equipment		(12 348)	(17 722)	–	–
Replacement of plant and equipment	25.5	(1 008)	(2 818)	–	–
Additions to plant and equipment	25.6	(11 340)	(14 904)	–	–
Proceeds on disposal of plant and equipment		940	617	–	–
Cash flows from financing activities		(932)	41 878	19 825	100 818
Cash flows from treasury shares		(414)	(249)	–	–
Non-current loans raised		20 000	105 000	20 000	105 000
Non-current loans repaid		(17 361)	(62 876)	–	(4 357)
Transactions with non-controlling shareholders		(3 157)	3	–	–
Decrease in loan amounts owing to group companies		–	–	(175)	175
Net increase/(decrease) in cash and cash equivalents		(28 285)	88 490	(11 116)	76 510
Cash and cash equivalents at beginning of year		95 551	7 256	11 458	(65 052)
Revaluation of foreign cash balances		623	(195)	–	–
Net cash and cash equivalents at end of year		67 889	95 551	342	11 458
Cash and cash equivalents	16	67 889	95 551	342	11 458
Net cash and cash equivalents at end of year		67 889	95 551	342	11 458

Refer to note 35 for group and company restatement note.



NOTES TO THE FINANCIAL STATEMENTS

FOR THE YEAR ENDED 30 JUNE 2018

1. CORPORATE INFORMATION

The consolidated and separate annual financial statements of Jasco Electronics Holdings Limited for the year ended 30 June 2018 were authorised for issue in accordance with a resolution of the directors. Jasco Electronics Holdings Limited is a company incorporated in the Republic of South Africa. The company's shares are publicly traded.

2. ACCOUNTING POLICIES

The principal accounting policies applied in the preparation of these consolidated and separate annual financial statements are set out below:

2.1 Basis of preparation

The consolidated and separate annual financial statements set out on pages 17 to 88 have been prepared on a historical cost basis, unless otherwise stated. The consolidated and separate annual financial statements are presented in Rand, which is also the group's functional currency, and are rounded to the nearest thousand, except where otherwise indicated.

2.2 Statement of compliance

The consolidated and separate annual financial statements of Jasco Electronics Holdings Limited and all its subsidiaries have been prepared in accordance with International Financial Reporting Standards (IFRS) and the requirements of the South African Companies Act of 2008.

2.3 Basis of consolidation

The consolidated annual financial statements include those of the company and its subsidiaries.

Subsidiaries are fully consolidated from the date of acquisition, being the date on which the group obtains control, and continue to be consolidated until the date that such control ceases. The financial statements of the subsidiaries are prepared for the same reporting period as the parent company, using consistent accounting policies. All intra-group balances and transactions, including income, expenses and dividends, are eliminated in full.

A change in ownership interest of a subsidiary, without a change of control, is accounted for as an equity transaction.

Losses are attributed to the non-controlling interest even if that results in a deficit balance.

If the group loses control over a subsidiary, it derecognises the assets, including goodwill, and liabilities of the subsidiary and the carrying amount of any non-controlling interest while recognising the fair value of the consideration received and the fair value of any investment retained. Any surplus or deficit is recognised in profit and loss and the holding company's share of components previously recognised in other comprehensive income is reclassified to profit or loss.

2.3.1 Business combinations and goodwill

Business combinations are accounted for using the acquisition method. The cost of an acquisition is measured as the aggregate of the consideration transferred, measured at the acquisition date fair value and the amount of any non-controlling interest in the acquiree. For each business combination, the non-controlling interest in the acquiree is measured either at fair value or at the proportionate share of the acquiree's identifiable net assets. Acquisition costs are expensed.

If a business combination is achieved in stages, the acquisition date fair value of the previously held equity interest in the acquiree is remeasured to fair value as at the acquisition date through profit and loss.

Any contingent consideration to be transferred will be recognised at fair value at the acquisition date. Subsequent changes to the fair value of the contingent consideration which is deemed to be an asset or liability will be recognised in accordance with IAS 39 in profit or loss. If the contingent consideration is classified as equity, it shall not be remeasured until it is finally settled within equity.

Goodwill is initially measured at cost, being the excess of the consideration transferred over the group's net identifiable assets acquired and liabilities assumed. If this consideration is lower than the fair value of the net assets of the subsidiary acquired, the difference is recognised in profit or loss.

After initial recognition, goodwill is measured at cost less any accumulated impairment losses. For the purpose of impairment testing, goodwill acquired in a business combination is, from the acquisition date, allocated to each of the group's cash-generating units that are expected to benefit from the combination, irrespective of whether other assets or liabilities of the acquiree are assigned to those units.

NOTES TO FINANCIAL STATEMENTS continued

FOR THE YEAR ENDED 30 JUNE 2018

2. ACCOUNTING POLICIES (continued)

2.3 Basis of consolidation (continued)

2.3.1 Business combinations and goodwill (continued)

Where goodwill forms part of a cash-generating unit, and part of the operation within that unit is disposed of, the goodwill associated with the operation disposed of is included in the carrying amount of the operation when determining the gain or loss on disposal of the operation. Goodwill disposed of in this circumstance is measured based on the relative values of the operation disposed of and the portion of the cash-generating unit retained.

2.3.2 Business combination under common control

Common control acquisitions

A business combination involving entities or businesses under common control is a business combination in which all of the combining entities or businesses are ultimately controlled by the same party or parties both before and after the business combination, and that control is not transitory.

A transaction deemed to be a transaction under common control consequently falls outside the scope of IFRS 3 Business Combinations. The group's accounting policy is to apply predecessor accounting to common control transactions. Common control accounting is applied and, under the predecessor accounting method, assets and liabilities acquired, including goodwill acquired, are recognised at the predecessor values with the difference between the acquisition value and the aggregate purchase consideration recognised as a separate reserve in equity, a 'common control' reserve.

2.3.3 Investments in subsidiaries, joint ventures and associates in the separate annual financial statements

Investments in subsidiaries are recognised from the date of acquisition, being the date on which the company obtains control, and continue to be recognised until the date that such control ceases.

The group controls an entity when the group is exposed to, or has rights to, variable returns from its involvement with the entity and has the ability to affect those returns through its power over the entity.

Investments in subsidiaries, joint ventures and associates are carried at cost, being the consideration transferred, less any impairment in value. Acquisition costs are capitalised in the company financial statements.

Any contingent consideration to be transferred will be recognised at fair value at the acquisition date. Subsequent changes to the fair value of the contingent consideration which is deemed to be an asset or liability will be recognised in accordance with IAS 39 in profit or loss. If the contingent consideration is classified as equity, it shall not be remeasured until it is finally settled within equity.

2.3.4 Investment in joint venture

The group's investment in an joint venture is accounted for under the equity method of accounting. This is an entity in which the group has joint control. The investment is carried in the statement of financial position at cost plus post-acquisition changes in the group's share of net assets of the joint venture, less any impairment in value.

The statement of comprehensive income reflects the group's share of the results of operations of the joint venture. This is the profit attributable to the group and therefore is profit after tax. Unrealised gains and losses resulting from transactions between the group and the joint venture are eliminated to the extent of the interest in the joint venture.

Upon loss of joint venture, and provided the former joint venture does not become a subsidiary or associate, the group measures and recognises its remaining investment at its fair value. Any difference between the carrying amount of the former joint venture and the fair value of the remaining investment and proceeds from disposal is recognised in profit or loss.

2.3.5 Treasury shares

Shares in Jasco Electronics Holdings Limited held by the Jasco Employee Share Incentive Trust and the Spescom Limited Share Trust that are not allocated to employees, are classified in shareholders' funds as treasury shares. These shares are treated as a deduction from the issued and weighted number of shares and the cost price of the shares is deducted from the shareholders' equity in the statement of financial position.

Dividends received on treasury shares are eliminated on consolidation.

2.4 Segmental information

For management purposes, the group is organised into business units based on their products and services and has four reportable operating segments. The group's operating businesses are organised and managed separately according to the nature of the products and services provided, with each segment representing a strategic business unit that offers different products and serves different markets.



2. ACCOUNTING POLICIES (continued)

2.4 Segmental information (continued)

Management monitors the operating results of its business units separately for the purpose of making decisions about resource allocation and performance assessment. Segment performance is evaluated based on operating profit or loss and is measured on an aggregate basis and reconciled back to the profit or loss in the consolidated statement of comprehensive income.

Segmental revenue includes sales to third parties, as well as arm's length inter-segmental revenue recorded at fair value.

Segmental operating profits exclude interest paid or received, except for interest income on finance lease receivables, and are stated before inter-segmental charges for interest and administration services between group companies.

2.5 Revenue recognition

Revenue is recognised to the extent that it is probable that the economic benefits will flow to the group and the revenue can be reliably measured. Revenue is measured at the fair value of the consideration received, excluding discounts, rebates, value-added tax or duties. The following specific recognition criteria must also be met before revenue is recognised:

Revenue from the sale of goods is recognised when the significant risk and rewards of ownership have passed to the buyer, usually on delivery of the goods.

Revenue from the rendering of services is recognised in the accounting period in which the services are rendered, by reference to the stage of completion of the specific transaction. The stage of completion is measured by reference to the expenses incurred to date as a percentage of total estimated expenses for each contract.

Rental income is derived from operating leases and is recognised on a straight-line basis over the period of each lease.

Contracting revenue comprises the value of work done, based on the stage of completion. The stage of completion is measured by reference to the expenses incurred to date as a percentage of total estimated expenses for each contract. Expected contract losses are recognised in the statement of comprehensive income when identified.

Interest income is recognised as the interest accrues using the effective interest method (that is the rate that exactly discounts estimated future cash receipts through the expected life of the financial instrument to the net carrying amount of the financial asset). Interest income is included in finance income in the statement of comprehensive income.

Dividend income is recognised when the right to receive the dividend has been established.

Administration fee income is recognised in the accounting period in which the services are rendered.

2.6 Cost of sales

Cost of sales comprises the cost of goods sold including any allocation of the direct overhead expenses, net of supplier rebates and discounts including:

- Factory rental costs
- Depreciation of plant and equipment
- Freight and logistic costs

2.7 Foreign currency translation

2.7.1 Foreign currency transactions and balances

Transactions in foreign currencies are recorded at the rates of exchange ruling at the transaction date.

Monetary assets and liabilities denominated in foreign currencies are translated at the rates of exchange ruling at the reporting date. Foreign currency gains and losses are charged to the statement of comprehensive income.

2.7.2 Foreign subsidiaries

The group has investments in foreign subsidiary companies that are classified as foreign entities. The financial statements of these subsidiaries are translated for incorporation into the consolidated financial statements on the following bases:

- Assets and liabilities at the rate ruling at the reporting date
- Income and expenses at a weighted average rate for the period
- Exchange differences arising on translation are recognised in other comprehensive income
- Goodwill and fair value adjustments arising in the acquisition of a foreign entity are treated as assets and liabilities of the foreign entity and are translated at the rate ruling at the reporting date.

NOTES TO FINANCIAL STATEMENTS continued

FOR THE YEAR ENDED 30 JUNE 2018

2. ACCOUNTING POLICIES (continued)

On the disposal of a part or all of the foreign investment, the proportionate share of the related cumulative gains and losses previously recognised in other comprehensive income, is recognised in the profit or loss for the year.

2.8 Taxation

2.8.1 Tax expenses

Current and deferred taxes are recognised as income or expenses and are included in the statement of comprehensive income, except to the extent that it relates to items charged or credited in other comprehensive income or directly to equity. The current tax expense/(income) is based on taxable profit. Taxable profit differs from profit reported in the statement of comprehensive income when there are items of income or expense that are taxable or deductible in other years and it also excludes items that are never taxable or deductible under existing tax legislation. Current tax expenses/(income) are measured at the amount expected to be paid to/(recovered from) the tax authorities, using the tax rates and tax laws that have been enacted or substantively enacted at the reporting date.

2.8.2 Current tax assets and liabilities

Current tax for current and prior periods is, to the extent unpaid, recognised as a tax payable in the statement of financial position. If the amount already paid in respect of current and prior periods exceeds the amount due for those periods, the excess is recognised as a tax receivable in the statement of financial position.

2.8.3 Deferred tax assets and liabilities

Deferred taxation is provided, using the liability method, on temporary differences at the reporting date between the carrying amounts for financial reporting purposes and their tax bases.

Deferred tax liabilities are recognised for all taxable temporary differences, except:

- where the deferred tax liability arises from the initial recognition of goodwill or of an asset or liability in a transaction that is not a business combination and at the time of the transaction, affects neither accounting profit/(loss) nor taxable profit/(loss); and/or
- in respect of taxable temporary differences relating to investments in subsidiaries, associates or joint ventures, where the timing of the reversal of the temporary difference can be controlled and it is probable that the temporary difference will not reverse in the foreseeable future.

Deferred tax assets are recognised for all deductible temporary differences, carry forward of unused tax credits and unused tax losses, to the extent that it is probable that taxable profit will be available against which the deductible temporary difference can be utilised, except:

- when it arises from the initial recognition of an asset or liability in a transaction that is not a business combination and at the time of the transaction, affects neither accounting profit/(loss) nor taxable profit/(loss); or
- in respect of taxable deductible differences relating to investments in subsidiaries, associates or joint ventures, where the timing of the reversal of the temporary difference can be controlled and it is probable that the temporary difference will reverse in the foreseeable future and taxable profit will be available against which the temporary differences can be utilised.

The carrying amount of deferred tax assets in the statement of financial position are reviewed annually and reduced to the extent that it is no longer probable that sufficient taxable profits will be available to allow all or part of the asset to be recovered. Unrecognised deferred income tax assets are re-assessed at each reporting date and are recognised to the extent that it has become probable that future taxable profit will allow the deferred tax asset to be recovered.

Deferred tax assets and liabilities are measured at the tax rates that are expected to apply to the period when the asset is realised or the liability is settled, based on tax rates, and laws, that have been enacted or substantively enacted at the reporting date. The measurement of the deferred tax assets and liabilities reflect the tax consequences that would follow from the manner in which the group expects to recover or settle the carrying amounts of its assets and liabilities at the reporting date. The effect on deferred taxation of any changes in taxation rates is charged to the statement of comprehensive income, except to the extent that it relates to items previously charged or credited to other comprehensive income directly to equity.

Deferred tax assets and liabilities are offset for presentation in the statement of financial position where the group has a legally enforceable right to do so and the income taxes relate to the same tax authority.



2. ACCOUNTING POLICIES (continued)

2.8 Taxation (continued)

2.8.4 Value-added taxation

Revenues, expenses and assets are recognised net of the amount of value-added taxation, except:

- where the value-added tax incurred on a purchase of assets or services is not recoverable from the taxation authority, in which case the value-added tax is recognised as part of the cost of acquisition of the asset or as a part of the expense item as applicable; and
- where receivables and payable are stated with the amount of value-added tax included.

The net amount of value-added tax recoverable from, or payable to, the taxation authority is included as part of the other receivables and payables in the statement of financial position.

2.9 Employee benefits

2.9.1 Short-term employee benefits

The cost of all short-term employee benefits is recognised during the period in which the employee renders the related service.

The provisions for employee entitlements to wages, salaries and annual leave represent the amount that the group has a present obligation to pay as a result of employees' services provided up to the reporting date. The provisions have been calculated at undiscounted amounts based on current wage and salary rates.

2.9.2 Retirement benefits

The group contributes to defined contribution funds.

A defined contribution plan is a pension scheme under which the group pays fixed contributions into a separate entity. The group has no legal or constructive obligation to pay further contributions if the fund does not hold sufficient assets to pay all employees the benefits relating to employee service in current and prior periods. The contributions are recognised as employee benefit expenses when they are due. Prepaid contributions are recognised as an asset to the extent that a cash refund or a reduction in future contribution payments is available.

Contributions to defined contribution funds are charged against income when the related services are rendered.

2.9.3 Share-based compensation

The group operates an equity-settled and a cash-settled share-based compensation plan.

Equity-settled transactions

The cost of equity-settled transactions with employees is measured by reference to the fair value at the date on which they were granted. The fair value of the employee services received in exchange for the shares or options granted is recognised as an expense and a corresponding entry to equity over the period in which the vesting conditions are fulfilled. The cumulative expense recognised for the transactions at each reporting date until the vesting date reflects the extent to which the vesting period has expired and the group's best estimate of the number of equity instruments that will ultimately vest. The expense or credit in the statement of comprehensive income represents the movement in the cumulative expense recognised as at the beginning and end of that period.

No expense is recognised for awards that do not ultimately vest, except for equity-settled transactions where vesting is conditional upon a market or non-vesting condition, which are treated as vesting irrespective of whether or not the market or non-vesting condition is satisfied, provided that all other performance and/or service conditions are satisfied.

Cash-settled transactions

The cost of cash-settled transactions is measured initially at fair value at the grant date. This fair value is expensed over the period until the vesting date with recognition of a corresponding liability. The liability is remeasured to fair value at each reporting date up to and including the settlement date, with changes in fair value recognised in the employee benefits expense.

NOTES TO FINANCIAL STATEMENTS continued

FOR THE YEAR ENDED 30 JUNE 2018

2. ACCOUNTING POLICIES (continued)

2.10 Provisions, contingent liabilities and commitments

Provisions are recognised when the group has a present legal or constructive obligation as a result of a past event, it is probable that an outflow of resources embodying economic benefits will be required to settle the obligation and a reliable estimate can be made of the obligation. Provisions are measured at the present value of management's best estimate of the expenditure required to settle the present obligation at the reporting date.

Transactions arising from past events are classified as contingent liabilities where the group has a possible obligation whose existence will be confirmed only by the occurrence or non-occurrence of one or more uncertain future events not wholly within the control of the group, or the group has a present obligation but is not recognised because it is not probable that an outflow of resources will be required to settle the obligation or the amount cannot be measured with sufficient reliability.

Items are classified as commitments where the group commits itself to future transactions or if the items will result in the acquisition of assets.

Audit fees

Provisions for audit fees are raised in relation to the group's contractual obligation to settle the external audit fees incurred in the audit of the group's financial statements. Given the aforementioned obligation, it is probable than an outflow of resources will be required to settle the group's obligation in regards to these fees, with a reliable estimate made based on the agreed-upon and approved audit fees.

Bonus

The group recognises a liability and an expense for bonuses, based on a formula that takes into consideration the profit attributable to the company's shareholders after certain adjustments and the performance of the respective employees. The group recognises the liability where an estimate can be made of the amount to be paid and it is contractually obliged to do so or there is a past practice that has created a constructive obligation.

Leave Pay

The group recognises leave pay liabilities based on the terms of staff employment. Employee entitlements to annual leave are recognised when they accrue to employees. An accrual is made for the estimated liability to the employees for annual leave up to the balance sheet date.

Warranty

The warranty provision relates to the standard one year warranty on manufactured components for replacement of dysfunctional products due to potential manufacturing defects. A standard percentage of actual annual sales are provided for as a warranty provision, with this provision only adjusted in instances where an indication exists that budgeted sales will fluctuate significantly in the next period.

Other

The provision in fiscal 2018 relates to staff commissions which will be paid out in the month of July 2018. The group has raised provisions in respect of these matters based on estimates and the probability of an outflow of economic benefits

2.11 Plant and equipment

Plant and equipment is stated at cost less accumulated depreciation and any accumulated impairment in value. Initial and subsequent costs are included in the asset's carrying amount or are recognised as a separate asset, as appropriate, only when it is probable that future economic benefits associated with the item will flow to the group and the cost of the item can be measured reliably. All other repairs and maintenance are charged to the statement of comprehensive income during the financial period in which they are incurred.

All plant and equipment is depreciated from the date it is available for use, on a straight-line basis, to write down their cost to their residual value over their estimated useful life. Depreciation ceases at the earlier of either the date the asset is classified as held for sale or the date the asset is derecognised.

2. ACCOUNTING POLICIES (continued)

2.11 Plant and equipment (continued)

Residual values, useful lives and the depreciation method of assets are reviewed, and adjusted prospectively if appropriate, on an annual basis.

Average rates used

Plant and machinery	10% to 20%
Motor vehicles	25%
Leased furniture and office equipment	10% to 33,3%
Hi sites	5% to 20%
Leasehold improvements	20%
Furniture and office equipment	10% to 33,3%
Computer and manufacturing equipment	10% to 20%

An item of plant and equipment is derecognised upon disposal or when no future economic benefits are expected from its use or disposal. Gains or losses on derecognition are determined by comparing the proceeds with the carrying amount. These are included in the statement of comprehensive income.

When a decision is taken to dispose of an asset and the requirements of IFRS 5 have been met, the asset is carried at the lower of its carrying amount and fair value less costs to sell. Depreciation on that asset ceases until it is sold. These assets are disclosed separately on the face of the statement of financial position. Any impairment is recognised directly in profit and loss.

2.12 Impairment of non-financial assets

The group assesses at each reporting date whether there is an indication that an asset may be impaired. If any indication exists, or when annual impairment testing for an asset is required, the group estimates the asset's recoverable amount. An asset's recoverable amount is the higher of an asset's or cash-generating units fair value less costs to sell and its value in use and is determined for an individual asset, unless the asset does not generate cash inflows that are largely independent of those from other assets or groups of assets. Where the carrying amount of an asset or cash-generating unit exceeds its recoverable amount, the asset is considered impaired and is written down to its recoverable amount. In assessing value in use, the estimated future cash flows are discounted to their present value using a pre-tax discount rate that reflects current market assessments of the time value of money and the risks specific to the asset. In determining fair value less costs to sell, recent market transactions are taken into account, if available. If no such transactions can be identified, an appropriate valuation model is used. These calculations are corroborated by valuation multiples, quoted share prices for publicly traded subsidiaries or other available fair value indicators.

The group bases its value in use calculation on detailed budgets and forecast calculations which are prepared separately for each of the group's cash generating units to which the individual assets are allocated. These budgets and forecast calculations are generally covering a period of five years. For longer periods, a long-term growth rate is calculated and applied to project future cash flows after the fifth year.

Impairment losses of continuing operations, including impairment on inventories, are recognised in profit or loss in those expense categories consistent with the function of the impaired asset.

For assets excluding goodwill, an assessment is made at each reporting date as to whether there is any indication that previously recognised impairment losses may no longer exist or may have decreased.

If such indication exists, the group estimates the asset's or cash-generating unit's recoverable amount.

A previously recognised impairment loss is reversed only if there has been a change in the assumptions used to determine the asset's recoverable amount since the last impairment loss was recognised. The reversal is limited so that the carrying amount of the asset does not exceed its recoverable amount, nor exceed the carrying amount that would have been determined, net of depreciation, had no impairment loss been recognised for the asset in prior years. Such reversal is recognised in profit or loss unless the asset is carried at a revalued amount, in which case the reversal is treated as a revaluation increase in other comprehensive income.

NOTES TO FINANCIAL STATEMENTS continued

FOR THE YEAR ENDED 30 JUNE 2018

2. ACCOUNTING POLICIES (continued)

2.12 Impairment of non-financial assets (continued)

The following criteria are also applied in assessing impairment of specific assets:

Goodwill

Goodwill is tested for impairment annually and when circumstances indicate that the carrying value may be impaired. Impairment is determined for goodwill by assessing the recoverable amount of each cash-generating unit (or group of cash-generating units) to which the goodwill relates. Where the recoverable amount of the cash-generating unit is less than their carrying amount, an impairment loss is recognised.

Impairment losses relating to goodwill cannot be reversed in future periods.

Intangible assets

Intangible assets with indefinite useful lives are tested for impairment annually either individually or at the cash-generating unit level, as appropriate and when circumstances indicate that the carrying value may be impaired.

2.13 Inventories

Inventories, being components, finished goods and merchandise, are valued at the lower of cost, determined on the weighted average basis, and net realisable value. The cost of finished goods includes a proportion of overhead expenses as well as direct costs.

Allowance is made for slow-moving and obsolete inventories.

The net realisable value is the estimated selling price in the ordinary course of business, less estimated costs of completion and the estimated costs necessary to make the sale.

2.14 Leases

The determination of whether an arrangement is, or contains, a lease is based on the substance of the arrangement at inception date, whether fulfilment of the arrangement is dependent on the use of a specific asset or assets or the arrangement conveys a right to use the asset, even if that right is not explicitly specified in an arrangement.

2.14.1 Group as a lessee

Finance leases which transfer to the group substantially all the risks and benefits incidental to ownership of the leased item, are capitalised at the commencement of the lease at the fair value of the leased property or, if lower, at the present value of the minimum lease payments. Lease payments are apportioned between finance charges and reduction of the lease liability so as to achieve a constant rate of interest on the remaining balance of the liability. Finance charges are recognised in finance costs in the statement of comprehensive income.

A leased asset is depreciated over the useful life of the asset. However, if there is no reasonable certainty that the group will obtain ownership by the end of the lease term, the asset is depreciated over the shorter of the estimated useful life of the asset and the lease term.

Operating lease payments are recognised as an operating expense in the income statement on a straight-line basis over the lease term.

2.14.2 Group as a lessor

Leases in which the group does not transfer substantially all the risks and benefits of ownership of the asset are classified as operating leases. Initial direct costs incurred in negotiating an operating lease are added to the carrying amount of the leased asset and recognised over the lease term on the same bases as rental income. Contingent rents are recognised as revenue in the period in which they are earned.

Where the group enters into a service agreement as a supplier or a customer that depends on the use of a specific asset, and conveys the right to control the use of the specific asset, the arrangement is assessed to determine whether it contains a lease. Once it has been concluded that an arrangement contains a lease, it is assessed against the criteria in IAS 17 to determine if the arrangement should be recognised as a finance lease or operating lease. Assets held under a finance lease are recognised in the statement of financial position and presented as a receivable at an amount equal to the net investment in the lease. The recognition of finance income is based on a pattern reflecting a constant periodic rate of return on the net investment in the finance lease.

2. ACCOUNTING POLICIES (continued)

2.15 Intangible assets

Intangible assets acquired separately are measured on initial recognition at cost. The cost of intangible assets acquired in a business combination is its fair value as at the date of acquisition. Following initial recognition, intangible assets are carried at cost less any accumulated amortisation and accumulated impairment losses, if any. Internally-generated intangible assets, excluding capitalised development costs, are not capitalised and expenditure is reflected in profit or loss in the year in which the expenditure is incurred.

The useful lives of intangible assets are assessed as either finite or indefinite. Intangible assets with finite lives are amortised over the useful economic life and assessed for impairment whenever there is an indication that the intangible asset may be impaired. The amortisation period and the amortisation method for an intangible asset with a finite useful life is reviewed at least at the end of each reporting period. Changes in the expected useful life or the expected pattern of consumption of future economic benefits embodied in the asset is accounted for by changing the amortisation period or method, as appropriate, and are treated as changes in accounting estimates. The amortisation expense on intangible assets with finite lives is recognised in profit or loss in the expense category consistent with the function of the intangible assets.

The amortisation rate applied to the various categories of intangible assets is as follows:

Technology developments	33,3%
Customer-related intangibles	10% – 20%
Trade names	6,7 – 10%
Computer software	14,3%

Intangible assets with indefinite useful lives are not amortised, but are tested for impairment annually, either individually or at the cash-generating unit level. The assessment of indefinite life is reviewed annually to determine whether the indefinite life continues to be supportable. If not, the change in useful life from indefinite to finite is made on a prospective basis.

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

Research and development costs

Research costs are expensed as incurred.

Development expenditures, on an individual project, are recognised as an intangible asset when the group can demonstrate:

- the technical feasibility of completing the intangible asset so that it will be available for use or sale;
- its intention to complete and its ability to use or sell the asset;
- how the asset will generate future economic benefits;
- the availability of resources to complete the asset; and
- the ability to measure reliably the expenditure during development.

Following initial recognition of the development expenditure as an asset, the cost model is applied requiring the asset to be carried at cost less any accumulated amortisation and accumulated impairment losses. Amortisation of the asset begins when development is complete and the asset is available for use. It is amortised over the period of expected future benefit. Amortisation is recorded in profit or loss. During the period of development, the asset is tested for impairment annually.

2.16 Financial instruments

2.16.1 Initial recognition and classification

Financial instruments within the scope of IAS 39 are classified as financial instruments at fair value through profit or loss, loans and receivables, held-to-maturity investments, available-for-sale financial assets, as appropriate. The group determines the classification of its financial instruments at initial recognition.

NOTES TO FINANCIAL STATEMENTS continued

FOR THE YEAR ENDED 30 JUNE 2018

2. ACCOUNTING POLICIES (continued)

2.16 Financial instruments (continued)

2.16.1 Initial recognition and classification (continued)

All financial instruments are recognised initially at fair value plus, in the case of instruments not at fair value through profit or loss, directly attributable transaction costs.

The group's financial instruments include cash and cash equivalents, trade and other receivables, loans and other receivables, loan payables and trade and other payables, available-for-sale financial assets and derivative financial instruments.

2.16.2 Subsequent measurement

Subsequent to initial recognition, these instruments are measured as set out below:

Trade and other receivables

Trade receivables, which generally have 30 to 90-day terms, are recognised and carried at amortised cost, using the effective interest rate method, less any impairment. An estimate of any impairment is made to an allowance account on individual debtors when there is an indication (such as the probability of insolvency or significant difficulties of the debtor) that the collection of the full amount under the original terms of the invoice is no longer probable. Impaired debts are derecognised when they are assessed as uncollectible. Trade receivables whose terms have been renegotiated are recalculated as a change in estimate.

Cash and cash equivalents

Cash and cash equivalents comprise cash on hand and demand deposits together with any highly liquid investments readily convertible to known amounts of cash. For the purpose of the statement of cash flows, cash and cash equivalents consist of cash and cash equivalents as defined above, net of outstanding bank overdrafts.

Cash and cash equivalents are carried at amortised cost.

Loans and other receivables

These are non-derivative financial assets, recognised at amortised cost, using the effective interest rate method, less any impairment. Amortised cost is calculated by taking into account any issue costs and any discount or premium on settlement.

Available-for-sale financial assets

Available-for-sale financial investments include equity and debt securities. Equity investments classified as available-for-sale are those, which are neither classified as held for trading nor designated at fair value through profit or loss. Debt securities in this category are those which are intended to be held for an indefinite period of time and which may be sold in response to needs for liquidity or in response to changes in the market conditions.

After initial measurement, available-for-sale financial investments are subsequently measured at fair value with unrealised gains or losses recognised as other comprehensive income in the available-for-sale reserve until the investment is derecognised, at which time the cumulative gain or loss is recognised in other operating income, or determined to be impaired, at which time the cumulative loss is reclassified to profit or loss in finance costs and removed from the available-for-sale reserve.

Loans payable and trade and other payables

These are non-derivative financial liabilities, recognised at amortised cost, comprising original debt less principal repayments, using the effective interest rate method. Amortised cost is calculated by taking into account any issue costs and any discount or premium on settlement.

Derivative instruments

Derivative instruments comprise foreign currency contracts and foreign currency option contracts and are used by the group to economically hedge its risks associated with currency fluctuations.

Derivative financial instruments are held for trading and carried at fair value through profit and loss.

The fair value of foreign currency contracts and option contracts is calculated through reference to the current forward exchange contracts and option contracts with similar maturity profiles. Any gains or losses arising from the change in fair value, calculated as the difference between the instrument's forward value and the forward value of a current instrument with a similar maturity profile, are taken directly to the statement of comprehensive income.



2. ACCOUNTING POLICIES (continued)

2.16.3 Derecognition

The derecognition of a financial instrument occurs when the group no longer controls the contractual rights to receive cash flows from the asset or the obligation has been extinguished, which is normally the case when the instrument is sold, or all the cash flows attributable to the instrument are passed through to an independent third party. Any profit or loss on derecognition is recognised in the statement of comprehensive income.

2.17 Significant accounting judgement and estimates

The preparation of the group's consolidated and separate financial statements requires management to make judgements, estimates and assumptions that affect the reported amounts of revenues, expenses, assets and liabilities and the disclosure of contingent liabilities, at the end of the reporting period. However, uncertainty about these assumptions and estimates could result in outcomes that require a material adjustment to the carrying amount of the asset or liability affected in future periods.

In the process of applying the group's accounting policies, management has made the following judgements, estimates and assumptions, which have the most significant effect on the amounts recognised in the consolidated and separate financial statements:

2.17.1 Impairment of financial assets

At each reporting date, management assesses whether there are indicators of impairment of financial assets. If such evidence exists, the estimated present value of the future cash flows of that asset is determined. Management's judgement is required when determining the expected future cash flows. Refer to notes 11 and 12.

2.17.2 Impairment of non-financial assets

At each balance sheet date the group reviews the carrying amount of its tangible and intangible assets to determine whether there is any indication that those assets that have suffered an impairment loss. If any such indication exists, the recoverable amount of the asset is estimated in order to determine the extent of the impairment loss, if any. Where it is not possible to estimate the recoverable amount of an individual asset, the group estimates the recoverable amount of the CGU to which the asset belongs.

Recoverable amount is the higher of fair value less costs to sell and the value in use. For the purposes of assessing impairment, assets are grouped at the lowest levels for which there are separately identifiable cash flows (CGU's). If the recoverable amount of the CGU is estimated to be less than its carrying amount, the carrying amount of the CGU is reduced to its recoverable amount. An impairment loss is recognised immediately in profit or loss. Refer to note 10.

2.17.3 Acquisition of subsidiary companies

Subsidiaries are entities that are defined as being under the control of the group. In certain cases, the assessment of control requires management to apply significant judgement. The ability of management to direct or has rights to the variable returns from its involvement with the subsidiary and has the ability to affect those returns through its power over the subsidiary company reflects control over the subsidiary.

For the RAMM acquisition that occurred in 2018 fair values were determined using a discounted cash flows technique which takes into account various judgements and estimates relating to discount rates, projected cash flows and growth rates. Refer to note 3.

2.17.4 Deferred taxation

Management's judgement is exercised when determining the probability of future taxable profits, which will determine whether deferred tax assets should be recognised or derecognised. The utilisation of deferred tax assets will depend on whether it is possible to generate sufficient taxable income, taking into account any legal restrictions on the length and nature of the taxation asset. When deciding whether to recognise unutilised taxation credits, management needs to determine the extent to which future payments are likely to be available for set-off. In the event that the assessment of future payments and future utilisation changes, the change in the recognised deferred taxation is recognised in profit or loss. Refer to note 7.

2.17.5 Fair value measurement of intangible assets

When the fair values of intangible assets recorded in the statement of financial position cannot be measured based on quoted prices in active markets, their fair value is measured using valuation techniques including the DCF model. The inputs to these models are taken from observable markets where possible, but where this is not feasible, a degree of judgement is required in establishing fair values. Judgements include considerations of inputs such as discount rates, projected cash flows and growth rates. Changes in assumptions about these factors could affect the reported fair value of intangible assets. Refer to note 10.

NOTES TO FINANCIAL STATEMENTS continued

FOR THE YEAR ENDED 30 JUNE 2018

2. ACCOUNTING POLICIES (continued)

2.18 Standards and interpretations issued and not yet effective

The following Standards and Interpretations or amendments thereto have been issued and are not yet effective at the time of this report. Only those that may be expected to affect these financial statements have been detailed below:

Number	Name	Details of amendment	Effective Date
IAS 12	Income Taxes	Annual Improvements 2015 – 2017 Cycle: Clarification that all income tax consequences of dividends should be recognised in profit or loss, regardless how the tax arises.	1 January 2019
IAS 19	Employee Benefits	Plan amendment, curtailment or settlement: The amendments require an entity to use the updated assumptions from a remeasurement net defined benefit liability or asset resulting from a plan amendment, curtailment or settlement to determine current service cost and net interest for the remainder of the reporting period after the change to the plan.	1 January 2019
IFRS 23	Borrowing costs	Annual Improvements 2015 – 2017 Cycle: the amendments clarify that if any specific borrowing remains outstanding after the related asset is ready for its intended use or sale, that borrowing becomes part of the funds that an entity borrows generally when calculating the capitalisation rate on general borrowings.	1 January 2019
IFRS 2	Share-based Payment	The amendments address the effects of vesting conditions on the measurement of a cash-settled share-based payment (SBP); The accounting requirements for a modification to the terms and conditions of a share-based payment that changes the classification of the transaction from cash-settled to equity-settled; and classification of share-based payment transactions with net settlement features. There's no impact expected as Jasco's share-based payment awards are equity settled. The cash-settled share-based payment scheme is immaterial.	1 January 2018
IFRS 3	Business combinations	Clarification that when an entity obtains control of a business that is a joint operation, it is required to remeasure the previously held interest in that business	1 January 2019
IFRS 9	Financial Instruments	IFRS 9 Financial Instruments addresses the classification, measurement and derecognition of financial assets and financial liabilities and a new impairment model for financial assets. The group has reviewed its financial assets and financial liabilities and is expecting no material impact from the adoption of the new standard on 1 July 2018.	1 January 2018

Classification and measurement

The majority of financial assets held by the group include trade and other receivables, these are currently classified as loans and receivables and are measured at amortised cost.

Under IFRS 9, trade and other receivables continue to be measured at amortised cost as they are held to collect contractual cash flows consisting of principal and interest.

Accordingly, the new guidance under IFRS 9 is not expected to affect the classification and measurement of these financial assets.

Impairment

Jasco provides for doubtful debts on a limited basis. In the main the debtors are mid to large size businesses (mostly blue chip corporates) and are lower risk in nature. In almost all cases the risk is one of quantum and timing rather than default.

Disclosures

The new standard also introduces expanded disclosure requirements and changes in presentation. These are expected to change the nature and extent of the group's disclosures about its financial instruments, particularly in the year of the adoption of the new standard.

Intercompany loans

Entities applying IFRS 9 will be required to calculate expected credit losses on intercompany loans. This will apply to intercompany loans in the company.

The majority of Jasco's intercompany loans are repayable on demand. For the majority of Jasco's intercompany loans the borrower would be unable to pay immediately if the repayment of the loan was demanded by the lender. In any of these instances it is expected that the lender will allow the borrower to continue trading in order to maximise the recovery thereof (a repay over time strategy). The future cash flow trading forecasts cover the outstanding balances of the intercompany loans and thus the expected credit losses are expected to be limited, by discounting the amount due on the loan over the period until the cash is realised and repaid to the lender.

Date of adoption

The group will adopt IFRS 9 from 1 July 2018, the impact of this adoption will be adjusted against opening retained earnings and comparatives will not be restated.

2. ACCOUNTING POLICIES (continued)

2.18 Standards and interpretations issued and not yet effective (continued)

IFRS 15	Revenue from Contracts with Customers	<p>IFRS 15 establishes a single, comprehensive framework detailing the principles an entity must apply when accounting for revenue arising from contracts with customers. It replaces existing revenue recognition guidance, including IAS 18 Revenue, IAS 11 Construction Contracts and IFRIC 13 Customer Loyalty Programmes.</p> <p>Five step approach</p> <p>IFRS 15 establishes a new five-step model that will apply to revenue arising from contracts with customers. Under IFRS 15 revenue is recognised at an amount that reflects the consideration to which an entity expects to be entitled in exchange for transferring goods or services to a customer.</p> <p>The principles in IFRS 15 provide a more structured approach to measuring and recognising revenue. The new revenue standard will supersede all current revenue recognition requirements under IFRS.</p> <p>Impact assessment</p> <p>A detailed impact assessment was conducted by each of the business units within the group, taking into account the five steps detailed under IFRS 15 and the impact, if any, to each of their revenue streams. No material modifications to the current revenue recognition model were identified as the revenue streams within the group are relatively straight-forward rendering of service or sale of goods contracts.</p> <p>The transitional impact is only considered for revenue recognition for Service-Level Agreements (SLA's) longer than 12 months, however, the current revenue recognition policy under IAS 18 is based on the stage of completion method which is consistent to the output methods under IFRS 15.B15.</p> <p>Date of adoption</p> <p>The group expects to adopt the modified retrospective approach to IFRS 15 to each reporting period presented as from 1 July 2018</p>	1 January 2018
IFRS 16	Leases	Introduces a single lessee accounting model and requires a lessee to recognise assets and liabilities for all leases with a term of more than 12 months, unless the underlying asset is of low value. IFRS 16 substantially carries forward the lessor accounting requirements in IAS 17.	1 January 2019
IFRIC 22	Foreign Currency Transactions and Advance Consideration	This interpretation addresses the exchange rate to use in transactions that involve advance consideration paid or received in a foreign currency.	1 January 2018
IFRS 10 and IAS 28	Consolidated Financial Statements (IFRS 10) and Investments in Associates and Joint Ventures (IAS 28)	Sale or Contribution of Assets between an Investor and its Associate or Joint Venture (Amendments to IFRS 10 and IAS 28): Narrow scope amendment to address an acknowledged inconsistency between the requirements in IFRS 10 and those in IAS 28 (2011), in dealing with the sale or contribution of assets between an investor and its associate or joint venture.	The effective date of this amendment has been deferred indefinitely until further notice.
IFRS 11	Joint Arrangements	Classification that when an entity obtains joint control of a business that is a joint operation, it is required to remeasure the previously held interest in that business	1 January 2019

** Annual periods beginning on or after, unless otherwise indicated.

The group is investigating the impact of these pronouncements and intends to apply them as they become effective, if applicable. For the most part, unless indicated above, the effect of these Standards and Interpretations are not expected to be significant.

NOTES TO FINANCIAL STATEMENTS continued

FOR THE YEAR ENDED 30 JUNE 2018

	Issued share capital	Effective ownership	
		2018 %	2017 %
3. SUBSIDIARY COMPANIES INCLUDED IN THESE RESULTS			
Trading companies			
<i>Direct</i>			
Jasco Trading (Pty) Limited	4 180	100	100
Jasco Carrier Solutions (Pty) Limited	4 000	100	100
Jasco Energy and Industry Solutions (Pty) Limited	6 406 859	100	100
Jasco Networks (Pty) Limited	13 400	100	100
Jasco Enterprise (Pty) Limited	100	100	100
Jasco East Africa Limited ^{&}	100	–	99
Jasco Systems (Pty) Limited	100	100	100
Jasco Distributors (Pty) Limited (formerly: Jasco Managed Solutions (Pty) Limited)	11 500	70	70
Jasco IOT Solutions (Pty) Limited [^]	1 000	51	100
Jasco Property Solutions (Pty) Limited [^]	100	51	100
Reflex Solutions (Pty) Limited	1 000	51	51
RAMM Systems (Pty) Limited	1 000	51	–
Jasco Technical Services (Pty) Ltd [†]	100	10	25
<i>Indirect</i>			
Ferro Resonant Technologies (Pty) Limited*	1 000	100	100
Maringo Communications (Pty) Limited [#]	228	100	100
MV Fire Protection (Pty) Limited [§]	297	51	51
NewTelco South Africa (Pty) Limited [§]	100	67	67
Jasco Services (Pty) Limited [§]	100	82	82
Jasco ICT Datafusion (Pty) Limited [®]	183 674	51	10
Dormant			
Jasco Cables Investments (Pty) Limited	543 780	100	100
Jasco Converged Solutions (Pty) Limited [§]	1 001	100	100
Jasco Infrastructure Company (Pty) Limited [§] (formerly: Jasco Properties (Pty) Limited)	100	100	100
Telesto Communications (Pty) Limited	1 000	100	100
Webb Industries (Pty) Limited [§]	1 000	100	100
Webb Masts and Towers (Pty) Limited	400	100	100

The ownership interest equates the voting rights.

* Shares owned by Jasco Trading (Pty) Limited.

Shares owned by Jasco Carrier Solutions (Pty) Limited.

§ Shares owned by Jasco Energy and Industry Solutions (Pty) Limited.

® Shares owned by Reflex Solutions (Pty) Limited.

& Effective ownership is equal to the voting rights. The remainder of the voting rights are held by non-controlling interests.

[^] In the 2017 financial year, the company held 100% shareholding which decreased to 51%. In current year, a 49% shareholding was sold to other parties. The related companies were startups in 2017.

[†] As the shares are pledged as security over the outstanding loan, Jasco Technical Services (Pty) Ltd is consolidated by the group. Jasco directs the relevant activities of JTS and level of control is via the outsourcing services agreement in which Jasco appoints JTS as its service provider for security installation services.

	2018 R'000	2017 R'000
Aggregate profits of subsidiaries	53 010	140 230
Aggregate losses of subsidiaries	(29 843)	(34 838)
	23 167	105 392



3. SUBSIDIARY COMPANIES INCLUDED IN THESE RESULTS (continued)

Non-controlling interest

	Opening NCI R'000	NCI: At acquisition R'000	Dividends R'000	Transactions with non- controlling shareholders R'000	NCI: Current profit/loss R'000	Closing NCI R'000
2018						
Reflex Solutions (Pty) Limited	8 556	–	(3 675)	(1 163)	8 423	12 141
MV Fire Protection (Pty) Limited	4 382	–	(1 323)	–	(174)	2 885
NewTelco South Africa (Pty) Limited	6 047	–	(4 000)	–	836	2 883
RAMM Systems (Pty) Limited	–	9 953	–	–	910	10 863
Jasco ICT Datafusion (Pty) Limited	–	(1 457)	–	405	1 052	–
Other non-significant NCI	(1 935)	–	–	–	–	(1 935)
	17 050	8 496	(8 998)	(758)	11 047	26 837
2017						
Reflex Solutions (Pty) Limited	–	6 966	–	–	1 590	8 556
MV Fire Protection (Pty) Limited	4 325	–	(826)	–	883	4 382
NewTelco South Africa (Pty) Limited	4 713	–	–	–	1 334	6 047
Other non-significant NCI	(1 938)	–	–	3	–	(1 935)
	7 100	6 966	(826)	3	3 807	17 050

NOTES TO FINANCIAL STATEMENTS continued

FOR THE YEAR ENDED 30 JUNE 2018

3. SUBSIDIARY COMPANIES INCLUDED IN THESE RESULTS (continued)

	Reflex		MV Fire		New Telco SA		RAMM		Datafusion	
	2018	2017	2018	2017	2018	2017	2018	2017	2018	2017
	R'000	R'000	R'000	R'000	R'000	R'000	R'000	R'000	R'000	R'000
Summarised statement of profit or loss for 2018										
Revenue	161 683	28 418	27 855	31 619	25 126	27 650	13 342	-	10 260	-
Cost of sales	(89 719)	(17 568)	(23 489)	(20 203)	(15 214)	(14 874)	(2 167)	-	(5 205)	-
Operating expenses (incl. other income)	(47 729)	(6 225)	(5 002)	(7 912)	(6 075)	(5 449)	(8 592)	-	(2 692)	-
Finance costs	(643)	(118)	(622)	(335)	(260)	(1 647)	(4)	-	(216)	-
Profit/(loss) before tax	23 592	4 507	(1 258)	3 169	3 577	5 680	2 579	-	2 147	-
Income tax expense	(6 403)	(1 262)	903	(1 366)	(1 043)	(1 636)	(722)	-	-	-
Total comprehensive income/(loss)	17 189	3 245	(355)	1 803	2 534	4 044	1 857	-	2 147	-
Attributable to non-controlling interests	8 423	1 590	(174)	883	836	1 334	910	-	1 052	-
Summarised statement of financial position as at 2018										
Current assets	29 746	19 151	14 649	14 269	11 480	27 782	9 800	-	1 599	-
Non-current assets	14 319	6 986	1 176	941	1 786	2 363	897	-	-	-
Total assets	44 065	26 137	15 825	15 210	13 266	30 145	10 697	-	1 599	-
Equity	15 340	9 300	3 085	6 140	2 744	12 209	7 185	-	(3 563)	-
Current liabilities	22 478	12 688	6 567	5 350	10 213	16 624	3 107	-	3 753	-
Non-current liabilities	6 247	4 149	6 173	3 720	309	1 312	405	-	1 409	-
Total equity and liabilities	44 065	26 137	15 825	15 210	13 266	30 145	10 697	-	1 599	-
Summarised statement of cash flow for 2018										
Operating activities	12 797	2 243	(309)	(2 824)	(13 586)	2 888	(866)	-	621	-
Investing activities	(10 230)	4 339	(1 862)	(180)	11 162	14 944	3 201	-	(632)	-
Financing activities	61	(4 525)	2 750	986	(331)	(19 938)	(2 104)	-	626	-
Net movement in cash and cash equivalents	2 628	2 057	579	(2 018)	(2 755)	(2 106)	231	-	615	-

* From 1 March 2018 to 30 June 2018, Datafusion was a 100% subsidiary of Reflex Solutions – refer to note 3.



3. SUBSIDIARY COMPANIES INCLUDED IN THESE RESULTS (continued)

Acquisitions in 2017

With effect from 1 May 2017, the group acquired 51% of the shares in Reflex Solutions (Pty) Limited for a maximum undiscounted purchase consideration of R39 780 000, discounted value being R37 726 373. Reflex Solutions is a comprehensive IT solutions provider, offering services ranging from network infrastructure and data centres to voice and data connectivity and a variety of customer support services.

Included in the consideration is a contingent consideration amount of R9 780 000 subject to a audited net profit after tax target being met in 2018. The target is expected to be met. R30 million was settled on 5 July 2017.

The purchase consideration was discounted using an assumed discount rate of 10,5%.

The fair values of the customer-related intangibles for Reflex Solutions were determined using a discounted cash flows technique. The significant unobservable inputs (level 3 inputs) used were as follows:

- an assumed discount rate of 16,55%
- an EBIT margin of 15%
- a growth rate of 6%

The sensitivity impact of the key assumptions used in the DCF valuation are detailed in the following table:

Key assumption	EBIT margin		Growth rate		Discount rate	
(Amounts in R'000)	(1%)	1%	(1%)	1%	(1%)	1%
Customer-related intangible	(932)	932	(169)	171	146	(142)
Tradenname-related intangible	n/a	n/a	(47)	48	44	(43)
Goodwill	(342)	342	(79)	80	70	(68)

From the date of acquisition, Reflex Solutions contributed R28 417 887 of revenue and R4 506 172 to profit before tax of the group in 2017. If the combination had taken place at the beginning of the 2017 year, the revenue would have been R87 610 646 and the profit before tax contribution would have been R15 394 524.

The fair values of the assets and liabilities of the acquired subsidiaries as at date of acquisition were as follows:

	Reflex R'000
Assets	
Plant and equipment	6 131
Cash and cash equivalents	5 641
Trade and other receivables	26 470
Inventories	2 639
Trade names	1 826
Customer-related intangibles	9 508
	<hr/> 52 215
Liabilities	
Trade and other payables	22 667
Deferred tax liability	3 487
Interest-bearing liabilities	8 300
Taxation payable	3 544
	<hr/> 37 998
Total identifiable net assets at fair value	<hr/> 14 217
Non-controlling interest	(6 966)
Goodwill arising on acquisition	30 475
Purchase consideration (note 25.3)	<hr/> 37 726

NOTES TO FINANCIAL STATEMENTS continued

FOR THE YEAR ENDED 30 JUNE 2018

3. SUBSIDIARY COMPANIES INCLUDED IN THESE RESULTS (continued)

Acquisitions in 2018

With effect from 1 September 2017, Jasco increased its investment in Jasco Datafusion from 10% to 51% for a maximum undiscounted amount of R3 million. In addition a R3,3 million working capital loan was injected into the Datafusion business subsequent to this acquisition. The entity specialises in connectivity and data transmission related value added services to small and medium businesses. The initial investment was carried at cost.

With effect from 1 March 2018, Reflex Solutions (a group subsidiary) acquired a 100% interest in Datafusion including the working capital loan of R3,3 million from Jasco and Datafusion's minority interest for an amount of R5 million as a common control transaction. Of the R5 million, R3.75 million is contingent on Datafusion achieving future annualised revenue targets between September 2018 and November 2018, and it is not probable that these revenue targets will be achieved. From the remainder of the R1,25 million, R637 500 is payable to Jasco. The group still maintains its 51% interest indirectly through its shareholding in Reflex Solutions. In the company the following loss arose when Datafusion was sold to Reflex:

	R'000
Loans receivable	3 300
Investment at cost	3 000
Proceeds on disposal	(637)
Loss on disposal to Reflex Solutions – Company	<u>5 663</u>
The non-controlling interest share of profits were attributable as follows in the 2018 financial year:	
1 September 2017 to 28 February 2018	1 052
1 March 2018 to 30 June 2018	388
	<u>1 440</u>

On a group level the acquisition by Reflex of Datafusion results in a transaction with non-controlling interest of R758 000 as reflected in the group statement of changes in equity.

With effect from 1 March 2018, the group acquired 51% of the shares in RAMM Systems (Pty) Limited for a maximum undiscounted purchase consideration of R30 600 000, discounted value being R28 984 735. RAMM provides real-time asset monitoring and measurement services to a major municipality in the Western Cape.

The purchase consideration is split into two equal tranches, with the first tranche settled on 31 August 2018, and the second tranche due seven working days following the receipt of Annual Financial Statements for the 15 month period ended 31 May 2018.

The purchase consideration was discounted using an assumed discount rate of 10%.

The fair values of the customer-related intangibles for Datafusion and RAMM were determined using a discounted cash flows technique. The significant unobservable inputs (level 3 inputs) used were as follows:

- an assumed discount rate of 21.7%
- an EBIT margin of 15%
- a growth rate of 5%

The sensitivity impact of the key assumptions used in the DCF valuation of Datafusion are detailed in the following table:

Key assumption	EBIT margin		Growth rate		Discount rate	
(Amounts in R'000)	(1%)	1%	(1%)	1%	(1%)	1%
Customer-related intangible	(239)	239	(107)	110	53	(51)
Goodwill	(88)	88	(39)	41	20	(19)

The sensitivity impact of the key assumptions used in the DCF valuation of RAMM Technologies are detailed in the following table:

Key assumption	EBIT margin		Growth rate		Discount rate	
(Amounts in R'000)	(1%)	1%	(1%)	1%	(1%)	1%
Customer-related intangible	(1 108)	1 108	(350)	360	308	(296)
Tradenamе-related intangible	n/a	n/a	(25)	26	18	(17)
Goodwill	(407)	407	123	(119)	120	(115)

From the date of acquisition, Datafusion contributed R14 959 043 of revenue and R3 515 055 to profit before tax of the group. If the combination had taken place at the beginning of the year, the revenue would have been R17 693 136 and the loss before tax contribution would have been R1 210 623.



3. SUBSIDIARY COMPANIES INCLUDED IN THESE RESULTS (continued)

From the date of acquisition, RAMM contributed R13 342 119 of revenue and R2 578 621 to profit before tax of the group. If the combination had taken place at the beginning of the year, the revenue would have been R60 980 164 and the profit before tax contribution would have been R4 184 030.

The group elected to measure the non-controlling interest in the acquiree at the non-controlling shareholders' proportionate share in the recognised amounts of the acquiree's identifiable net assets.

The fair values of the assets and liabilities of the acquired subsidiaries as at date of acquisition were as follows:

	Datafusion R'000	RAMM* R'000
Assets		
Plant and Equipment	–	1 030
Cash and cash equivalents	2 910	3 200
Trade and other receivables	413	2 710
Inventories	–	1 456
Customer related intangibles	3 506	20 811
	6 829	29 207
Liabilities		
Trade and other payables	5 061	434
Deferred tax liability	982	5 827
Interest-bearing liabilities	3 760	2 509
Taxation payable	–	124
	9 803	8 894
Total identifiable net (liabilities)/assets at fair value	(2 974)	20 313
Non-controlling interest	1 457	(9 953)
Goodwill arising on acquisition	4 517	18 625
Purchase consideration (note 25.3)	3 000	28 985

* Provisional amounts.

Provisional amounts are used for RAMM due to the fact that the acquisition was close to year-end.

RAMM was purchased with the objective of providing an entry into real-time asset monitoring and measurement (Internet of Things) market and also providing greater exposure to the public sector.

Datafusion was purchased with the objective of combining the business with Reflex Solutions and leveraging their IT platforms. The goodwill arising on the acquisition of Datafusion of R4 517 000 was impaired at the date of acquisition as it is not considered recoverable.

Disposal in 2018

The group reduced its interest in Jasco East Africa from 99% to 40% as of 1 October 2017, for a nominal value of R1 000.

	Jasco East Africa R'000
Assets	
Plant and Equipment	204
Trade and other receivables	706
Inventories	248
Cash and cash equivalents	328
Taxation receivable	47
	1 533
Liabilities	
Trade and other payables	(1 776)
Total identifiable net liabilities at fair value	(243)
Equity	38
Consideration receivable	(1)
Profit on disposal	(206)

The fair value of assets and liabilities of the remaining 40% interest in Jasco East Africa were negative, therefore the investment was brought in at a cost of R1 000.

NOTES TO FINANCIAL STATEMENTS continued

FOR THE YEAR ENDED 30 JUNE 2018

	Group		Company	
	2018 R'000	Restated* 2017 R'000	2018 R'000	Restated* 2017 R'000
4. REVENUE				
Sale of goods	746 111	704 872	-	-
Rendering of services	371 270	303 982	-	-
Rental income	29 702	27 655	-	-
Dividend income	-	-	3 825	-
Finance income – amounts owing by subsidiaries	-	-	6 494	5 220
Administration fees	-	-	10 587	7 351
Total revenue	1 147 803	1 036 509	20 906	12 571

* Restated – refer to note 35.

5. COST OF SALES				
Cost of inventory expensed	597 747	590 963	-	-
Other direct purchase cost	38 450	9 385	-	-
Cost of conversion	35 689	20 157	-	-
Labour cost	114 721	103 559	-	-
Total cost of sales	786 607	724 064	-	-

6. PROFIT/(LOSS) BEFORE TAXATION

The operating profit/(loss) is stated after allowing for the following:

Income

Foreign exchange gains arising from financial instruments at fair value through profit and loss

– realised

– unrealised arising from change in fair value

Bad debts recovered

Commission and discount received

Rental income

Recovery costs

Debtor overpayments

Reversal of penalty accrual

Insurance proceeds

Profit on disposal of plant and equipment

Profit on disposal of Jasco East Africa subsidiary

Reversal of impairment of loan to the Jasco

Employee Share Incentive Trust

Third party contributions towards media shows

Seta refunds

Other

Total other income

	17 439	13 697	782	-
	13 415	9 989	634	-
	4 024	3 708	148	-
	138	65	-	-
	1 063	463	-	-
	2 568	1 116	-	-
	2 336	4 213	-	-
	235	1 911	-	-
	869	-	-	-
	839	204	-	-
	354	242	-	-
	206	-	-	-
	-	-	310	681
	824	515	-	-
	379	1 892	-	-
	187	173	-	-
	27 437	24 490	1 092	681



	Group		Company	
	2018 R'000	Restated* 2017 R'000	2018 R'000	Restated* 2017 R'000
6. PROFIT/(LOSS) BEFORE TAXATION (continued)				
Income (continued)				
Finance income	4 285	6 986	1 455	1 598
• Finance income from loans and receivables	3 580	4 269	1 455	1 598
– bank interest	2 496	1 418	1 364	–
– other loans	1 084	2 851	91	1 598
• Finance income from finance lease agreements	705	2 717	–	–
Expenditure				
Administration, managerial and secretarial fees paid to subsidiaries	–	–	3 023	4 463
Administration, managerial and secretarial fees paid to others	4	–	–	–
Amortisation of intangible assets (refer note 10)	14 338	4 738	–	–
Auditors' remuneration	3 306	5 241	800	650
– audit fees (current year)	3 344	4 534	800	650
– audit fees (prior year)	(63)	(1)	–	–
– consulting and taxation services	25	708	–	–
Acquisition cost	1 743	2 655	–	–
Depreciation of plant and equipment (refer note 9)	16 548	12 960	–	–
Finance costs of other financial liabilities	24 451	18 521	21 668	15 201
• Finance costs	22 633	17 212	21 668	15 201
– amounts owing to subsidiaries	–	–	–	3
– bank loans and overdrafts	450	5 532	430	5 177
– corporate bond and term loan	19 277	9 364	19 277	9 364
– other loans	719	1 461	–	–
– other	2 187	855	1 961	657
• Finance charges	1 818	1 309	–	–
– finance lease agreements	613	224	–	–
– instalment sale agreements	1 205	1 085	–	–
Foreign exchange losses arising from financial instruments at fair value through profit and loss	21 437	22 324	634	85
– realised	17 999	20 537	634	5
– unrealised arising from change in fair value	3 438	1 787	–	80
Loss on deregistration of Spescom Electronics Holdings	–	–	–	6 351
Loss on disposal of Datafusion (refer note 3)	–	–	5 663	–
Loss on disposal of property, plant and equipment	289	321	–	–
Loss on fair value adjustment	–	239	–	239
Impairment of goodwill – 2018: Datafusion (2017: Enterprise CGU impairment)	4 517	28 302	–	–
Impairment of loan to Jasco East Africa	2 500	–	–	–

NOTES TO FINANCIAL STATEMENTS continued

FOR THE YEAR ENDED 30 JUNE 2018

	Group		Company	
	2018	Restated*	2018	Restated*
	R'000	R'000	R'000	R'000

6. PROFIT/(LOSS) BEFORE TAXATION (continued)

Expenditure (continued)

Operating lease charges

– rental premises

– equipment

– motor vehicles

Research and development costs

Royalties paid

Staff costs

• Short-term benefits

– non-executive directors

– executive directors

– executive management

– other staff (including other benefits)#

• Equity settled share-based payment (refer note 19.1)

– executive directors

– executive management

– other staff

• Post-employment benefits – total amounts contributed to defined contribution funds

– executive directors

– executive management

– other staff

• Other short-term benefits

– executive directors

– executive management

Operating lease charges	21 995	18 872	–	–
– rental premises	20 695	17 465	–	–
– equipment	160	276	–	–
– motor vehicles	1 140	1 131	–	–
Research and development costs	74	356	–	–
Royalties paid	–	349	–	–
Staff costs	304 022	270 815	2 229	2 011
• Short-term benefits	279 433	245 231	2 229	2 011
– non-executive directors	2 229	1 988	2 229	1 988
– executive directors	6 272	6 285	–	–
– executive management	16 025	17 045	–	–
– other staff (including other benefits)#	254 907	219 913	–	23
• Equity settled share-based payment (refer note 19.1)	1 820	3 162	–	–
– executive directors	1 365	2 578	–	–
– executive management	418	525	–	–
– other staff	37	59	–	–
• Post-employment benefits – total amounts contributed to defined contribution funds	20 476	21 816	–	–
– executive directors	205	1 011	–	–
– executive management	663	1 767	–	–
– other staff	19 608	19 038	–	–
• Other short-term benefits	2 293	606	–	–
– executive directors	663	421	–	–
– executive management	1 630	185	–	–

* Restated – refer to note 35.

R106 749 097 (2017: R103 558 843) included as part of cost of sales per note 5.

	Group		Company	
	2018 R'000	Restated* 2017 R'000	2018 R'000	2017 R'000
7. TAXATION				
South African normal taxation				
Current	16 519	13 012	418	467
– current year charge	17 046	12 813	418	467
– prior year (over)/under provision	(527)	199	–	–
Deferred	(3 933)	12 755	–	672
– temporary differences	(5 167)	1 871	–	672
Reduction of tax losses recognised	1 237	10 884	–	–
– prior year over provision	(3)	–	–	–
Foreign taxes	156	198	–	–
Total normal tax	12 742	25 966	418	1 139
Dividends tax	12	10	–	–
Total taxation	12 754	25 976	418	1 139

The reconciliation of the effective rate of the tax charge to the company tax rate is as follows:

Standard taxation rate	(%)	28,0	28,0	28,0	28,0
Prior year (over)/under provision	(%)	(3,2)	2,1	–	–
Non-deductible expenses	(%)	37,4	(145,3)	(24,7)	(34,7)
Interest on Corporate Bond	(%)	9,5	(30,1)	(11,3)	(20,0)
IFRS 2 charges	(%)	3,2	(9,4)	–	–
Acquisition costs of subsidiaries	(%)	3,0	(7,9)	(0,7)	(3,5)
Loss due to fraud	(%)	–	(2,2)	–	–
Donations	(%)	0,9	(2,1)	–	–
Loss on deregistration of Spescom Electronic Holdings	(%)	–	–	–	(9,8)
Loss on disposal of Jasco ICT Datafusion	(%)	–	–	(11,7)	–
Impairment of goodwill	(%)	7,8	(83,7)	–	–
Impairment of loan receivable from East Africa	(%)	4,3	–	–	–
Equity accounted losses	(%)	7,1	(5,4)	–	–
Other	(%)	1,6	(4,5)	(1,0)	(1,4)

The interest on the corporate bond and acquisition costs are capital in nature in terms of the South African Income Tax Act.

The IFRS 2 charges, donations and other non-deductibles are disallowed expenses in terms of the South African Income Tax Act.

Non-taxable income		(1,7)	(0,1)	(6,4)	0,4
Dividends received	(%)	–	–	(7,9)	–
Insurance recovery of prior year fraud	(%)	(1,5)	–	–	–
Profit on sale of subsidiary and associate	(%)	(0,4)	–	–	–
Other	(%)	0,2	(0,1)	1,5	0,4

The insurance recovery of the prior year fraud is not taxable as it was not deductible in the prior year.

Recognition of previously unrecognised tax losses	18,5	–	–	–
Reversal of tax losses	–	(159,1)	–	–

Included in the reversal of the tax losses is the reduction of the deferred tax asset of R10 844 000 reversed in 2017 as it is not probable that there will be sufficient profits in future to utilise these taxation losses. Refer to note 35.

Differences in corporate tax rates	(%)	0,1	–	–	–
Effective taxation rate	(%)	79,1	(274,4)	(3,1)	(6,3)

* Restated – refer to note 35.

NOTES TO FINANCIAL STATEMENTS continued

FOR THE YEAR ENDED 30 JUNE 2018

	Group		Company	
	2018 R'000	2017 R'000	2018 R'000	2017 R'000
7. TAXATION (continued)				
Deferred income tax asset/(liability)				
Beginning of year	12 228	28 470	(20)	652
Acquisition of subsidiary	(6 809)	(3 487)	-	-
Income statement movement	3 933	(12 755)	-	(672)
End of year	9 352	12 228	(20)	(20)
Deferred tax asset	19 725	17 803	-	-
Deferred tax liability	(10 373)	(5 575)	(20)	(20)
Net deferred tax asset	9 352	12 228	(20)	(20)
Made up as follows				
- taxation losses	14 403	11 608	-	-
- provisions	4 996	4 352	-	-
- capitalised costs	32	45	-	-
- amortisation of intangibles	(11 135)	(3 882)	-	-
- impairment of receivables	83	485	-	-
- prepayments	(5 248)	(5 865)	(20)	(20)
- retentions	(622)	(947)	-	-
- section 24C allowance	(3 369)	(5 924)	-	-
- income received in advance	10 926	15 623	-	-
- deferred gains and losses on foreign currency contracts	(797)	(30)	-	-
- deferred lease payments and income	3 354	3 235	-	-
- finance lease agreements	628	(1 700)	-	-
- accelerated depreciation	(3 899)	(4 772)	-	-
	9 352	12 228	(20)	(20)
Estimated taxation losses available for set-off against future taxable profits	94 882	81 349	9 968	2 153
Taxation losses which could be recognised as an asset	26 567	22 778	9 968	2 153
Less deferred asset not recognised	(12 164)	(11 170)	-	-
Asset recognised – tax losses	14 403	11 608	-	-
Deferred tax assets				
- less than 12 months	9 547	13 758	-	-
- greater than 12 months	10 178	4 045	-	-
	19 725	17 803	-	-
Deferred tax liabilities				
- less than 12 months	(10 373)	(5 575)	(20)	(20)
- greater than 12 months	-	-	-	-
	(10 373)	(5 575)	(20)	(20)

8. EARNINGS PER ORDINARY SHARE

The earnings per share loss of 3,3 cents (2017: -17,3 cents) is based on earnings loss of -R7 664 528 (2017: loss of -R39 248 257) and 229 068 853 (2017: 226 911 957) shares, being the weighted average number of shares in issue during the year, less the treasury shares. Refer to Note 17.

Headline earnings per ordinary share

The headline earnings per share loss of 1,5 cents (2017: -4,8 cents) is based on headline loss of R3 419 000 (2017: loss of R10 867 000) and 229 068 853 (2017: 226 911 957) shares, being the weighted average number of shares in issue during the year, less the treasury shares.

	Group			
	Profit before tax and non- controlling interest R'000	Tax R'000	Non- controlling interest R'000	Headline earnings R'000
2018				
Loss attributable to ordinary shareholders	16 136	(12 754)	(11 047)	(7 665)
Profit on disposal of plant and equipment	(65)	-	-	(65)
Profit on disposal of subsidiary – Jasco East Africa	(206)	-	-	(206)
Impairment of goodwill	4 517	-	-	4 517
Headline earnings – loss				(3 419)
2017				
Loss attributable to ordinary shareholders	(9 465)	(25 976)	(3 807)	(39 248)
Loss on disposal of plant and equipment	79	-	-	79
Impairment of goodwill	28 302	-	-	28 302
Headline earnings – loss				(10 867)

The headline earnings in 2017 was restated due to the Impairment of Goodwill of R28.3 million in the Enterprise cash-generating unit. This resulted in earnings per share as previously stated of 2,5 cents decreasing to a loss per share of -4,8 cents. In addition the headline earnings decreased from a profit of R5 566 000 to a loss of R10 867 000 due to the restatements. Refer to Note 35.

8.1 Diluted earnings and diluted headline earnings per ordinary share

The same earnings and headline earnings as per note 8 were used to calculate the diluted earnings loss per share of -3,3 cents (2017: -17,1 cents) and headline earnings loss per share of -1,5 cents (2017: -4,7 cents). The shares and options issued by the Share Incentive Trusts impacted the weighted average number of shares used in the calculation as follows:

	2018	2017
Weighted average number of shares	229 068 853	226 911 957
Dilutive shares or options	372 950	2 450 738
	229 441 803	229 362 695

NOTES TO FINANCIAL STATEMENTS continued

FOR THE YEAR ENDED 30 JUNE 2018

Group								
	Leasehold improvements	Plant and machinery	Hi sites	Furniture fixtures and office equipment	Motor vehicles	Computer and manufacturing equipment	Leased assets	Total plant and equipment
	R'000	R'000	R'000	R'000	R'000	R'000	R'000	R'000

9. PLANT AND EQUIPMENT

2018

Net book value – beginning of year

	4 257	24 149	3 019	22 052	662	9 763	15 034	78 936
– cost	8 195	53 671	12 920	42 542	4 231	26 907	17 262	165 729
– accumulated depreciation	(3 938)	(29 522)	(9 901)	(20 490)	(3 569)	(17 144)	(2 228)	(86 793)
Current year movements	958	(2 278)	(206)	939	508	(991)	1 730	660
– additions	2 095	982	111	5 754	193	3 214	4 907	17 256
– net book value of disposals	(9)	(191)	–	(378)	(63)	(128)	(105)	(874)
– net acquisition/(disposal) of subsidiaries	(83)	–	–	167	844	(101)	(1)	826
– depreciation	(1 045)	(3 069)	(317)	(4 604)	(466)	(3 976)	(3 071)	(16 548)
End of year	5 215	21 871	2 813	22 991	1 170	8 772	16 764	79 596
Made up as follows:								
– cost	8 315	54 156	13 031	45 502	4 629	27 937	21 975	175 545
– accumulated depreciation	(3 100)	(32 285)	(10 218)	(22 511)	(3 459)	(19 165)	(5 211)	(95 949)
Net book value	5 215	21 871	2 813	22 991	1 170	8 772	16 764	79 596



Group								
	Lease- hold improve- ments R'000	Plant and machinery R'000	Hi sites R'000	Furniture fixtures and office equipment R'000	Motor vehicles R'000	Computer and manu- facturing equip- ment R'000	Leased assets R'000	Total plant and equipment R'000

9. PLANT AND EQUIPMENT (continued)

2017

Net book value – beginning of year	2 744	22 954	3 200	17 007	1 043	8 287	5 846	61 082
– cost	5 859	49 950	12 790	33 104	3 626	18 199	6 846	130 374
– accumulated depreciation	(3 115)	(26 996)	(9 590)	(16 097)	(2 583)	(9 912)	(1 000)	(69 292)
Current year movements	1 513	1 195	(181)	5 045	(381)	1 476	(9 188)	17 854
– additions	2 331	4 965	130	8 978	–	1 318	7 655	25 377
– net book value of disposals	–	(164)	–	(85)	(137)	(235)	(75)	(696)
– Foreign currency translation adjustment	–	–	–	–	–	2	–	2
– net acquisition of subsidiary	–	–	–	230	122	2 917	2 862	6 131
– depreciation	(818)	(3 606)	(311)	(4 078)	(366)	(2 526)	(1 254)	(12 960)
End of year	4 257	24 149	3 019	22 052	662	9 763	15 034	78 936
Made up as follows:								
– cost	8 195	53 671	12 920	42 542	4 231	26 907	17 262	165 729
– accumulated depreciation	(3 938)	(29 522)	(9 901)	(20 490)	(3 569)	(17 144)	(2 228)	(86 793)
Net book value	4 257	24 149	3 019	22 052	662	9 763	15 034	78 936

Pledged as security

Certain motor vehicles, furniture and equipment are secured as per note 20.

NOTES TO FINANCIAL STATEMENTS continued

FOR THE YEAR ENDED 30 JUNE 2018

	Group					
	Goodwill R'000	Trade names R'000	Voice transaction management applications R'000	Computer software R'000	Customer related intangible assets R'000	Total intangible assets R'000
10. INTANGIBLE ASSETS						
2018						
Net book value – beginning of year	68 025	3 908	20 644	5 423	14 608	112 608
– cost	68 025	5 828	22 422	6 854	23 310	126 439
– accumulated amortisation	–	(1 920)	(1 778)	(1 431)	(8 702)	(13 831)
Current year movements	18 625	3 641	(1 516)	5 753	15 398	46 417
– additions	–	–	6 035	7 261	–	13 296
– acquisition of subsidiaries	23 141	4 549	–	–	19 769	47 459
– amortisation	–	(908)	(7 551)	(1 508)	(4 371)	(14 338)
– impairment	(4 517)	–	–	–	–	(4 517)
End of year	86 650	7 549	19 128	11 176	30 006	154 509
Made up as follows:						
– cost	86 650	10 377	28 457	14 115	43 079	182 678
– accumulated amortisation	–	(2 828)	(9 329)	(2 939)	(13 073)	(28 169)
Net book value	86 650	7 549	19 128	11 176	30 006	154 509
2017						
Net book value – beginning of year	65 841	2 430	9 206	4 084	7 170	88 731
– cost	65 841	4 002	9 524	4 654	13 802	97 823
– accumulated amortisation	–	(1 572)	(318)	(570)	(6 632)	(9 092)
Current year movements	2 184	1 478	11 438	1 339	7 438	23 877
– additions	–	–	12 898	2 199	–	15 097
– acquisition of subsidiaries	30 486	1 826	–	–	9 508	41 820
– amortisation	–	(348)	(1 460)	(860)	(2 070)	(4 738)
– impairment	(28 302)	–	–	–	–	(28 302)
End of year	68 025	3 908	20 644	5 423	14 608	112 608
Made up as follows:						
– cost	68 025	5 828	22 422	6 854	23 310	126 439
– accumulated amortisation	–	(1 920)	(1 778)	(1 431)	(8 702)	(13 831)
Net book value	68 025	3 908	20 644	5 423	14 608	112 608

The voice transaction management applications consist of costs capitalised during the development of various voice transaction management applications. These intangibles have finite useful lives and are amortised over a period of three years.

The customer-related and trade name intangible assets relate to the customer contracts and relationships acquired in Telesto, MV Fire, Spescom, Reflex Solutions, Datafusion and RAMM acquisitions.

The goodwill was impaired in 2017 in the enterprise cash-generating unit mainly due to a reduced expectation of future cash flows. The goodwill impairment in 2018 related to the Datafusion acquisition during the year where it was accounted for as a day one loss.

	Carrying value		Impairment	
	2018 R'000	Restated 2017 R'000	2018 R'000	Restated 2017 R'000
10. INTANGIBLE ASSETS (continued)				
The goodwill relating to each reporting segment is as follows:				
Carriers	33 879	33 879	–	–
Enterprise	–	–	–	(28 302)
Reflex Solutions	30 475	30 475	(4 517)	–
Intelligent Technologies	21 685	3 060	–	–
Electrical Manufacturers	611	611	–	–
	86 650	68 025	(4 517)	(28 302)

As at the reporting date, the goodwill was tested for impairment. The cash flow projections from financial budgets approved by the board of directors, covering a five-year period, are discounted to the present value, using pre-tax discount rates appropriate to the cash-generating unit the asset belongs to of 14,05% (2017: 12,51%). Revenue growth assumptions after the first year was based on an inflationary increase. A long-term growth rate of 0,8% was assumed into perpetuity. Both revenue growth rates and long-term growth rates are based on management's approach to achieve conservative targets. The PBIT margins used in the value in use calculations are Carriers (9,63%), Enterprise (15,59%), Intelligent Technologies (8,73%) and Electrical Manufacturers (8,71%).

Sensitivity analysis

Management has performed a sensitivity analysis for the material goodwill balances, being the goodwill relating to the investments in the Jasco Carrier Solutions cash-generating unit (CGU), Intelligent Technologies CGU and the Enterprise CGU. The goodwill sensitivity tests performed for a 1% change in growth rate, discount rate and operating margin percentage do have an impact on the net present value of the future cash flows. However these do not result in a change in the carrying value of the goodwill balance for Carriers, Intelligent Technologies, Electrical Manufacturers and Enterprise – Reflex Solutions.

With regard to the assessment of the value-in-use of the investment, management believes that the most notable possible change in any of the above key assumptions would result from a change to the discount rate. The second most sensitive assumption is the long-term growth rate and the third assumption is a change to the free cash flow projections.

A reasonable possible change in any of the key assumptions would not result in the carrying amount of any of the CGUs exceeding their recoverable amounts. Set out below is the change in the discounted cash flows of applying a 1% change in the key assumptions.

Key assumption (Amounts in R'000)	PBIT margin		Growth rate		Discount rate	
	(1%)	1%	(1%)	1%	(1%)	1%
Carriers goodwill	(28 337)	28 336	(26 151)	26 962	21 006	(17 976)
Enterprise goodwill	(14 695)	14 696	(13 453)	13 793	19 859	(16 968)
Intelligent Technologies goodwill	(6 338)	6 338	(5 094)	5 247	7 519	(6 275)
Electrical Manufacturers goodwill	(12 876)	12 875	(7 813)	8 014	9 151	(7 820)

Key assumptions

The calculation of value-in-use, used to determine the recoverable amount, is most sensitive to gross margin, profit before tax, discount rates and growth rates used to extrapolate cash flows beyond the financial forecast period. Gross margins and profit before tax are based on the forecasted margin after the new acquisition for the year. These are increased over the budget period for anticipated efficiency improvement and therefore based on financial forecasts. Discount rates reflect management's estimate of the risks specific to each CGU. Growth rate estimates are conservatively applied to each unit having considered industry expected growth rates and internal targets. The group and company are not expecting to exceed the long-term average growth rates of the industry.

Impairment

In the 2017 financial year, there was an impairment of R28,3 million. This impairment charge is included as part of other expenses in the statement of comprehensive income. In the prior year, the discounted cash flow calculation performed for the Enterprise CGU should have taken cash flows into account that were significantly lower than what was included. This resulted in the future cash flows in the prior year being incorrectly calculated. When the correct cash flows were taken into account for the prior year calculation for the Enterprise CGU, an impairment charge of R28,3 million arose as the discounted future cash flows for the 2017 financial year-end were lower than the carrying value of the Enterprise CGU. In calculating this impairment charge, a long-term growth rate of 0.8% was assumed into perpetuity, a PBIT margin of 7% and a discount rate of 14%.

Conclusion

Based on the result of the valuation, apart from the Datafusion goodwill impairment (Refer to Note 3), no impairment of the goodwill is required for the current year. In the prior year, goodwill of R28,3 million related to the Enterprise CGU was impaired. Refer to restatement note 35.

NOTES TO FINANCIAL STATEMENTS continued

FOR THE YEAR ENDED 30 JUNE 2018

	Company	
	2018 R'000	2017 R'000
11. INVESTMENT IN SUBSIDIARIES		
Unlisted shares at cost less amounts written off		
– Jasco Cables Investment (Pty) Limited*	–	–
– Jasco Carrier Solutions (Pty) Limited	38 891	38 891
– Jasco East Africa Limited	–	14
– Jasco Energy and Industry Solutions (Pty) Limited	5 823	5 823
– Jasco Enterprise (Pty) Limited	6 645	6 645
– Jasco Distributors (Pty) Limited (prev Jasco Managed Solutions)	2 623	2 623
– Jasco Networks (Pty) Limited	136	136
– Jasco Infrastructure (Pty) Limited (prev Jasco Properties (Pty) Limited)*	–	–
– Jasco Trading (Pty) Limited	877	877
– Jasco Systems (Pty) Limited*	–	–
– Jasco Property Solutions (Pty) Limited	11	11
– Jasco IOT Solutions (Pty) Limited	1	1
– Reflex Solutions (Pty) Limited	37 726	37 726
– RAMM Systems (Pty) Limited	28 985	–
– Webb Masts and Towers (Pty) Limited*	–	–
– Jasco Technical Services (Pty) Ltd*	–	–
	121 718	92 747
Amounts owing by group companies on current account		
– Jasco Trading (Pty) Limited	87 684	111 555
– Jasco Cables Investments (Pty) Limited	7	7
– Jasco Carrier Solutions (Pty) Limited	966	1 099
– Ferro Resonant Technologies (Pty) Limited	–	294
– Jasco Networks (Pty) Limited	5 970	513
– Jasco Systems (Pty) Limited	3 449	759
– Jasco Property Solutions (Pty) Limited	102	1
– Jasco Services (Pty) Limited	114	109
– Jasco IOT Solutions (Pty) Ltd	3	–
– Jasco ICT-Datafusion (Pty) Ltd	–	–
	98 295	114 337
Amounts owing to group companies on current account		
– Jasco Trading (Pty) Limited	–	(4 521)
– Jasco Enterprise (Pty) Limited	–	(490)
	–	(5 011)

The loans to subsidiaries attract interest at a rate which is agreed upon between both parties on an annual basis and have no fixed repayment terms. Interest rate applied was 5,75% (2017: 5,75%).

* The carrying value of these investments are less than R1 000 each.



12. INVESTMENT IN JOINT VENTURE/ASSOCIATE

12.1 Jasco Middle East DMCC

The group acquired a 40% interest in Jasco Middle East DMCC with effect from 1 January 2017. Jasco Middle East is an entity incorporated in Middle East (Dubai) and operates in the ICT sector. Jasco has joint control and as such the investment is treated as a joint venture.

The group's interest in the joint venture's net assets and liabilities and the income and expenses for the year ended, was as follows:

	100%		40%	
	Middle East 2018 R'000	Middle East 2017 R'000	Middle East 2018 R'000	Middle East 2017 R'000
Financial position				
	648	1 454	260	582
– current assets	429	1 170	172	468
– non-current assets	219	284	88	114
	(8 410)	(5 831)	(3 364)	(2 332)
– current liabilities	(2 206)	(2 315)	(882)	(926)
– non-current liabilities	(6 204)	(3 516)	(2 482)	(1 406)
Net liabilities	(7 762)	(4 377)	(3 104)	(1 750)
Income and expenses				
Revenue	212	–	85	–
Cost of sales	(78)	–	(31)	–
Finance income	–	–	–	–
Administrative expenses	(5 323)	(4 530)	(2 130)	(1 812)
Finance costs	(158)	(28)	(63)	(11)
Loss before taxation	(5 347)	(4 558)	(2 139)	(1 823)
Taxation	–	–	–	–
Loss for the year	(5 347)	(4 558)	(2 139)	(1 823)

The acquisition of Jasco Middle East DMCC in 2017 coincides with the formation thereof and accordingly no pre-acquisition profit or loss and no at-acquisition assets and liabilities will be disclosed.

NOTES TO FINANCIAL STATEMENTS continued

FOR THE YEAR ENDED 30 JUNE 2018

12. INVESTMENT IN JOINT VENTURE/ASSOCIATE (continued)

12.2 Jasco East Africa

The group reduced its interest in Jasco East Africa from 99% to 40% for R1 000 as of 1 October 2017. Jasco East Africa is an entity incorporated in East Africa (Kenya) and operates in the ICT sector. Jasco has significant influence and as such the investment is treated as an associate.

The group's interest in the associate's net assets and liabilities and the income and expenses for the year ended, was as follows:

	100% East Africa 2018 R'000	40% East Africa 2018 R'000
Financial position		
	3 261	1 304
– current assets	3 045	1 218
– non-current assets	216	86
	(19 543)	(7 817)
– current liabilities	(5 883)	(2 353)
– non-current liabilities	(13 660)	(5 464)
Net liability of associate	(16 282)	(6 513)
Income and expenses		
Revenue	1 925	770
Cost of sales	(2 128)	(851)
Finance income	13	5
Administrative expenses	(4 690)	(1 876)
Finance costs	–	–
Loss before taxation	(4 880)	(1 952)
Taxation	–	–
Loss for the year	(4 880)	(1 952)



12. INVESTMENT IN JOINT VENTURE/ASSOCIATE (continued)

12.3 Reconciliation of investment in joint venture/associates

	Group	
	2018	2017
	R'000	R'000
Investment in Jasco Middle East		
Opening balance	284	-
Initial investment	-	72
Loan receivable	4 059	2 035
Share of losses in current year	(2 139)	(1 823)
Closing balance	2 200	284
Investment in Jasco East Africa		
Opening balance	-	-
Initial investment	-	-
Loan receivable	6 659	-
Impairment of loan receivable	(2 500)	-
Share of losses in current year	(1 952)	-
Closing balance	2 212	-
Total investment in joint venture/associates	4 412	284
Total equity accounted share of loss from joint venture/associates	(4 091)	(1 823)
	Company	
	6 166	2 107
Investment in Jasco Middle East DMCC	72	72
Investment in Jasco East Africa	5	-
Loan to Jasco Middle East DMCC	6 094	2 035

NOTES TO FINANCIAL STATEMENTS continued

FOR THE YEAR ENDED 30 JUNE 2018

	Group		Company	
	2018 R'000	2017 R'000	2018 R'000	2017 R'000
13. OTHER NON-CURRENT ASSETS				
13.1 Loan to the Jasco Employee Share Incentive Trust			5 578	5 215
Loan			10 950	10 897
Allowance for impairment			(5 372)	(5 682)
The loan attracts interest at a rate of 7,5% (2017: 8,0%) and has no fixed terms of repayment.				
The directors are of the opinion that after the allowance for impairment, the loan is fairly stated. The impairment provision is calculated as the difference between the fair value of the Trust's net assets and the loan. The decrease of R309 995 (2017: R680 911) relates to an increase in the fair value of the Trust's net assets.				
13.2 Other loans	432	-	-	-
Loan	432	1 756	-	-
Current portion transferred to current assets	-	(1 756)	-	-
The loan comprises loans to MV Fire's shareholder (A Balanco) for an amount of R431 924.				
13.3 Finance lease receivable	145	1 157	-	-
Total	1 140	14 333	-	-
- future minimum rentals under the finance lease receivables	1 161	15 058	-	-
- unearned finance income	(21)	(725)	-	-
Current portion transferred to current assets	(995)	(13 176)	-	-
The finance lease receivable in 2017 relates mainly to the leasing of points of presence (POPs) for a period of five years. The effective rate of interest is 12,25% and was settled in full in February 2018.				
Jasco entered into in 2016 a lease relating to broadcasting equipment for two years. The effective interest rate is 12% and the lease is repayable in fixed monthly instalments by 1 October 2018.				
Total	577	1 157	5 578	5 215



	Group		Company	
	2018 R'000	2017 R'000	2018 R'000	2017 R'000
14. INVENTORIES				
Raw materials	35 109	31 398	-	-
Work in progress	6 613	4 315	-	-
Finished goods and merchandise	60 920	50 621	-	-
– at cost	69 891	57 745	-	-
– provision for obsolete stock	(8 971)	(7 124)	-	-
	102 642	86 334	-	-
Inventory expensed, included in cost of sales	599 973	590 580	-	-
– inventory expensed during the year	597 747	590 963	-	-
– inventory (provision reversed)/written off during the year	2 226	(383)	-	-

15. TRADE AND OTHER RECEIVABLES

Financial instruments

Trade receivables	228 352	206 936	-	-
– trade receivables	229 293	209 246	-	-
– impairment	(941)	(2 310)	-	-
Foreign currency contracts	2 929	604	-	-
Revenue accruals	11 935	7 299	-	-
Third-party loans	1 941	5 136	-	-

Non-financial instruments

Prepayments	33 931	40 844	174	170
Retentions	2 221	3 383	-	-
VAT receivables	1 964	1 187	-	-
Other receivables	2 924	4 586	-	-
	286 197	269 975	174	170

Trade receivables are non-interest bearing and generally between 30 – 90 day terms. Trade receivables have been ceded as security for the group's working capital loan.

Prepayments mainly relate to deferred service-level agreement costs.

NOTES TO FINANCIAL STATEMENTS continued

FOR THE YEAR ENDED 30 JUNE 2018

	Group		Company	
	2018 R'000	2017 R'000	2018 R'000	2017 R'000
15. TRADE AND OTHER RECEIVABLES (continued)				
The movements in the allowance for impairment of the trade receivables were as follows:				
At the beginning of the year	2 311	1 919	-	-
Charge for the year	382	745	-	-
Amounts written off	(769)	(648)	-	-
Acquisition/Disposal of subsidiary	(93)	360	-	-
Unused amounts reversed	(890)	(65)	-	-
At the end of the year	941	2 311	-	-
As at year end the analysis of trade receivables past due but not impaired is as follows:				
Overdue 30 – 60 days not impaired	31 374	33 201	-	-
Overdue 60 – 90 days not impaired	3 094	3 781	-	-
Overdue 90 – 120 days not impaired	2 114	4 689	-	-
Overdue 120 – longer days not impaired	3 101	6 434	-	-
	39 683	48 105	-	-
Net carrying value of impaired trade receivables	941	4 286	-	-
Neither past due nor impaired	187 728	154 545	-	-
Net trade receivables	228 352	206 936	-	-

16. CASH AND CASH EQUIVALENTS

Current accounts	62 685	94 827	342	11 458
Call accounts	5 144	672	-	-
Cash on hand	60	52	-	-
	67 889	95 551	342	11 458

Cash at banks earn interest at floating rates based on daily bank deposit rates.

Cash at bank and short-term bank deposits

Credit rating based on the latest Moody's domestic long-term issuer default ratings

A1	36 069	61 145	33	11 243
AA	31 077	34 102	226	214
A3	600	11	-	-
Other	143	293	83	1
	67 889	95 551	342	11 458

The fair value of the cash and cash equivalents approximates the carrying value.



	Group		Company	
	2018	2017	2018	2017
	R'000	R'000	R'000	R'000

17. SHARE CAPITAL

17.1 Authorised

750 000 000 ordinary shares with no par value

29 884 633 redeemable preference shares with no par value

17.2 Issued

229 319 191 ordinary shares

Beginning of year	281 283	281 283	281 283	281 283
End of year	281 283	281 283	281 283	281 283

18. TREASURY SHARES

The Jasco Employee Share Incentive Trust owns 250 338 (2017: 2 407 234) unallocated ordinary shares

	450	2 635		
Treasury shares at cost	450	2 635		
Opening balance	2 635	3 382		
Treasury shares acquired in an open market	414	249		
Treasury shares transferred from Spescom Share Incentive Trust	–	2 714		
Treasury shares exercised by participants	–	2 283		
Forfeited shares	665	–		
Treasury shares vested	(3 264)	(5 993)		
Closing balance	450	2 635		

* The options issued by this trust lapsed in February 2017 and the trust will be wound down.

During the 2018 financial year, the Jasco Employee Share Incentive Trust ("the Trust") purchased a total of 678 983 Jasco shares in the open market. However the total number of treasury shares decreased in June 2018 due to the vesting of shares to participants in the Trust. Refer to the Directors Report on page 12.

19. NON-DISTRIBUTABLE RESERVES

Equity settled share-based payment reserve (note 9.1)	6 942	6 077	14	14
– beginning of year	6 077	6 568	14	14
– recycled to retained earnings	–	(132)	–	–
– utilised during the year	(955)	(3 521)	–	–
– arising during year	1 820	3 162	–	–
Foreign currency translation reserve	(1)	350	–	–
– beginning of year	350	31	–	–
– arising during the year	(351)	319	–	–
	6 941	6 427	14	14

NOTES TO FINANCIAL STATEMENTS continued

FOR THE YEAR ENDED 30 JUNE 2018

19. NON-DISTRIBUTABLE RESERVES (continued)

19.1 Equity settled share-based payments

Jasco Employee Share Incentive Trust

The Jasco Employee Share Incentive Trust was formed in 1993 to enable executives of the group to acquire shares in Jasco to provide them with incentives to advance the group's interests. The maximum number of shares and/or options that may be issued may not exceed 32 759 885 shares, being 15% of the issued share capital at the inception of the Trust and all subsequent capitalisation and rights issues. The maximum number of shares and/or options allowed for any one person is 8 735 969 (2017: 8 735 969). In terms of the scheme rules, 50% of the shares/options issued may be traded after two years, 75% after three years and 100% after four years. The shares/options vest at the beginning of the trading period. The options lapse after five years.

	2018	2017
Number of ordinary shares reserved	32 759 885	32 759 885
Total number of shares allocated	9 690 402	10 590 402
– beginning of year	10 590 402	12 972 617
– allocation of shares to employees during the year	–	–
– net forfeiture by employees during the year	(900 000)	(2 382 215)
Total number of unforfeited options granted	4 774 517	4 774 517
– beginning of year	4 774 517	4 308 815
– allocation of options to employees during the year	–	465 702
– net forfeiture/cancellation of options during the year	–	–
Number of shares in respect of which options and shares have not been granted	18 294 966	17 394 966

Summary of shares/options issued

Date issued	Date lapsing	Number	Price per share (cents)	Shares issued by trust not yet vested		Number of unvested shares	
				2018	2017	2018	2017
Shares							
13 June 2016	N/A	2 163 699	81	2 163 699	2 163 699	1 081 850	2 163 699
2 June 2015	N/A	9 146 118	55	6 619 203	7 519 203	2 286 530	4 573 059
5 February 2014	N/A	1 470 000	72	907 500	907 500	–	367 500
		12 779 817		9 690 402	10 590 402	3 368 379	7 104 258

The shares issued by the Trust are in excess of the number of shares owned by the Trust. Refer to page 83.

Date issued	Date lapsing	Number	Price per share (cents)	Options held by participants not yet exercised		Number of unvested options	
				2018	2017	2018	2017
Options							
3 October 2016	3 October 2021	465 702	93	465 702	465 702	465 702	465 702
28 June 2016	28 June 2021	1 206 071	81	1 206 071	1 206 071	603 036	1 206 071
4 January 2016	4 January 2021	790 071	60	790 071	790 071	395 036	790 071
2 June 2015	2 June 2020	2 322 534	55	1 675 673	1 675 673	418 918	837 837
5 February 2014	5 February 2019	1 040 000	72	637 000	637 000	–	159 250
		5 824 378		4 774 517	4 774 517	1 882 691	3 458 931

19. NON-DISTRIBUTABLE RESERVES (continued)

19.1 Equity settled share-based payments (continued)

Summary of shares/options issued

Reconciliation of number of outstanding, unvested shares and options

	Shares		Options	
	2018	2017	2018	2017
Beginning of year	7 104 258	12 044 817	3 458 931	3 990 315
Allocated during the year	–	–	–	465 702
Shares/options vested by rules of scheme	(3 735 879)	(4 940 559)	(1 576 239)	(997 086)
End of year	3 368 379	7 104 258	1 882 691	3 458 931

Expense

Equity-settled share-based payment transactions are valued at grant date, with the expense being recognised over the vesting period.

Fair values for the Jasco Employee Share Incentive Trust are calculated at the date of the grant using the Binomial Model. To test the reasonableness of these results, the Black Scholes Merton formula has also been applied.

The key assumptions used in the calculations are detailed below:

	2018	2017
Maximum term of grant	5 years	5 years
Exercise multiple	1,5	1,5
Volatility	%	%
– two years vesting	81,79	76,01 to 81,79
– three years vesting	80,42	74,59 to 80,42
– four years vesting	77,63	72,66 to 77,63
Dividend yield	0,05	0,00 to 0,05
Risk free rate		
– two years vesting	7,79	7,79 to 9,05
– three years vesting	7,82	7,82 to 9,10
– four years vesting	7,88	7,88 to 9,13
Forfeiture rate	10	10
Performance expectation	100	100

The statement of comprehensive income charge for equity-settled share-based payments is as follows (refer to note 5):

	Group		Company	
	2018 R'000	2017 R'000	2018 R'000	2017 R'000
Equity-settled share-based payment	1 820	3 162	–	–

19.2 Cash-settled share-based payments

There is one participant in the cash-settled share-based incentive scheme. There is no expense arising in 2018 and 2017 as the performance targets were not met.

NOTES TO FINANCIAL STATEMENTS continued

FOR THE YEAR ENDED 30 JUNE 2018

	Group		Company	
	2018 R'000	Restated 2017 R'000	2018 R'000	Restated 2017 R'000
20. INTEREST-BEARING LIABILITIES				
Secured	182 486	161 558	170 245	147 269
Corporate bond	45 392	44 571	45 392	44 571
Term loan: Bank of China	124 853	102 698	124 853	102 698
Principal amounts owing in respect of finance lease agreements on furniture and office equipment	1 314	1 474	–	–
– gross minimum lease payments	1 665	1 989	–	–
– finance charges	(351)	(515)	–	–
Principal amounts owing in respect of instalment sale agreements	10 927	12 815	–	–
– gross minimum lease payments	12 298	13 913	–	–
– finance charges	(1 371)	(1 098)	–	–
Unsecured	98	20 854	–	8 383
Vendor loan financing (Cisco Systems)	–	9 925	–	–
Deferred purchase consideration (Reflex Solutions)	–	8 383	–	8 383
Loans from non-controlling shareholders	98	2 546	–	–
Total	182 584	182 412	170 245	155 652
Current portion transferred to short-term borrowings (refer note 24)	(54 035)	(19 814)	(47 535)	(3 386)
– finance lease agreements	(409)	(2 251)	–	–
– instalment sale agreements	(6 091)	(4 252)	–	–
– vendor loan financing	–	(9 925)	–	–
– corporate bond and term loan	(47 535)	(3 386)	(47 535)	(3 386)
	128 549	162 598	122 710	152 266

Particulars

The listed corporate bond was issued on 30 January 2015, bears interest at the three month JIBAR plus 3,25%. Interest is repaid quarterly and the capital is repayable in one instalment by 30 January 2020.

Under the corporate bond the group is required to comply with the following financial covenant conditions:

- Interest cover ratio being EBIT divided by the Net finance, changes at minimum of 2.0 times. 2018: 1.8 (2017: 2.2)
- Debt to EBITDA ratio at a minimum of 3.5 times. 2018: 1.6 (2017: 1.2)
- Debt to Equity ratio, being debt divided by equity, at a maximum of 60%. 2018: 56% (2017: 38%)

The corporate bond holder has condoned the breach of the Interest Cover ratio at 30 June 2018. However, due to this breach the related borrowings was classified as a current liability at 30 June 2018.

The loan from the Bank of China was raised on 13 May 2017 and an additional draw-down of R20 million was raised on 14 December 2017. The loan is secured by a cession of the debtors of the major subsidiaries and bears interest at the 3-month JIBAR plus 330 basis points, which is payable on a quarterly basis. The capital is repayable in one instalment by 27 February 2020, (2017: 27 February 2019).

Under the Bank of China loan, the group is required to comply with the following financial covenant conditions:

- Debt to equity ratio to not exceed a level of 150%. 2018: 89% (2017: 92%).
- Current and quick ratios not to reduce below 1.2:1 and 0.80:1 respectively. 2018: 1.4 and 1.1 (2017: 1.5 and 1.2).
- Interest cover to be maintained at a minimum of 1.5 times. Profit before interest and tax divided by net finance costs. 2018: 2.3 (2017: 1.9).
- Debtors in 0 – 90 days to provide at least 120% cover on the outstanding Bank of China loan balance at all times. 2018: 181% (2017: 159%).



20. INTEREST-BEARING LIABILITIES (continued)

The finance lease agreements bear interest at the prime overdraft interest rate, and are repayable in equal instalments over periods between one to three years. These liabilities are secured over furniture and equipment with a net book value of R1 074 492 (2017: R1 347 850).

The instalment sale agreements bear interest at the prime overdraft rate, and are repayable in equal instalments over periods between one to three years. These liabilities are secured over motor vehicles and equipment with a net book value of R13 484 240 (2017: R13 438 266).

The Cisco Systems Capital term loan (vendor financing) entered into in January 2013 by New Telco South Africa (Pty) Limited constituted a R70,6 million loan. It is unsecured, repayable by 11 January 2018 in 59 monthly payments and bears interest at 7,8%. Jasco Electronics Holdings Limited and New Telco GmbH have provided guarantees for the loan. This loan was settled in full on due date in January 2018.

The loans from non-controlling shareholders of R98 000 are unsecured, attracted interest between 5% and the prime overdraft interest rate and repayment has been deferred until at least 30 June 2020.

Reconciliation of liabilities arising from financing activities

	Group					Total
	Corporate bond	Bank of China	Loans from non-controlling interest	Lease liabilities	Other	
Restated balance at 30 June 2017	44 571	102 698	2 546	24 214	8 383	182 412
Loans obtained	–	20 000	–	–	–	20 000
New leases obtained – non cash				4 907		4 907
Repayments	(4 656)	(11 645)	(2 546)	(19 179)	–	(38 026)
Capital repayments	–	–	(2 546)	(17 361)	–	(19 907)
Interest repayments	(4 656)	(11 645)	–	(1 818)	–	(18 119)
Interest accrued	5 477	13 800	–	1 818	–	21 095
Acquisition of subsidiaries [#]	–	–	–	534	–	534
Other	–	–	98	(53)	–	45
Reclassified to trade and other payables [@]	–	–	–	–	(8 383)	(8 383)
Balance at 30 June 2018	45 392	124 853	98	12 241	–	182 584
Current Liabilities	45 392	2 143	–	6 500	–	54 035
Non-current liabilities	–	122 710	98	5 741	–	128 549

[@] Relates to Reflex Solutions deferred consideration that was non-current in the 2017 financial year.

[#] Refer to Note 3.

NOTES TO FINANCIAL STATEMENTS continued

FOR THE YEAR ENDED 30 JUNE 2018

20. INTEREST-BEARING LIABILITIES (continued)

	Company			Total
	Corporate bond	Bank of China	Other	
Restated balance at 30 June 2017*	44 571	102 698	8 383	155 652
Loans obtained	–	20 000	–	20 000
Repayments of interest	(4 656)	(11 645)	–	(16 301)
Interest accrued	5 477	13 800	–	19 277
Reclassified to trade and other payables	–	–	(8 383)	(8 383)
Balance at 30 June 2018	45 392	124 853	–	170 245
Current Liabilities	45 392	2 143	–	47 535
Non-current liabilities	–	122 710	–	122 710

* Refer to note 35.

	Group		Company	
	2018 R'000	2017 R'000	2018 R'000	2017 R'000

21. DEFERRED MAINTENANCE REVENUE

Service level agreements are provided as a separate service in addition to the sale of the products.

Revenue arising from maintenance contracts is recognised on the accrual basis over the period for which services are rendered.

Within the next twelve months	38 237	56 139	–	–
Thereafter	518	331	–	–
	38 755	56 470	–	–

22. TRADE AND OTHER PAYABLES

Financial instruments

Trade payables	167 199	134 228	62	199
Deferred consideration				
– Reflex Solutions	9 359	30 000*	9 359	30 000*
– RAMM	29 970	–	29 970	–
Foreign currency contracts	83	476	–	–
Accrued expenses	14 192	15 252	836	1 113
Payroll accruals	12 483	12 329	–	–
Shareholders for dividend	4 000	–	–	–

Non-financial instruments

Deferred lease payments	11 988	11 554	–	–
VAT Payable	11 482	3 857	1 350	81
Other payables	7 676	7 908	2 709	101
	268 432	215 604	44 286	31 494

Trade payables are non-interest bearing and are normally settled on 30 to 90 day terms.

Deferred lease payments relate to straight-lining adjustments in respect of the rental of the group's premises

Amortised cost approximates the fair value.

* Restated – refer to note 35.



	Group		Company	
	2018 R'000	2017 R'000	2018 R'000	2017 R'000
23. PROVISIONS				
Audit fees				
Beginning of year	5 465	4 364	800	446
Arising during year	3 334	5 240	800	650
Utilised during year	(5 197)	(4 099)	(650)	(296)
Acquisition/Disposal of subsidiary	(85)			
Unused amount reversed	(35)	(40)	-	-
End of year	3 482	5 465	950	800
Bonus				
Beginning of year	-	6 547	-	-
Arising during year	4 259	2 239	-	-
Utilised during year	(4 259)	(8 426)	-	-
Unused amount reversed	-	(360)	-	-
End of year	-	-	-	-
Leave pay				
Beginning of year	12 476	11 416	-	-
Arising during year	6 988	8 080	-	-
Utilised during year	(5 805)	(7 461)	-	-
Acquisition/Disposal of subsidiary	(310)	441	-	-
Unused amount reversed	-	-	-	-
End of year	13 349	12 476	-	-
Warranties				
Beginning of year	313	260	-	-
Arising during year	-	53	-	-
End of year	313	313	-	-
Other				
Beginning of year	1 730	10	-	-
Arising during year	46	1 730	-	-
Utilised during year	(893)	(10)	-	-
Unused amount reversed	-	-	-	-
End of year	883	1 730	-	-
Total provisions				
Beginning of year	19 984	22 597	800	446
Arising during year	14 627	17 342	800	650
Utilised during year	(16 154)	(19 996)	(650)	(296)
Acquisition/Disposal of subsidiary	(395)	441	-	-
Unused amount reversed	(35)	(400)	-	-
End of year	18 027	19 984	950	800

The warranty provision is for product warranties given to customers on the sale of certain products. Other provisions include provisions for contractual future service obligations.

The utilisation of these provisions are uncertain but expected to occur within a year.

NOTES TO FINANCIAL STATEMENTS continued

FOR THE YEAR ENDED 30 JUNE 2018

	Group		Company	
	2018 R'000	2017 R'000	2018 R'000	2017 R'000
24. SHORT-TERM BORROWINGS				
Short-term borrowings comprise:				
– current portion of non-current interest-bearing liabilities (refer note 20)	54 035	19 814*	47 535	3 386*
– insurance payment plan	666	559	–	–
	54 701	20 373	47 535	3 386
Amortised cost approximates the fair value.				
* Restated – refer to note 35.				
25. NOTES TO THE STATEMENTS OF CASH FLOWS				
25.1 Reconciliation of profit/(loss) before taxation to cash generated from/(utilised in) operations				
Profit/(loss) before taxation	16 136	(9 465)	(13 527)	(18 107)
Adjustments for:				
– amortisation of intangibles	14 338	4 738	–	–
– depreciation of plant and equipment	16 548	12 960	–	–
– equity-settled share-based payment	1 820	3 162	–	–
– net profit on disposal of subsidiary (East Africa)	(206)	–	–	–
– impairment of goodwill	4 517	28 302	–	–
– impairment reversal of loan to the Jasco Share Incentive Trust	–	–	(310)	(681)
– impairment of investment in East Africa	2 500	–	–	–
– unrealised foreign exchange gains	(4 024)	(3 708)	(148)	–
– unrealised foreign exchange losses	3 438	1 787	–	80
– net (profit)/loss on sale of plant and equipment	(65)	78	–	–
– net (profit)/loss on fair value adjustment	–	239	–	239
– net (profit)/loss on disposal/deregistration of business operation/subsidiary	–	–	5 671	6 351
– provisions raised	14 592	16 942	800	650
– impairment of receivables	524	3 191	–	–
– equity accounted loss from joint venture/associate	4 091	1 823	–	–
– net interest and dividend paid	20 166	11 535	20 213	13 603
Cash flows from operations before working capital changes	94 375	71 584	12 699	2 135
Working capital changes	(39 207)	(16 190)	(10 240)	(11 808)
– decrease/(increase) in inventories	(15 099)	25 026	–	–
– decrease/(increase) in trade and other receivables	(13 945)	16 909	(4)	65
– (increase)/decrease in amounts owing by subsidiaries	–	–	16 042	(6 764)
– (decrease)/increase in trade and other payables, provisions and deferred maintenance revenue	(10 163)	(58 125)	(21 442)	(9 946)
– decrease in amounts owing to subsidiaries	–	–	(4 837)	4 837
Cash generated from/(utilised in) operations	55 168	55 394	2 459	(9 673)



	Group		Company	
	2018 R'000	2017 R'000	2018 R'000	2017 R'000
25. NOTES TO THE STATEMENTS OF CASH FLOWS (continued)				
25.2 Taxation paid				
Net taxation refundable/(payable) at beginning of year	4 654	4 475	(467)	–
Net acquisition/disposal of subsidiaries/business operations	(171)	(3 544)	–	–
Dividend tax	(12)	(10)	–	–
Amounts charged per statement of comprehensive income, excluding deferred taxation	(16 675)	(13 012)	–	(467)
Net taxation (refundable)/payable at end of year	(6 514)	(4 654)	–	467
Cash amounts paid	(18 718)	(16 745)	(467)	–
25.3 Acquisition/Disposal of subsidiaries				
Investment in subsidiary, at cost	–	–	(31 347)	(37 751)
Equity	8 534	6 952	–	–
Plant and equipment	(826)	(6 131)	–	–
Intangible assets	(42 942)	(41 820)	–	–
Inventories	(1 208)	(2 639)	–	–
Accounts receivable	(2 417)	(26 470)	–	–
Accounts payable	3 719	22 667	–	–
Current taxation	171	3 544	–	–
Deferred taxation	6 809	3 487	–	–
Interest-bearing liabilities	6 269	8 300	–	–
Net cash and cash equivalents	(5 782)	(5 641)	–	–
Profit on disposal of subsidiary	(4 311)	–	–	–
Total purchase price	(31 984)	(37 751)	(31 347)	(37 751)
Exclude: net cash and cash equivalents acquired	5 782	5 641	–	–
Exclude: deferred payment RAMM Technologies/Reflex Solutions	28 985	37 726	28 985	37 726
Consideration paid Reflex Solutions	(30 000)	–	–*	–
Cash flow on acquisition, net of cash acquired	(27 217)	5 616	(2 362)	(25)

* The payment of Reflex Solutions (Pty) Ltd was made by Jasco Trading (Pty) Ltd, a wholly owned subsidiary of the company.

NOTES TO FINANCIAL STATEMENTS continued

FOR THE YEAR ENDED 30 JUNE 2018

25. NOTES TO THE STATEMENTS OF CASH FLOWS (continued)

Break-down of the 2018 Acquisition/Disposal of subsidiary

The group acquired shares in ICT-Datafusion and RAMM and disposed of shares in Jasco East Africa.

	Datafusion R'000	RAMM R'000	East Africa R'000	Total R'000
Investment in subsidiary, at cost	-	-	-	-
Equity	(1 457)	9 953	38	8 534
Non-controlling interest	(1 457)	9 953	(1)	8 495
Foreign currency translation reserve	-	-	39	39
Plant and equipment	-	(1 030)	204	(826)
Intangible assets at acquisition	(3 506)	(39 436)	-	(42 942)
Intangible Asset – Goodwill	-	(18 625)	-	(18 625)
Intangible Asset – Customer Contracts	(3 506)	(16 262)	-	(19 768)
Intangible Asset – Trade name	-	(637)	-	(637)
Intangible Asset – Intellectual Property	-	(3 912)	-	(3 912)
Inventories	-	(1 456)	248	(1 208)
Accounts receivable	(413)	(2 710)	706	(2 417)
Accounts payable	5 061	434	(1 776)	3 719
Current taxation	-	124	47	171
Deferred taxation	982	5 827	-	6 809
Interest-bearing liabilities	3 760	2 509	-	6 269
Net cash and cash equivalents	(2 910)	(3 200)	328	(5 782)
Profit/(Loss) on disposal of subsidiary	(4 517)	-	206	(4 311)
	(3 000)	(28 985)	1	(31 984)
Excludes: net cash and cash equivalents	2 910	3 200	(328)	5 782
Less: deferred payments – RAMM	-	28 985	-	28 985
Consideration paid – Reflex Solutions	-	-	-	(30 000)
Cash flow on acquisition/disposal, net of cash	(90)	3 200	(327)	(27 217)



	Group		Company	
	2018 R'000	2017 R'000	2018 R'000	2017 R'000
25. NOTES TO THE STATEMENTS OF CASH FLOWS (continued)				
25.4 Investment/loans in associate/joint venture				
Loan to Jasco East Africa	3 408	–	–	–
Loan to Jasco Middle East	1 317	2 186	1 317	1 028
	4 725	2 186	1 317	1 028
25.5 Replacement of plant and equipment				
Plant and machinery	(363)	(1 494)	–	–
Furniture and office equipment	(588)	(915)	–	–
Motor vehicles	–	–	–	–
Computer and manufacturing equipment	–	(15)	–	–
Leasehold improvements	(57)	(394)	–	–
Total replacement	(1 008)	(2 818)	–	–
25.6 Additions to plant and equipment				
Plant and machinery	(618)	(3 472)	–	–
Hi Sites	(111)	(130)	–	–
Furniture and office equipment	(5 166)	(8 063)	–	–
Motor vehicles	(193)	–	–	–
Computer and manufacturing equipment	(3 214)	(1 303)	–	–
Leasehold improvements	(2 038)	(1 936)	–	–
Total additions	(11 340)	(14 904)	–	–

NOTES TO FINANCIAL STATEMENTS continued

FOR THE YEAR ENDED 30 JUNE 2018

	Group		Company	
	2018 R'000	2017 R'000	2018 R'000	2017 R'000
26. OPERATING LEASES				
26.1 Operating lease commitments				
Future minimum rentals for premises and office equipment under non-cancellable leases payable within:				
– one year	26 875	22 056	–	–
– after one year, within five years	61 839	66 196	–	–
– after five years	13 592	26 414	–	–
Total	102 306	114 666	–	–
26.2 Operating lease income				
Future minimum rentals under non-cancellable leases receivable within:				
– one year	29 792	28 464	–	–
– after one year, within five years	33 413	11 818	–	–
– after five years	3 480	440	–	–
Total	66 685	40 722	–	–
The operating lease income is derived from rental agreements with customers utilising the group's network of Hi sites and rooftops under management.				
27. CONTINGENT LIABILITIES				
Jasco issues guarantees and suretyships for strategic and business purposes to facilitate other business transactions.				
– Guarantee for loan to New Telco South Africa (Pty) Limited from Cisco Capital			–	9 925
– Guarantee received from New Telco GmbH for New Telco South Africa (Pty) Limited loan from Cisco Capital			–	(3 308)
– Guarantees provided to group companies*			81 644	167 083
			81 644	173 700

* These guarantees were issued prior to the restatement of the company's 2017 financial results. Refer to Note 35. Subsequent to the restatement, the shareholders equity has reduced to R32 590 000 in 2017 and R16 354 000 in 2018. This necessitated the reduction in the value of the guarantees provided to subsidiary companies post the financial year end, mainly in favour of Jasco Enterprise (Pty) Ltd.



	Group		Company	
	2018	2017	2018	2017
	R'000	R'000	R'000	R'000

28. BANKING FACILITIES

Bank overdrafts of the group, excluding FerroTech, MV Fire and Telesto were cross-guaranteed by the group companies. The net overdrafts of subsidiaries as at 30 June 2018 amounted to Rnil (2017: Rnil). The details of the banking facilities are as follows:

Sharing cross guarantees	-	23 900	-	23 900
- First National Bank	-	23 900	-	23 900
Total overdraft facility	-	23 900	-	23 900
Other general banking facilities	150 000	150 000	150 000	150 000
- Bank of China	150 000	150 000	150 000	150 000
Total general banking facilities	150 000	173 900	150 000	173 900

In May 2017 the group obtained a R150 million working capital medium-term loan from the Bank of China (refer to Note 19). This was utilised to settle the overdraft and other general banking facilities at Standard Bank, Nedbank and ABSA Bank by 30 June 2017. The First National Bank facility was cancelled in July 2017.

NOTES TO FINANCIAL STATEMENTS continued

FOR THE YEAR ENDED 30 JUNE 2018

29. DIRECTORS' AND PRESCRIBED OFFICERS' EMOLUMENTS

	Fees for services as a director R	Basic salary R	Bonuses and performance- related payments R
2018			
Non-executive			
(paid by Jasco Electronics Holdings Limited)			
ATM Mokgokong	461 587	-	-
MJ Madungandaba	448 168	-	-
JC Farrant	354 428	-	-
MS Bawa	347 843	-	-
T Zondi	269 252	-	-
P Radebe	347 843	-	-
	2 229 121	-	-
Executive			
(paid by Jasco Trading (Pty) Limited)			
AMF Da Silva	-	3 938 676	-
WA Prinsloo	-	2 308 289	-
	-	6 246 965	-
Total directors	2 229 121	6 246 965	-
Prescribed officers			
(paid by Jasco Trading (Pty) Limited)			
M Janse van Vuuren	-	2 190 507	-
T Petje	-	1 548 487	-
SM Samuels	-	1 311 600	-
Total prescribed officers	-	5 050 594	-
Total directors and prescribed officers	2 229 121	11 297 559	-
2017			
Non-executive			
(paid by Jasco Electronics Holdings Limited)			
ATM Mokgokong	435 459	-	-
MJ Madungandaba	422 802	-	-
JC Farrant	334 364	-	-
MS Bawa	328 156	-	-
P Radebe (from 1 January 2017)	168 857	-	-
T Zondi (from 1 January 2017)	130 706	-	-
JA Sherry (retired on 13 September 2016)	61 654	-	-
H Moolla (retired on 1 November 2016)	106 199	-	-
	1 988 197	-	-
Executive			
(paid by Jasco Trading (Pty) Limited)			
AMF Da Silva	-	3 328 377	-
WA Prinsloo	-	2 293 860	637 945
	-	5 622 237	637 945
Total directors	1 988 197	5 622 237	637 945
Prescribed officers			
(paid by Jasco Trading (Pty) Limited)			
M Janse van Vuuren	-	2 299 258	-
T Petje	-	1 599 701	-
(paid by Jasco Enterprise (Pty) Limited)			
MMS Ebrahim	-	1 269 109	-
Total prescribed officers	-	5 168 068	-
Total directors and prescribed officers	1 988 197	10 790 305	637 945



Short term benefits						
Sums paid by way of expense allowance	Contributions under any other benefit scheme	Total short term benefits	Contributions to defined contribution funds	Share-based payments	Total	
R	R	R	R	R	R	R
-	-	461 587	-	-	461 587	
-	-	448 168	-	-	448 168	
-	-	354 428	-	-	354 428	
-	-	347 843	-	-	347 843	
-	-	269 252	-	-	269 252	
-	-	347 843	-	-	347 843	
-	-	2 229 121	-	-	2 229 121	
12 600	296 090	4 247 366	128 763	837 081	5 213 210	
12 600	367 299	2 688 188	76 471	527 774	3 292 433	
25 200	663 389	6 935 554	205 234	1 364 855	8 505 643	
25 200	663 389	9 164 675	205 234	1 364 855	10 734 764	
12 600	361 750	2 564 857	309 314	219 916	3 094 087	
12 600	163 052	1 724 139	246 645	86 506	2 057 290	
12 600	83 072	1 407 272	127 047	-	1 534 319	
37 800	607 874	5 696 268	683 006	306 422	6 685 696	
63 000	1 271 263	14 860 943	888 240	1 671 277	17 420 460	
-	-	435 459	-	-	435 459	
-	-	422 802	-	-	422 802	
-	-	334 364	-	-	334 364	
-	-	328 156	-	-	328 156	
-	-	168 857	-	-	168 857	
-	-	130 706	-	-	130 706	
-	-	61 654	-	-	61 654	
-	-	106 199	-	-	106 199	
-	-	1 988 197	-	-	1 988 197	
12 600	382 753	3 723 730	723 989	1 597 205	6 044 924	
12 600	38 569	2 982 974	286 920	981 093	4 250 987	
25 200	421 322	6 706 704	1 010 909	2 578 298	10 295 911	
25 200	421 322	8 694 901	1 010 909	2 578 298	12 284 108	
12 600	24 413	2 336 271	298 669	319 040	2 953 980	
12 600	17 567	1 629 868	232 684	54 527	1 917 079	
6 300	14 476	1 289 885	121 391	-	1 411 276	
31 500	56 456	5 256 024	652 744	373 567	6 282 335	
56 700	477 778	13 950 925	1 663 653	2 951 865	18 566 443	

NOTES TO FINANCIAL STATEMENTS continued

FOR THE YEAR ENDED 30 JUNE 2018

30. BORROWINGS

The group's borrowings are not limited by its memorandum of incorporation and are at the directors' discretion, subject to existing loan covenants.

31. RETIREMENT BENEFITS

All employees of the group, other than those required by legislation to be members of an industrial fund, are members of a comprehensive pension and/or provident fund, which provides comparable retirement, death and disability benefits. The funds are registered with, and are governed by, the Pension Funds Act, 1956. Because they are defined contribution funds, whereby the benefits are determined solely by the contributions thereto, together with resultant investment earnings on those contributions, the funds are independent of the finances of the group and there is no responsibility for any future unfunded obligations arising therefrom. Refer to note 5 for the company contributions made.

32. RELATED PARTIES

The subsidiaries of the group are identified in note 3.

All purchasing and selling transactions with related parties are concluded at arm's length. Outstanding balances at year end are unsecured, bear interest at 5,75% (2017: 5,75%) and settlement occurs in cash.

Interest on inter-group balances are disclosed in note 6.

Details of inter-group revenue are disclosed in the segmental report on page 87.

Amounts owing between subsidiaries are set out in note 11.

Amounts owing to non-controlling shareholders are set out in note 20.

Directors' emoluments are disclosed in note 29 on pages 70 – 71.

Administration, managerial and secretarial fees between related parties are disclosed in notes 4 and 6.

Company	2018 R'000	2017 R'000
Administration fees received from subsidiaries		
Jasco Carrier Solutions	840	964
Jasco Trading	1 556	5 013
Ferro Resonant Technologies	–	258
Jasco Networks	5 191	450
Jasco Systems	3 000	666
	10 587	7 351
Finance Income from amounts owing by subsidiaries received		
Jasco Share Incentive Trust	847	795
Jasco Trading	5 647	4 425
	6 494	5 220

A dividend of R3 825 000 was received from Reflex Solutions in the 2018 financial year.

No other transactions were entered into between the holding company and its subsidiaries.

Key management personnel comprises directors, prescribed officers and executive management. Refer to notes 5 and 29 for the required disclosures.

33. FINANCIAL INSTRUMENTS

The group's principal financial instruments, other than foreign currency contracts, comprise loans, short term borrowings, bank balances and cash. The main purpose of these financial instruments is to raise finance for the group's operations and capital projects. The group has various other financial instruments, such as trade receivables and trade payables, which arise directly from its operations.

The group also enters into foreign currency contracts and foreign currency option contracts. The purpose is to manage the currency risk arising from the group's operations and its sources of finance.

The main risks arising from the group's financial instruments are interest rate risk, liquidity risk, foreign currency risk and credit risk. The board reviews and agrees policies for managing each of these risks, which are summarised below.

No changes were made to the objectives, policies or processes during the years ended 30 June 2017 and 2018.

33.1 Capital management

The primary objective of the group's capital management is to ensure that it maintains a strong credit rating and healthy capital ratios in order to support its business and maximise shareholder value.

The group manages its capital structure and makes adjustments to it, in light of changing economic conditions. To maintain or adjust the capital structure, the group may adjust the dividend payment to shareholders, return capital to shareholders or issue new shares.

The group's capital consists of its equity and the non-current loans between the group companies for capital management purposes.

A financial covenant on the corporate bond was breached at 30 June 2018 and the related borrowings was classified as a current liability. Refer to note 20.

Management believes the group has met its capital management objectives for the year under review.

33.2 Fair values

The fair values of the recognised financial instruments are not materially different from the carrying amounts reflected in the statement of financial position.

The fair value of financial instruments, excluding foreign currency contracts and option contracts, has been calculated by discounting the expected future cash flows at prevailing interest rates. The fair value of foreign currency contracts and option contracts has been determined using valuation techniques with market observable inputs. The most frequently applied valuation techniques include forward pricing models using present value calculations. The model incorporate various inputs including the foreign exchange spot and forward rates, forward rate curves of currency basis spreads between the respective currencies, and forward rate curves of the underlying commodity.

The group uses the following hierarchy for determining and disclosing the fair value of financial instruments by valuation technique:

Level 1: quoted (unadjusted) prices in active markets for identical assets or liabilities

Level 2: other techniques for which all inputs that have a significant effect on the recorded fair value are observable, either directly or indirectly

Level 3: techniques which use inputs which have a significant effect on the recorded fair value that are not based on observable market data.

At 30 June 2018 and 2017, the group's only financial instruments carried at fair value were foreign currency contracts. These were classified as level 2 as the fair values are independently verified.

	2018 R'000	2017 R'000
Foreign currency contracts asset	2 929	604
Foreign currency contracts liability	83	476

33.3 Foreign currency risk

The group incurs currency risk as a result of transactions which are denominated in a currency other than the group entities' functional currency. The currencies, giving rise to currency risk, in which the group primarily deals, are Pound sterling, US dollar, Euro, Australian Dollar and the United Arab Emirates Dirham.

The group entities hedge trade payables and trade receivables, denominated in foreign currencies, by entering into foreign currency contracts or foreign currency option contracts. It is the group's policy not to enter into foreign currency contracts or option contracts until a firm commitment is in place. The forward currency contract or option contract must be in the same currency as the hedged item.

It is the group's policy to negotiate the terms of the hedge derivatives to match the terms of the hedged items to maximise hedge effectiveness. The group does not apply hedge accounting as per IAS 39.

NOTES TO FINANCIAL STATEMENTS continued

FOR THE YEAR ENDED 30 JUNE 2018

33. FINANCIAL INSTRUMENTS (continued)

33.3 Foreign currency risk (continued)

Foreign currency contracts and option contracts open at year-end, related to the following specific statement of financial position items:

	Group			
	Foreign amount		Rand amount	
	2018 '000	2017 '000	2018 R'000	2017 R'000
Trade and other receivables			12 322	42 443
Foreign currency:				
– Pound sterling	–	1	–	12
– US dollar	787	1 050	10 736	14 392
– Euro	99	1 739	1 586	26 021
– AED	–	572	–	2 018
Trade and other payables			66 868	66 508
Foreign currency:				
– Pound sterling	27	5	491	89
– US dollar	3 607	2 244	49 531	29 403
– Euro	1 046	2 468	16 780	36 923
– Australian dollar	6	9	66	93

The following table demonstrates the sensitivity of the group's profit before tax to a reasonable possible change in exchange rates based on management's most recent expectations, with all other variables held constant:

	Increase/(decrease) in basis points	Group		Company	
		2018 R'000	2017 R'000	2018 R'000	2017 R'000
– Pound sterling	+10c	(5)	–	–	–
	–10c	5	–	–	–
– US dollar	+10c	(517)	(421)	–	–
	–10c	517	421	–	–
– Euro	+10c	(182)	(216)	–	–
	–10c	182	216	–	–
– AED	+10c	–	57	–	–
	–10c	–	(57)	–	–
– AUD	+10c	(3)	–	–	–
	–10c	3	–	–	–

Foreign companies

The group has investments in foreign companies which are classified as foreign entities. The rates used in translating the statements of financial position and comprehensive income are as follows:

	2018		2017	
	Average rate	Closing rate	Average rate	Closing rate
– Kenyan shilling	0,1351	0,1352	0,1259	0,1260
– United Arab Emirates Dirham	3,4983	3,7370	3,7071	3,5271

33. FINANCIAL INSTRUMENTS (continued)

33.4 Interest rate risk

The group's exposure to market risk for changes in interest rates relates to the group's long-term and short-term debt.

The group generally adopts a policy of ensuring that its exposure to changes in interest rates is on a variable rate basis.

The following table sets out the carrying amount, by maturity, of the group's financial instruments that are exposed to interest rate risk:

	Group				
	Total R'000	Within one year R'000	One to two years R'000	Two to three years R'000	After three years R'000
2018					
Variable rate					
Corporate bond	(45 392)	(486)	(44 906)	–	–
Interest-bearing liabilities	(137 192)	(8 643)	(128 549)	–	–
Net cash and cash equivalents	67 889	67 889	–	–	–
	(114 655)	58 760	(173 455)	–	–

	Group				
	Total R'000	Within one year R'000	One to two years R'000	Two to three years R'000	After three years R'000
2017					
Variable rate					
Corporate bond	(44 571)	(834)	(43 737)	–	–
Interest-bearing liabilities	(137 841)	(18 980)	(117 578)	(1 283)	–
Net cash and cash equivalents	95 551	95 551	–	–	–
	(86 861)	75 737	(161 315)	(1 283)	–

	Company				
	Total R'000	Within one year R'000	One to two years R'000	Two to three years R'000	After three years R'000
2018					
Variable rate					
Amounts owing by subsidiaries	98 265	20 312	28 156	31 554	18 243
Loan to Jasco Employee Share Incentive Trust	10 950	–	10 950	–	–
Cash and cash equivalents	342	342	–	–	–
Term loan	(124 853)	(2 143)	(122 710)	–	–
Corporate bond	(45 392)	(486)	(44 906)	–	–
	(60 688)	18 025	(128 510)	31 554	18 243

NOTES TO FINANCIAL STATEMENTS continued

FOR THE YEAR ENDED 30 JUNE 2018

33. FINANCIAL INSTRUMENTS (continued)

33.4 Interest rate risk (continued)

	Company				
	Total R'000	Within one year R'000	One to two years R'000	Two to three years R'000	After three years R'000
2017					
Variable rate					
Amounts owing by subsidiaries	114 337	16 313	22 500	40 024	35 500
Loan to Jasco Employee Share Incentive Trust	10 897	–	10 897	–	–
Cash and cash equivalents	11 458	11 458	–	–	–
Term loan	(102 698)	(2 552)	(100 146)	–	–
Corporate bond	(44 571)	(834)	(43 737)	–	–
Amounts owing to subsidiaries	(5 011)	(5 011)	–	–	–
	(15 588)	19 374	(110 486)	40 024	35 500

The following table demonstrates the sensitivity to a reasonably possible change in interest rates, with all other variables held constant, of the group's profit before tax through the impact on variable rate borrowings and no other impact on equity:

	Increase/(decrease) in basis points	Group		Company	
		2018 R'000	2017 R'000	2018 R'000	2017 R'000
Profit before tax	+0,5%	(576)	(346)	492	575
	–0,5%	576	346	(492)	(575)

33.5 Credit risk management

The group's main exposure to credit risk arises from the group's normal credit sales to customers and certain financing activities.

The group has a credit risk policy in place and the exposure to credit risk is monitored on an ongoing basis. Credit evaluations are performed on all customers requiring credit over a certain amount. Ownership of goods only passes on receipt of payment.

In addition, receivable balances are monitored on an ongoing basis with the result that the group's exposure to bad debts is not significant.

The maximum exposure to credit risk is represented by the carrying value of each financial asset in the statement of financial position. At year-end, management considered that it had sufficient provisions to cover any significant risk exposure in relation to trade receivables. There is no significant concentration of credit risk, due to the spread of the trade receivables.

Apart from certain trade receivables (note 14), no financial assets are past due, but not impaired.

33.6 Liquidity management

The group is exposed to liquidity risk as a result of incurring liabilities, giving rise to the risk of becoming unable to settle obligations as they become due. The group manages this risk through the management of working capital and cash flows.

The cash flows from trade receivables and trade payables are reasonably well matched in that payments are made to suppliers on the same terms and conditions given to customers. It is anticipated that the year-end position will be settled within a 45 to 60 day timeframe.



33. FINANCIAL INSTRUMENTS (continued)

33.6 Liquidity management (continued)

The table below summarises the maturity profile of the group's financial instruments at yearend:

	Group						
	Net balance	Future interest	Total cash flow	On demand	Less than three months	Three to 12 months	12 – 24 months
	R'000	R'000	R'000	R'000	R'000	R'000	R'000
2018							
Finance lease receivable	1 140	21	1 161	–	454	541	166
Trade and other receivables	243 169	–	243 169	35 409	202 545	5 215	–
Loans receivable	432	–	432	–	–	432	–
Net cash and cash equivalents	67 889	–	67 889	62 745	5 144	–	–
Interest-bearing loans and borrowings	(137 192)	(24 900)	(162 092)	–	(5 393)	(15 397)	(141 302)
Corporate bond	(45 392)	(7 745)	(53 137)	–	(1 151)	(3 416)	(48 570)
Deferred purchase consideration:							
– Reflex Solutions	(9 359)	(421)	(9 780)	–	–	(9 780)	–
– RAMM	(29 970)	(630)	(30 600)	–	(30 600)	–	–
Trade and other payables	(197 874)	–	(197 874)	–	(197 874)	–	–
Net derivative financial instruments	2 846	–	2 846	–	2 846	–	–
	(104 311)	(33 675)	(137 986)	98 154	(24 029)	(22 405)	(189 706)
2017							
Finance lease receivable	14 316	725	15 041	–	6 116	7 999	926
Trade and other receivables	221 681	–	221 681	39 293	171 265	11 123	–
Loans receivable	1 756	–	1 756	–	–	1 324	432
Net cash and cash equivalents	95 551	–	95 551	94 879	672	–	–
Interest-bearing loans and borrowings	(129 458)	(22 600)	(152 058)	–	(12 802)	(8 406)	(130 850)
Corporate bond	(44 571)	(9 030)	(53 601)	–	(1 432)	(3 565)	(48 604)
Deferred purchase consideration:							
– Reflex Solutions	(38 383)	(1 397)	(39 780)	–	(30 000)	–	(9 780)
Trade and other payables	(161 809)	–	(161 809)	–	(161 809)	–	–
Net derivative financial instruments	128	–	128	–	128	–	–
	(40 789)	(32 302)	(73 091)	134 172	(27 862)	8 475	(187 876)

NOTES TO FINANCIAL STATEMENTS continued

FOR THE YEAR ENDED 30 JUNE 2018

33. FINANCIAL INSTRUMENTS (continued)

33.6 Liquidity management (continued)

	Company						
	Net balance	Future interest	Total cash flow	On demand	Less than three months	Three to 12 months	Thereafter
	R'000	R'000	R'000	R'000	R'000	R'000	R'000
2018							
Loan to Jasco Employee Share Incentive Trust	10 950	(1 704)	12 654	–	–	–	12 654
Amounts owing by subsidiaries	109 755	–	109 755	–	–	20 312	89 443
Cash and cash equivalents	342	–	342	342	–	–	–
Corporate bond	(45 392)	7 745	(53 137)	–	(1 151)	(3 416)	(48 570)
Interest-bearing loans and borrowings	(124 853)	23 270	(148 123)	–	(3 215)	(9 539)	(135 369)
Deferred consideration:							
– Reflex Solutions	(9 359)	421	(9 780)	–	–	(9 780)	–
– RAMM	(29 970)	630	(30 600)	–	(30 060)	–	–
Trade and other payables	(898)	–	(898)	–	(898)	–	–
	(89 425)	30 362	(119 787)	342	(35 864)	(2 423)	(81 842)
2017							
Loan to Jasco Employee Share Incentive Trust	10 897	(1 696)	12 593	–	–	–	12 593
Amounts owing by subsidiaries	118 157	–	118 157	–	–	16 313	101 844
Cash and cash equivalents	11 458	–	11 458	11 458	–	–	–
Corporate bond	(44 571)	9 030	(53 601)	–	(1 432)	(3 565)	(48 604)
Term loan	(102 698)	22 385	(125 083)	–	(2 449)	(8 358)	(114 276)
Deferred purchase consideration	(38 383)	1 397	(39 780)	–	(30 000)	–	(9 780)
Trade and other payables	(1 312)	–	(1 312)	–	(1 312)	–	–
Amounts owing to subsidiaries	(5 011)	–	(5 011)	–	(5 011)	–	–
	(51 463)	31 116	(82 579)	11 458	(40 204)	4 390	(58 223)

	Group		Company	
	2018 R'000	2017 R'000	2018 R'000	2017 R'000

34. EVENTS AFTER THE REPORTING PERIOD

34.1 Dividend per share

Final dividend number 23 of 1 cent per share declared after year-end relating to income for the 2017 year

2 269

2 293

The dividend declared on 27 September 2018 relating to income for the 2018 year was retracted on 1 October 2018. A further clarification of the withdrawn dividend was published on 23 October 2018.



34.2 Gaurantees provided to group companies

Gaurantees were issued prior to the restatement of the company's financial results. Subsequent to the restatement, the shareholders equity has reduced to R16 354 000 (2017: R32 590 000). This necessitated the reduction in value of the gaurantees provided to subsidiary companies post the financial yearend, mainly in favour of Jasco Enterprise (Pty) Ltd. (Refer to note 27).

34.3 Reflex Solutions

The minority shareholders in Reflex Solutions have raised a legal dispute regarding the majority ownership by Jasco of Reflex Solutions and the outcome of this dispute may affect the payment of the second tranche payment in respect of Reflex Solutions.

35. RESTATEMENTS OF COMPARATIVE FIGURES

STATEMENT OF COMPREHENSIVE INCOME – GROUP

for the year ended June 30, 2017

	2017 Restated R'000	2017 Previous R'000	Change R'000
Revenue	1 036 509	1 044 301	(7 792)
Sale of goods	704 872	704 872	–
Rendering of services	303 982	304 788	(806)
Rental income	27 655	27 655	–
Finance income	–	6 986	(6 986)
Cost of sales	(724 064)	(721 651)	(2 413)
Gross profit/(loss)	312 445	322 650	(10 205)
Other income	24 490	27 894	(3 404)
Selling and distribution costs	(3 145)	(3 145)	–
Administration expenses	(209 337)	(209 491)	154
Other expenses	(120 561)	(88 981)	(31 580)
Operating profit	3 892	48 927	(45 035)
Finance income	6 986	–	6 986
Finance costs	(18 521)	(18 521)	–
Equity accounted share of income from associates	(1 823)	(1 823)	–
Profit/(Loss) before taxation	(9 465)	28 583	(38 048)
Taxation (expense)/income	(25 976)	(16 253)	(9 723)
Net profit/(loss) for the year	(35 441)	12 330	(47 771)
Attributable to:			
Equity holders of the parent	(39 248)	8 128	(47 376)
Non-controlling interests	3 807	4 202	(395)
Net profit/(loss) for the year	(35 441)	12 330	(47 771)
Other comprehensive income	319	319	–
Total comprehensive income	(35 122)	12 649	(47 771)
Attributable to:			
Equity holders of the parent	(39 248)	8 447	(47 695)
Non-controlling interests	3 807	4 202	(395)
Total comprehensive income	(35 441)	12 649	(48 090)

NOTES TO FINANCIAL STATEMENTS continued

FOR THE YEAR ENDED 30 JUNE 2018

35. RESTATEMENTS OF COMPARATIVE FIGURES (continued)

STATEMENT OF FINANCIAL POSITION – GROUP

as at June 30, 2017

	2017 Restated R'000	2017 Previous R'000	Change R'000
ASSETS			
Non-current assets	210 788	251 663	(40 875)
Plant and equipment	78 936	78 936	–
Intangible assets	112 608	140 910	(28 302)
Investment in associates	284	284	–
Deferred income tax	17 803	27 526	(9 723)
Other non-current assets	1 157	4 007	(2 850)
Current assets	474 072	479 598	(5 526)
Inventories	86 334	86 334	–
Trade and other receivables	269 975	274 747	(4 772)
Foreign currency contracts	–	604	(604)
Taxation paid in advance	7 280	7 280	–
Short term portion of non current assets	14 932	15 082	(150)
Cash and cash equivalents	95 551	95 551	–
TOTAL ASSETS	684 860	731 261	(46 401)
EQUITY AND LIABILITIES			
Shareholders' equity	201 630	249 401	(47 771)
Share capital	281 283	281 283	–
Treasury shares	(2 635)	(2 635)	–
Non-distributable reserves	6 427	6 427	–
Retained earnings	(100 495)	(53 119)	(47 376)
Equity attributable to equity holders of the parent	184 580	231 956	(47 376)
Non-controlling interests	17 050	17 445	(395)
Non-current liabilities	168 504	168 504	–
Interest bearing liabilities	162 598	162 598	–
Deferred maintenance revenue	331	331	–
Deferred income tax	5 575	5 575	–



35. RESTATEMENTS OF COMPARATIVE FIGURES (continued)

STATEMENT OF FINANCIAL POSITION – GROUP

as at June 30, 2017

	2017 Restated R'000	2017 Previous R'000	Change R'000
Current liabilities	314 726	313 356	1 370
Trade and other payables	215 604	184 967	30 637
Provisions	19 984	19 581	403
Foreign currency contracts	–	476	(476)
Taxation	2 626	2 626	–
Deferred maintenance revenue	56 139	55 333	806
Short term borrowings	20 373	50 373	(30 000)
TOTAL EQUITY AND LIABILITIES	684 860	731 261	(46 401)

CASH FLOW (EXTRACT) – GROUP

	2017 Restated R'000	2017 Previous R'000	Movement R'000
Cash flows from operating activities	25 239	32 068	(6 829)
Cash flows from investing activities	21 373	14 544	6 829
Cash flows from financing activities	41 878	41 878	–
Net increase in cash and cash equivalents	88 490	88 490	–

The following significant restatements occurred in the 2017 group cash flow statement.

	R'000
Cash flows from operating activities as previously stated in 2017	32 068
Cash flows from operating activities as restated in 2017	25 239
Decrease in cash flow from operating activities in 2017	(6 829)

The decrease in cash flows from operating activities is mainly due to the effect of adjusting for the non-cash effects of the leased assets acquired during 2017. The non-cash effects were previously incorrectly included in financing activities in the purchase of plant and equipment line item in the group 2017 cash flow statement as explained below and relate to the acquisition of new leased assets during the 2017 financial year.

Cash flows from investing as previously stated in 2017	14 544
Cash flows from investing as restated in 2017	21 373
Change in cash flow from investing activities in 2017	6 829

The above inflow is mainly due to R7,655 million of new leased assets which were incorrectly shown as a cash outflow. The acquisition of these leased assets does not result in a cash out flow and accordingly these have been treated as non-cash in operating activities above thereby resulting in the cash flows from investing activities increasing by approximately R7,3 million.

NOTES TO FINANCIAL STATEMENTS continued

FOR THE YEAR ENDED 30 JUNE 2018

STATEMENT OF COMPREHENSIVE INCOME – COMPANY

for the year ended June 30, 2017

	2017 Restated R'000	2017 previous R'000	Change R'000
Revenue	12 571	–	12 571
Gross profit	12 571	–	12 571
Other income	681	8 032	(7 351)
Administration expenses	(8 794)	(8 794)	–
Other expenses	(8 962)	(8 962)	–
Operating (loss)/profit	(4 504)	(9 724)	5 220
Finance income	1 598	143 167	(141 569)
Finance costs	(15 201)	(15 201)	–
(Loss)/profit before taxation	(18 107)	118 242	(136 349)
Taxation (expense)/income	(1 139)	(1 139)	–
Net (loss)/profit for the year	(19 246)	117 103	(136 349)

* In the 2017 financial year R143 167 000 was incorrectly classified as finance income



35. RESTATEMENTS OF COMPARATIVE FIGURES (continued)

STATEMENT OF FINANCIAL POSITION – COMPANY

as at June 30, 2017

	2017 Restated R'000	2017 previous R'000	Change R'000
ASSETS			
Non-current assets	100 069	100 069	–
Investment in subsidiaries	92 747	92 747	–
Investment in associates	2 107	2 107	–
Other non-current assets	5 215	5 215	–
Current assets	125 965	262 314	(136 349)
Trade and other receivables	170	170	–
Amounts owing by subsidiaries	114 337	250 686	(136 349)
Cash and cash equivalents	11 458	11 458	–
TOTAL ASSETS	226 034	362 383	(136 349)
EQUITY AND LIABILITIES			
Shareholders' equity	32 590	168 939	(136 349)
Share capital	281 283	281 283	–
Non-distributable reserves	14	14	–
Retained earnings	(248 707)	(112 358)	(136 349)
Equity attributable to equity holders of the parent	32 590	168 939	(136 349)
Non-current liabilities	152 286	152 286	–
Interest bearing liabilities	152 266	152 266	–
Deferred income tax	20	20	–
Current liabilities	41 158	41 158	(467)
Trade and other payables	31 494	1 494	30 000
Provisions	800	800	–
Amounts owing to subsidiaries	5 011	5 011	–
Taxation	467	467	–
Short term borrowings	3 386	33 386	(30 000)
TOTAL EQUITY AND LIABILITIES	226 034	362 383	(136 349)

NOTES TO FINANCIAL STATEMENTS continued

FOR THE YEAR ENDED 30 JUNE 2018

CASH FLOW (EXTRACT) – COMPANY

	2017 Restated R'000	2017 Previous R'000	Movement R'000
Cash flows from operating activities	(17 937)	117 545	(135 482)
Cash flows from investing activities	(6 371)	(100 774)	94 403
Cash flows from financing activities	100 818	59 739	41 079
Net increase in cash and cash equivalents	76 510	76 510	-

The following significant restatements occurred in the 2017 company cash flow statement.

	R'000
Cash flows from operating activities as previously stated in 2017	117 545
Cash flows from operating activities as restated in 2017	(17 937)
Decrease in cash flow from operating activities in 2017	<u>(135 482)</u>

The decrease in cash flows from operating activities is mainly due to the effect of reversing the non-cash effects of the dividend *in specie* income of R132,5 million that was previously included during 2017.

Cash flows from investing activities as previously stated in 2017	(100 774)
Cash flows from investing activities as restated in 2017	(6 371)
Change in cash flow from investing activities in 2017	<u>94 403</u>

The main reason for the increase in cash flow from investing activities in 2017 is due to the fact that the previously stated company cash flow statement included a cash outflow of R132,5 million in the "group company loan accounts" line item in the investing activities section. This cash outflow was actually the non-cash effects of a intercompany dividend as no actual cash flow occurred.

The non cash effects of this dividend *in specie* were reversed and the 2017 cash flow statement restated to show actual cash flows.

The reversal of the non-cash effects of the R132,5 million dividend noted above was mainly offset by the reversal of the proceeds received for the M-Tec sale of R40,7 million as the actual cash proceeds were received by another subsidiary in the group and the cash flow that was originally shown in the 2017 cash flow is the non-cash effect of the increase in the intercompany account. Therefore it is considered appropriate to reverse this non-cash effect to reflect actual cash flows in the cash flow statement.

Cash flows from financing activities as previously stated in 2017	59 739
Cash flows from financing activities as restated in 2017	100 818
Change in cash flow from financing activities in 2017	<u>41 079</u>

The main reason for the increase in cash flow from financing activities is due to the fact that in the 2017 previously stated company cash flow statement there was a cash outflow in the non-current loans repaid line item of the financing activities section of the 2017 company cash flow statement of R45,2 million. The R45,2 million is actually the non-cash effects of the non-current loans repaid line item as the actual cash flow was paid by another subsidiary within the group.



35. RESTATEMENTS OF COMPARATIVE FIGURES (continued)

35.1 GROUP

Restatements were recorded in the comparative group statement of comprehensive income. The significant restatements are explained below:

35.1.1 Revenue

Included in revenue in the prior year is finance income of R7,0 million which reduced revenue reported previously of R1,043 billion to R1,036 billion for 2017.

35.1.2 Other Income

Included in other income in the prior year is a profit arising on the disposal of the group's security installation business to Jasco Technical Service Proprietary Limited (JTS) of R3,4 million. The group retained a 25% shareholding in JTS and the holders of the 75% share capital shares are pledged as security over the loan payable to the group of R3,4 million. In essence the group has granted an option to the holders of the 75% share holding in JTS. The value of the option granted is considered to be immaterial. Accordingly, the profit on the disposal of JTS has been reversed and JTS has been consolidated in the group statement of financial position at 30 June 2017. The net liabilities of JTS were insignificant and amounted to R403 000.

35.1.3 Impairment of goodwill – Enterprise CGU

Management performed a value in use calculation to assess if the net asset value of the Enterprise CGU (exclusive of Reflex from CGU in 2018 but was included in total Enterprise CGU in 2017) is recoverable at 30 June 2018. The calculation indicated that the goodwill of R28,3 million allocated to this CGU was fully impaired at 30 June 2018 as the future discounted cash flows in the value in use calculation were not sufficient to recover the net asset value of the Enterprise CGU. It was also evident that this goodwill was also impaired at 30 June 2017 as the reduced cash flows should have been taken into account in the 2017 calculation and thus the goodwill should have been fully impaired in the prior year. Accordingly, an impairment charge of R28,3 million has been recorded in other expenses in the group 2017 statement of comprehensive income and the related intangible assets balance in the group statement of financial position at 30 June 2017 has reduced due to the impairment charge by R28,3 million.

35.1.4 Taxation expense and deferred tax asset in respect of tax losses in Jasco Enterprise Proprietary Limited

The deferred tax asset balance reduced by R9,7 million. This was mainly due to the R10,8 million reduction in the deferred tax asset in respect of tax losses in Jasco Enterprise (Pty) Ltd. In performing the value in use calculation referred to above (note 35.1.2) in the Enterprise CGU at 30 June 2018 which indicated that the goodwill of the Enterprise CGU was impaired due to the reduction in the future discounted cash flows, management then concluded that the revised cash flows were not sufficient to fully recover the deferred tax asset in respect of the Enterprise CGU. Management concluded that the reduced cash flows were also applicable at 30 June 2017 and therefore the deferred tax asset balance was written down by R10,8 million in the group statement of financial position and a corresponding charge was recorded in the taxation charge in the group statement of comprehensive income.

35.1.5 Short-term borrowings and trade payables

Included in the short-term borrowings in the group statement of financial position in 2017 is the deferred purchase consideration related to the groups acquisition of Reflex solutions Proprietary Limited. Management has considered it more appropriate to include the deferred consideration of R30 million as part of trade and other payables rather than short-term borrowings as the nature of the deferred consideration is not that of a short-term borrowing but closer to the nature of an other payable which should therefore be included in trade and other payables, hence trade and other payables have increased by the R30 million in the 2017 group statement of financial position and the short-term borrowings have decreased by R30 million.

35.1.6 Basic and diluted earnings per share

Basic and diluted earnings per share for the prior year have also been restated. The amount of the correction for both basic and diluted earnings per share was a decrease of 20.9 cents per share.

In respect of the above adjustments a third statement of financial position (i.e. for the year ended 30 June 2016) is not required as the above adjustments do not affect the information in the statements of financial position at the beginning of the preceding period.

NOTES TO FINANCIAL STATEMENTS **continued**

FOR THE YEAR ENDED 30 JUNE 2018

35.2 COMPANY

Restatements were recorded in the comparative company statement of comprehensive income. The significant restatements are explained below

35.2.1 Revenue

Included in the revenue in the 2017 statement of comprehensive income was a dividend in specie of R132 million. At 30 June 2018 this dividend is still outstanding and was included in the amounts owing by subsidiaries line item in the company statement of financial position at 30 June 2017. In performing an assessment of the recoverability of this receivable and the related dividend at the 2018 year-end it became evident that the full intercompany receivable balance is not recoverable and that the same condition existed at 30 June 2017. Management concluded it was appropriate to reverse the dividend in the 2017 company statement of comprehensive income. The reversal of the dividend of R132 million reduced revenue by R132 million in the company 2017 statement of comprehensive income and reduced the amount owing by subsidiaries balance in the company statement of financial position. The reduction of the intercompany receivable balance by R132 million also has the effect of reducing the interest income which is earned by the parent company by R3,8 million with a related reduction to the amount owing by subsidiaries balance by a corresponding R3,8 million in the 2017 company statement of financial position.

35.2.2 Short-term borrowings and trade payables

Included in the short-term borrowings in the company statement of financial position in 2017 is the deferred purchase consideration related to the acquisition of Reflex Solutions Proprietary Limited. Management has considered it more appropriate to include the deferred consideration of R30 million as part of trade and other payables rather than short-term borrowings as the nature of the deferred consideration is not that of a short-term borrowing but closer to the nature of an other payable which should therefore be included in trade and other payable, hence trade and other payables have increased by R30 million in the 2017 company statement of financial position and short-term borrowings have decreased by R30 million.

In respect of the above adjustments a third statement of financial position (i.e. for the year ended 30 June 2016) is not required as the above adjustments do not affect the information in the statement of financial position at the beginning of the preceding period.

35.2.3 Reclassification from other income to revenue

Due to the fact that the company's primary activities are to invest in and provide funding to subsidiaries. A decision was made to reclassify the interest received from inter-group loans, administration fees and dividends received from subsidiaries from other income of R7,3 million to revenue as these are considered to be earned in ordinary operating activities of the company in accordance with IAS 18: "Revenue".

36. REPORTABLE IRREGULARITY

During the current year, the external auditors, PwC Incorporated, reported that suspected irregularities were taking place as defined in the Auditing Professions Act, 2005 (APA) to the Independent Regulatory Board of Auditors (IRBA) on 12 October 2018 relating to the SENS announcements made on 27 September and 1 October 2018 respectively. The suspected reportable irregularities related to statements made in these announcements that were materially false and misleading as the audit of the consolidated annual financial statements were not finalised at the date of publication and this could constitute a breach of the provisions of section 29 of the Companies Act, 2008 and/or breach of the provisions of section 81 of the Financial Markets Act, 2012. PwC followed up this report to the IRBA with a second report as required by the APA, advising the IRBA that, in its view, the reportable irregularities are no longer occurring.

SEGMENTAL REPORT

AT 30 JUNE 2018

Introduction

For management purposes, the group is organised into business units based on their products and services. Management monitors the operating results of its business units separately for the purpose of making decisions about resource allocation and performance assessment.

The trading activities of the group companies are divided into four main business segments, namely Carrier, Enterprise, Intelligent Technologies and Electrical Manufacturers.

	Income and expenses							Financial position				
	Revenue		Net forex profit/ (loss) and other income*	Administrative and other expenses#	Depreciation and amortisation	Operating profit/ (loss)†	Finance income	Finance costs	Assets	Liabilities	Capital expenditure	
	R'000	R'000	R'000	R'000	R'000	R'000	R'000	R'000	R'000	R'000	R'000	
2018												
Carrier	348 555	183	348 738	(1 703)	(72 109)	(1 490)	53 092	285	(111)	153 596	49 511	1 303
Enterprise	389 746	11 963	401 709	3 437	(121 024)	(13 022)	11 152	959	(2 072)	146 326	93 965	19 498
Intelligent Technologies	205 652	1 115	206 767	888	(60 267)	(1 847)	18 231	752	(274)	88 780	51 634	240
Electrical Manufacturers	203 130	400	203 530	(22)	(32 185)	(4 022)	13 158	101	(738)	95 608	22 877	3 100
Sub-total operating division	1 147 083	13 661	1 160 744	2 600	(285 585)	(20 381)	95 633	2 097	(3 195)	484 310	217 987	24 141
Other non-operating divisions	-	-	-	65 065	(85 860)	(6 086)	(43 000)	30 144	(35 951)	164 159	318 897	6 689
Adjustments [®]	-	(13 661)	(13 661)	(61 666)	52 366	(4 419)	(12 240)	(27 957)	14 695	77 579	(15 055)	(279)
Total	1 147 083	-	1 147 083	5 999	295 197	(30 886)	40 393	4 284	(24 451)	726 048	521 829	30 551
2017												
Carrier	385 595	251	385 846	(2 845)	(69 592)	(1 745)	51 033	503	(70)	150 705	38 191	1 896
Enterprise	302 771	12 075	314 846	1 921	(105 254)	(3 560)	(5 208)	861	(1 537)	136 770	89 993	15 363
Intelligent Technologies	158 931	4 147	163 078	(60)	(36 561)	(1 610)	22 094	3 330	(1 780)	75 254	32 824	1 334
Electrical Manufacturers	189 212	1 583	190 795	(491)	(30 029)	(4 620)	13 275	120	(595)	89 445	19 776	10 165
Sub-total operating division	1 036 509	18 056	1 054 565	(1 475)	(241 436)	(11 535)	81 194	4 814	(3 982)	452 174	180 784	28 758
Other non-operating divisions	-	-	-	54 601	(86 388)	(4 323)	(36 887)	214 132	(24 555)	160 963	302 827	14 297
Adjustments	-	(18 056)	(18 056)	(50 958)	25 259	(1 840)	(40 415)	(211 960)	10 016	71 723	(381)	(2 581)
Total	1 036 509	-	1 036 509	2 168	293 021	(17 698)	3 892	6 986	(18 521)	684 860	483 230	40 474

[†] Segmental revenue and operating profit of the operating divisions includes the interest received and paid relating to the finance lease receivables, but excludes all other interest paid or received and is stated before making adjustment for inter-group administration fees.

^{*} Made up of other income and foreign exchange losses.

[#] Made up of selling and distribution, admin and other expenses excluding foreign exchange losses and depreciation and amortisation.

[®] Relates to elimination of inter-group transactions.

SEGMENTAL REPORT **continued**

FOR THE YEAR ENDED 30 JUNE 2018

SEGMENTAL REPORT (continued)

Taxation is not split per segment as tax is calculated at an entity level and not per operating segment.

The group has one customer that contributed more than 10% (R135 million) to group revenue, in the Electrical Manufacturers segment.

No secondary information is disclosed as the group mainly operated in the South African market during the year with limited exposure in East Africa (Kenya) and the Middle East (UAE).

Enterprise

The Enterprise business unit delivers end-to-end solutions, including contact centres, unified communication, IT infrastructure and security and fire solutions to corporates in Southern and East Africa.

Carriers

The Carrier business unit delivers telecommunications products and services across the value chain, from design and planning of networks to configuration, integration and support. As a system integrator and distributor, our proven solutions focus on access, transmission and operational support systems for telecommunications networks across the African continent.

Intelligent Technologies

Intelligent Technologies comprises broadcast solutions, smart buildings, data centres, water management, power solutions and renewable energy solutions.

Electrical Manufacturers

The Electrical Manufacturers business unit is a component manufacturer of plastic products, wire harnesses and metal pressings, with a special focus on the large and small home appliances market in South Africa.

For more information on products and services of each operating segment, please refer to the intergrated annual report



ORDINARY SHARE PERFORMANCE AND SHAREHOLDING

STATISTICAL HIGHLIGHTS FOR THE SIX YEARS ENDED 30 JUNE 2018

	2018	2017	2016	2015	2014	2013
Jasco share price						
Lowest share price (cents)	40	70	38	47	58	85
Highest share price (cents)	90	120	87	125	114	175
Closing share price (cents)	65	82	84	56	90	99
Analysis of Jasco share transactions						
Total number of transactions recorded on JSE	1 311	1 472	1 241	1 717	1 684	3 151
Total number of shares traded ('000)	9 842	16 935	23 220	15 696	20 246	24 594
Total number of shares traded as a percentage of weighted average issued shares (%)	4,3	7,5	10,8	5,5	11,6	16,8
Total value of shares traded (R'000)	5 929	16 152	14 018	12 035	16 564	35 213

ANALYSIS OF JASCO SHAREHOLDING AT 30 JUNE 2018

	Number of shareholders	Percentage of total	Number of shares	Percentage of total
Size of shareholding				
1 – 1 000	1 502	52,59	473 603	0,21
1 001 – 5 000	601	21,04	1 606 019	0,70
5 001 – 10 000	227	7,95	1 821 953	0,79
10 001 – 100 000	420	14,71	14 761 199	6,44
100 001 and over	106	3,71	210 656 417	91,86
	2 856	100,00	229 319 191	100,00
Analysis of shareholders				
Class				
– individuals	2 593	90,79	48 185 573	21,01
– financial institutions and corporate bodies	263	9,21	181 133 618	78,99
	2 856	100,00	229 319 191	100,00
Major shareholders (5% or more of shares in issue)				
– Community Investment Holdings (Pty) Limited (CIH)*			72 654 780	31,68
– Goldsol II (Pty) Limited			50 000 000	21,80
– TMM Holdings (Pty) Limited			24 513 956	10,69
Analysis of Jasco shareholder's spread at 30 June 2018				
Non-public				
– BEE partners	6	0,21	130 482 620	56,90
– Jasco directors [†]	4	0,14	746 009	0,33
– Associates of Jasco directors	1	0,04	5 500	0,00
– Jasco Employee Share Incentive Trust	1	0,04	6 501 194	2,83
	12	0,43	137 735 323	60,06
Public	2 844	99,57	91 583 868	39,94
	2 856	100,00	229 319 191	100,00

[†] Refer to the directors' report on page 14 for detailed information of the directors' interest in share capital.

* CIH's shares are held by Malesela Holdings No 1 (Pty) Limited, the Inkonkoni Trust, CIH Projects No 8 (Pty) Ltd, Parmtro Investments No 76 (Pty) Ltd and Golden Pond Trading 175 (Pty) Ltd.



CORPORATE INFORMATION

GROUP COMPANY SECRETARY

Neo Modisakeng

REGISTERED ADDRESS

Jasco Park
Corner Alexandra Avenue and 2nd Street
Midrand, Halfway House, 1685
(PO Box 860, Wendywood, 2144)
Telephone: +27 11 266 1500

AUDITORS

PwC Inc.
Registered Auditor
4 Lisbon Lane
Waterfall City
Jukskei View, 2090

COMMERCIAL BANKERS

The Bank of China Limited

Johannesburg Branch
Alice Lane Towers, 15 Alice Lane
Sandton, 2146

The Standard Bank of South Africa Limited

Corporate and Investment Banking
3 Simmonds Street
Johannesburg, 2001

First National Bank of Southern Africa Limited

RMB Corporate
Corner Pritchard and Simmonds Streets
Johannesburg, 2001

TRANSFER SECRETARIES

Link Market Services South Africa (Pty) Limited
13th Floor, Rennie House
19 Ameshoff Street
Braamfontein, 2001
(PO Box 4844, Johannesburg, 2000)

SPONSOR

Grindrod Bank Limited
Fourth Floor Grindrod Towers
8A Protea Place
Sandton, 2196

SHAREHOLDERS' DIARY

Annual general meeting

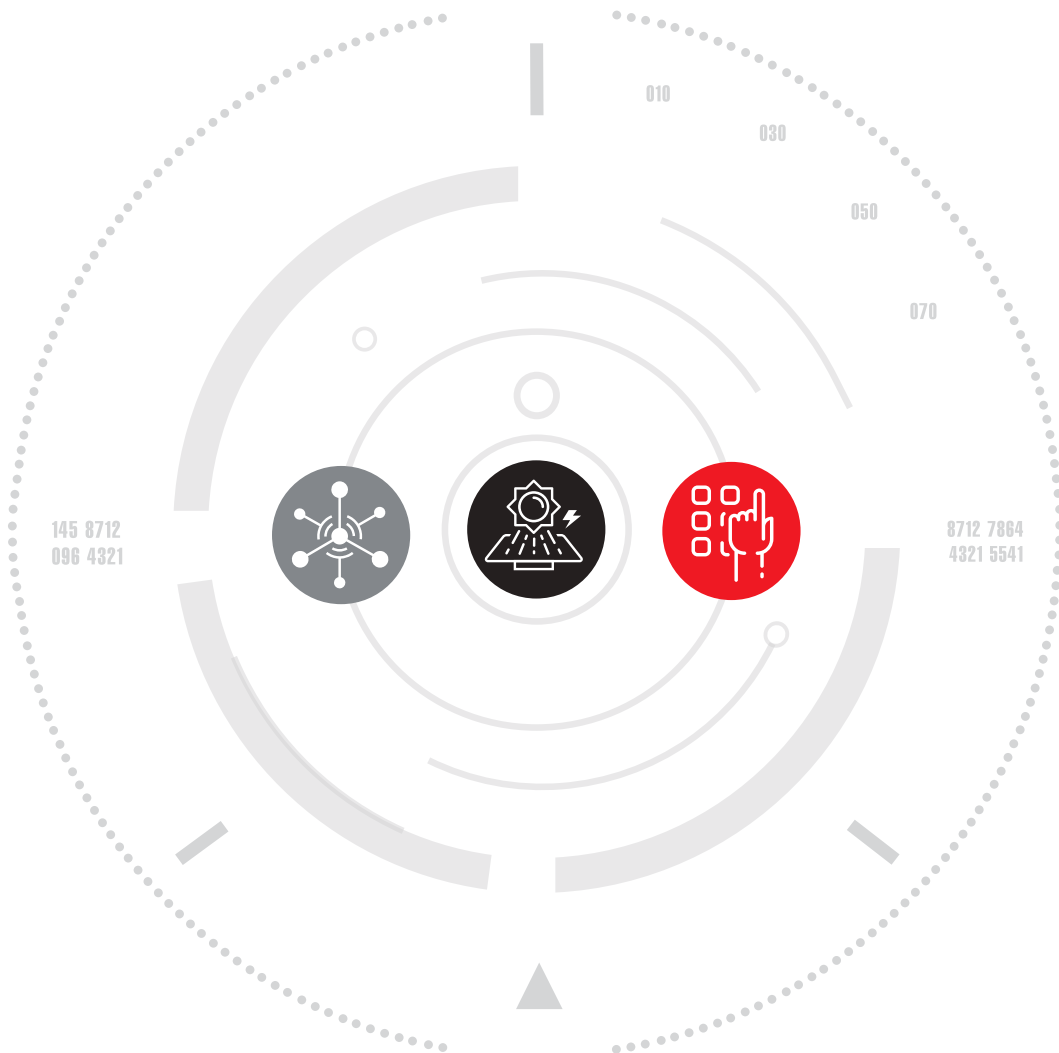
20 December 2018

Reports

Interim for half-year to 31 December 2017
Audited results for the year to 30 June 2018
Integrated annual report posting date

Published 12 February 2018
Published 5 November 2018
16 November 2018





Cnr Alexandra Avenue and 2nd Street, Halfway House, Midrand, Gauteng, South Africa, 1685
PO Box 860, Wendywood, South Africa, 2144
+27 11 266 1500



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