JASCO
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ANNUAL FINANCIAL STATEMENTS 2020

CONTENTS

DIRECTORS' RESPONSIBILITY

FOR FINANCIAL REPORTING

TO THE SHAREHOLDERS OF JASCO ELECTRONICS HOLDINGS LIMITED (JEHL OR JASCO)

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 company and 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 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 apart from the change in accounting policies regarding the adoption of IFRS 16. 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, adjusted for the impact of the COVID-19 pandemic, 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 were given unrestricted access to the financial records and related data, including minutes of meetings of the shareholders and board of directors. The directors believe that all representations made to the independent auditors during their audit are valid and appropriate.

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 6 in the annual financial statements.

The consolidated and separate annual financial statements set out on pages 11 to 89, 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

AMF da Silva
Interim chief executive officer

WA Prinsloo
Chief financial officer

Midrand
11 December 2020

INDEPENDENT AUDITOR'S REPORT

TO THE SHAREHOLDERS OF JASCO ELECTRONICS HOLDINGS LIMITED

REPORT ON THE AUDIT OF THE CONSOLIDATED AND SEPARATE FINANCIAL STATEMENTS

Opinion

We have audited the consolidated and separate financial statements of Jasco Electronics Holdings Limited (the group and company) set out on pages 14 to 89, which comprise the consolidated and separate statement of financial position as at 30 June 2020, and the consolidated and separate statement of profit or loss and other comprehensive income, the consolidated and separate statement of changes in equity and the consolidated and separate statement of cash flows for the year then ended, and notes to the consolidated and separate financial statements, including a summary of significant accounting policies.

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 as at 30 June 2020, and its consolidated and separate financial performance and 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.

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 are independent of the group and company in accordance with the Independent Regulatory Board for Auditors' Code of Professional Conduct for Registered Auditors (IRBA Code) and other independence requirements applicable to performing audits of financial statements in South Africa. We have fulfilled our other ethical responsibilities in accordance with the IRBA Code and in accordance with other ethical requirements applicable to performing audits in South Africa. The IRBA Code is consistent with the corresponding sections of the *International Ethics Standards Board for Accountants' International Code of Ethics for Professional Accountants (including International Independence Standards).* We believe that the audit evidence we have obtained is sufficient and appropriate to provide a basis for our opinion.

Material Uncertainty Related to Going Concern

We draw your attention to Note 35 in the consolidated and separate financial statements, which indicates that the group incurred a net loss of R102 million (2019: R19 million) and R4.8 million [profit] (2019: R16 million) respectively and an accumulated loss of R257 million (2019: R139 million) and R276 million (2019: R281 million) respectively during the year ended 30 June 2020 and, as of that date, the group and company's current liabilities exceeded its current assets by R146 million (2019: R64 million) and R110 million (2019: R127 million) respectively. As stated in Note 35, these events or conditions, along with other matters as set forth in Note 35, indicate that a material uncertainty exists that may cast significant doubt on the Group's ability to continue as a going concern. Our opinion is not modified in respect of this matter.

Key Audit Matters

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

Key audit matter	How our audit addressed the key audit matter
Goodwill assessment (note 11) Accounting policy 2.4.1 of the consolidated financial statements states that goodwill is measured at cost less any accumulated impairment loss. The directors conduct annual impairment tests to assess the recoverability of the carrying value of goodwill and determinate the useful life of intangible assets. This is performed using discounted cash flow models. Goodwill has been recognised in the consolidated statement of financial position as a result of multiple business combinations entered into by the group. Goodwill comprises of 11% (2019: 12%) of the total assets of the group. During the financial year 12.5% (2019: 5%) of the goodwill balance was impaired. There are a number of key areas of estimation and judgement made in determining inputs into these models which include among others: • Future revenue; • Operating margins; • Interest rates; and • Discount rates applied to projected future cash flows. The significance of the estimates and judgement involved could result in a material misstatement, and therefore warrants specific audit focus	We performed substantive tests of detail on the lowest level of cash generating units to which the goodwill has been allocated. We performed the following substantive procedures: • Inspected the list of cash generating units ('CGUs') to determine whether the business units have been allocated to the appropriate CGU; • Evaluated whether the model used by the directors to calculate the value-in-use of the individual CGUs comply with the requirements of IAS 36 Impairment of Assets; • Recalculated the valuation obtained from the directors to assess the mathematical accuracy thereof; • Tested the key assumptions used in determining the valuation of the recoverable amount by compared the cash flows to approved budgets and assessed the reasonability of the discount rates used; • Evaluated and challenged the inputs used by management in determining the discount rate with the assistance of our auditor's expert • Assessed the capability, competence and independence of the expert used; • Re-performed the sensitivity analysis to verify whether the carrying amount does not exceed the recoverable amount in the impairment calculations; and • Assessed the adequacy of the disclosures with regard to the goodwill held in the consolidated financial statements. Having performed our audit procedures and evaluated the outcomes, we concluded that our audit procedures appropriately address the key audit matter.

<table>
<tr><th>Key audit matter</th><th>How our audit addressed the key audit matter</th></tr>
<tr><td><u>Recoverability of deferred income tax assets on assessed losses (note 7)</u>

Due to significant tax losses in prior years the group has recognised a deferred income tax asset of R21.9 million at 30 June 2020, of which R10.2 million relates to taxation losses (Refer to note 7 to the financial statements).

Management has performed an assessment to determine the extent that it is probable that taxable income will be available against which the deductible temporary differences can be utilised.

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.

These judgements and assumptions include the forecasted future taxable income of the entities which have tax losses.

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.</td><td>We obtained management's assessment of the recoverability of the deferred tax asset balances at 30 June 2020 and performed the following procedures:
• Evaluated the reasonableness of the assessments performed by management with regard to taxable income being probable in the foreseeable future;
• Defined the foreseeable future period that was used to assess that is probable to generate future taxable income
• Analysed the tax positions and evaluated the assumptions applied and the methodologies used to determine whether it is probable that the group will generate taxable income in the foreseeable future;
• Evaluated management's taxation planning strategies to assess the utilisation of assessed losses on which deferred tax assets have been recognised;
• Assessed the expected growth rate and enquiring with management and assessing for reasonableness; and
• Assessed on the adequacy of the group's disclosures on deferred tax assets and uncertain tax positions and assumptions used.

Having performed our audit procedures and evaluated the outcomes, we concluded that our audit procedures appropriately address the key audit matter.</td></tr>
<tr><td><u>Impact of the outbreak of COVID-19 on the financial statements (note 34.3)</u>

In March 2020 the global pandemic of COVID-19 reached heightened levels in South Africa and therefore the government of South Africa implemented a country-wide lockdown which has been in effect since 27 March 2020. After the initial lockdown, the government implemented a risk-based lockdown level approach which saw the easing of certain restrictions. However, the socio-economic uncertainty had a negative impact on the business operations of the group and company.

The directors' consideration of the impact on the financial statements are disclosed in note 34.3 to the financial statements. The board and executive committee have also concluded that due to the fact that the lockdown took place prior to year-end, the COVID-19 pandemic is considered to be a non-adjusting event.</td><td>As part of the audit work performed, we have evaluated the impact COVID-19 has had on the Group's business operations, as well as its ability to continue as a going concern in the foreseeable future. We obtained a cash flow forecast for the 12 months from the date of publishing the results, which was prepared for the working capital requirements of the Group and we have assessed it as follows:
• Assessed the mathematical accuracy thereof;
• Reviewed the forecast and made enquiries to understand the period of assessment and the completeness of adjustments considered and implication of those when assessing the most likely scenario on the group's future financial performance;
• Made enquiries from management to understand the assumptions used in performing the forecast;
• Substantiating access to available cash reserves to the Group at year-end and up to the date of publication through the verification of available facilities;
• Evaluated the recoverability of receivables by testing receipts after year-end;
• Evaluated the cash balances available at year end; and
• Evaluated the adequacy and appropriateness of the directors' disclosure of the effect of the COVID-19 pandemic on the group's results.

Having performed our audit procedures and evaluated the outcomes we are satisfied that the audit evidence supports our opinion.</td></tr>
</table>

Other matters

The consolidated and separate financial statements of Jasco Electronics Holdings Limited for the year ended 30 June 2019 were audited by another auditor who expressed an unmodified opinion on those statements on 11 October 2019.

Other Information

The directors are responsible for the other information. The other information comprises the information included in the document titled "Jasco Annual Financial Statements 2020 and in the document titled "Jasco Integrated Annual Report 2020", which includes the Directors' Report, the Audit Committee's Report and the Company Secretary's Certificate as required by the Companies Act of South Africa. The other information does not include the consolidated and separate financial statements and our auditor's reports thereon.

Our opinion on the consolidated and separate financial statements does not cover the other information and we do 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 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 on the other information obtained prior to the date of this auditor's report, we conclude that there is a material misstatement of this other information, we are required to report that fact. We have nothing to report in this regard.

Responsibilities of the Directors for the Consolidated 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's ability to continue as a going concern, disclosing, as applicable, matters related to going concern and using the going concern basis of accounting unless the directors either intend to liquidate the group or to cease operations, or have no realistic alternative but to do so.

Auditor's Responsibilities for the Audit of the Consolidated 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 internal control.
- Evaluate the appropriateness of accounting policies used and the reasonableness of accounting estimates and related disclosures made by the directors.
- Conclude on the appropriateness of the directors' use of the going concern basis of accounting and based on the audit evidence obtained, whether a material uncertainty exists related to events or conditions that may cast significant doubt on the group's ability to continue as a going concern. If we conclude that a material uncertainty exists, we are required to draw attention in our auditor's report to the related disclosures in the consolidated financial statements or, if such disclosures are inadequate, to modify our opinion. Our conclusions are based on the audit evidence obtained up to the date of our auditor's report. However, future events or conditions may cause the group to cease to continue as a going concern.

- Evaluate the overall presentation, structure and content of the consolidated 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 and separate 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, actions taken to eliminate threats or safeguards applied.

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.

Report on Other Legal and Regulatory Requirements

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

Mazars
Partner: Miles Fisher
Registered Auditor

Date: 11 December 2020
Johannesburg

COMPANY SECRETARY'S CERTIFICATION

FOR THE YEAR ENDED 30 JUNE 2020

I, the acting group company secretary as at 30 June 2020, certify that the company has lodged with CIPC 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.

WA Prinsloo
Acting group company secretary at 30 June 2020

Midrand
11 December 2020

AUDIT AND RISK COMMITTEE REPORT

FOR THE YEAR ENDED 30 JUNE 2020

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 2020 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. The appointment of all members of the committee is subject to the shareholders' approval at each annual general meeting. The profiles of the members, including their qualifications, can be viewed in the Integrated Annual Report.

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Composition and meetings

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 28.

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, seven meetings were held:

Member	11/09/2019	16/09/2019	10/10/2019	14/11/2019	20/02/2020	19/05/2020	02/06/2020
Mr DH du Plessis	Present	Present	Present	Present	Present	Present	Present
Ms T Zondi	Present	Present	Present	Present	Apology	Present	Present
Ms PF Radebe	Present	Apology	Apology	Present	Present	Present	Apology

Statutory duties

The committee is satisfied that it has performed the statutory requirements for an audit committee as set out in the Companies Act as well as the functions set out in the charter and that it has therefore complied with its legal, regulatory and other responsibilities.

There were no Reportable Irregularities brought to the attention of the committee.

External auditor

Following a comprehensive tender process, Mazars with Mr Miles Fisher as designated audit partner, was nominated as the new external auditor with effect from 15 June 2020.

The audit committee requested the following information from Mazars in their assessment of the suitability of their appointment as audit firm and designated individual partner:

- The latest inspection reports, decisions letters and remedial actions to address IRBA's findings on the audit firm, the individual auditor and all other engagement file reviews together with explanations where necessary. This includes any re-inspections.
- A summary as approved by the audit firm's head of risk, of internal monitoring review procedures performed, conclusions drawn, together with a description of significant deficiencies and steps taken to resolve or amend them.
- The outcome and a summary of any legal or disciplinary proceedings concluded or settled with a fine within the past seven years.

The committee nominated and recommended the re-appointment of the external auditor, Mazars, to the shareholders in compliance with the Companies Act and the appointment of Mr Miles Fisher as designated auditor for the 2021 financial year.

The committee satisfied itself that the audit firm is accredited, and the committee further satisfied itself that Mazars was independent of the group, which included consideration of compliance with criteria relating to independence proposed by the Independent Regulatory Board for Auditors.

The committee, in consultation with executive management, agreed to the engagement letter, terms, audit plan and budgeted audit fees.

The committee ensured that the auditors did not provide any prohibited services, nor any services that include a threat of self-review. Non-audit services are pre-approved by the chairman of the committee, are generally of an assurance nature, and are not material in relation to the external audit fee.

The committee has the following responsibilities in relation to the external audit: Recommends the appointment of external auditor and oversees the external audit process and in this regard the committee must:

- nominate the external auditor for appointment by the shareholders;
- approve the annual audit fee and terms of engagement of the external auditor;
- monitor and report on the independence of the external auditor in the annual financial statements;
- define a policy for non-audit services and pre-approve non-audit services to be provided by the external auditor;
- ensure that there is a process for the committee to be informed of any reportable irregularities as defined in the Auditing Profession Act, 2005, identified and reported by the external auditor; and
- review the quality and effectiveness of the external audit process and performance against their audit plan.

Key audit matters

The committee has applied its mind to the key audit areas and key audit matters identified by the external auditors and is comfortable that they have been adequately addressed and disclosed. These items, which required significant judgement, were:

- key judgements and estimates used in assessing the impairment of goodwill;
- key judgements and estimates used in assessing the recoverability of deferred taxation assets related to the recognition of assessed losses;
- judgements used to assess going concern of the company and the group; and
- judgements used to assess the impact of the outbreak of COVID-19 on the group.

Internal audit

Following a comprehensive tender process, the board of directors decided on 10 June 2020 to enter into an agreement with Crossroads Distribution (Pty) Limited for the provision of internal audit services to the group.

The committee has satisfied itself that the internal audit function was appropriately independent. The internal audit charter and the internal audit plan were approved by the committee. Internal audit has access to the committee, primarily through its chairman.

The committee has the following responsibilities for internal audit:

- the appointment, performance assessment and/or dismissal of the internal auditor;
- to approve the internal audit charter and the internal audit plan; and
- to ensure that the internal audit function is subject to an independent quality review as and when the committee determines appropriate.

The committee has reviewed the performance, qualifications and expertise of the chief audit executive, Mrs Itumeleng Lukhele, and is satisfied with the appropriateness of her expertise.

Internal financial control

We have considered the reports of management and external audit in arriving at our conclusion that the group's system of internal controls and risk management is effective and that the internal financial controls form a sound basis for the preparation of reliable financial statements. No material breakdown in controls was identified during the year.

Risk management

The committee is responsible for reviewing the effectiveness of systems for internal control, financial reporting and financial risk management and considering the major findings of any internal investigations into control weaknesses, fraud or misconduct and management's response thereto. The committee 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.

Expertise of the financial director and finance function

The committee has reviewed the current performance and future requirements for the financial management of the group and concluded that the current team has the appropriate skills, experience and expertise required to fulfil the finance function. In compliance with the JSE Listings Requirements, the committee satisfied itself of the appropriateness of the expertise and experience of the financial management team as a whole.

The committee has reviewed the performance, qualifications and expertise of the chief financial officer, Mr WA Prinsloo and is satisfied with the appropriateness thereof.

Going concern

The committee reviewed the documents prepared by management in which they assessed the going concern status of the group at year-end and the foreseeable future. Management has concluded that the group is a going concern.

The committee concurred with management's assessment and recommended acceptance of this conclusion to the board.

Recommendation of the annual financial statements for approval by the board

The committee has considered the latest JSE's Proactive Monitoring Report and considered the content of previous reports issued and taken appropriate action where necessary.

The committee recommended the consolidated annual financial statements and the company annual financial statements for approval by the board.

On behalf of the committee

DH du Plessis
Chairman

11 December 2020

REPORT OF THE DIRECTORS

FOR THE YEAR ENDED 30 JUNE 2020

The directors have pleasure in submitting their report on the activities of the group and the company for the year ended 30 June 2020.

Nature of the business

The trading activities of the group companies are divided into five main business units, namely ICT-Carriers, ICT-Enterprise, Security & Fire, Power & Renewables 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. Refer to the report from the CFO and operational review in the Integrated Annual Report.

Impact of COVID-19 pandemic and government lockdown

The group has responded to the pandemic and related lockdown under the State of Disaster declared by the State President in March 2020 by adhering to the new government regulations and implementing the necessary safety protocols in all office and plant environments. The group has reported 19 infections of the coronavirus since the outbreak and all staff have fully recovered and returned to work. The financial impact of the lockdown in the fourth quarter of the financial year was particularly severe and the drop in revenue is conservatively estimated at R163 million. Consequently, the earnings impact was also severe due to the related drop in gross profits, additional once-off operational costs arising from the further restructure of the organisation, once-off impairments of goodwill, intangible assets and loan receivables and reversals of deferred taxation assets recognised in prior financial years. Refer to the 2020 Integrated Annual Report for additional information at an operational level.

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, adjusted for the impact of the COVID-19 pandemic, for the approval of these annual financial statements.

Corporate actions

JASCO DISTRIBUTORS PROPRIETARY LIMITED (JASCO DISTRIBUTORS)

With effect from 1 July 2019, the group disposed of its 70% interest in Jasco Distributors for a purchase consideration of R115 to the minority shareholder. Jasco Distributors is a distributor of security equipment and this was a new start-up operation in the 2019 financial year.

JASCO PROPERTY SOLUTIONS PROPRIETARY LIMITED (JASCO PROPERTY SOLUTIONS)

Jasco Electronics Holdings Limited (JEHL) held 51% of Jasco Property Solutions as at 31 December 2019. With effect from 1 January 2020 Jasco Carrier Solutions Proprietary Limited acquired a 49% interest in Jasco Property Solutions from the minority shareholders for R143 610 and the 51% interest from JEHL for R149 472.

JASCO EAST AFRICA

With effect from 1 April 2020 JEHL disposed of its 40% interest in Jasco East Africa to BCK Kenya Limited for a purchase consideration of KES400.00 (equivalent of R64.25). The necessary provision for the closure of this investment was raised in the current financial year.

JASCO TECHNICAL SERVICES PROPRIETARY LIMITED (JASCO TECHNICAL SERVICES)

With effect from 1 May 2020 Jasco disposed of its 10% interest in Jasco Technical Services for an amount of R10. The entity became dormant from 1 July 2019 following the transfer of the technical resources to Jasco Security & Fire Solutions Proprietary Limited.

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 90.

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 including 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 20 to the financial statements. The board of directors have taken the decision to wind down the share trust once all share options have lapsed in the next financial year.

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, Dr ATM Mokgokong and Mr DH du Plessis retire at the forthcoming annual general meeting (AGM) and are eligible for re-election.

Refer to note 28 page 74 for details on directors service contracts.

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 2020, the total borrowings less cash resources was R325 063 000 including IFRS 16 lease liabilities of R137 151 000 (2019: R143 649 000 – excludes lease liabilities). At 30 June 2020, the group had approved general banking facilities of R150 000 000 (2019: R150 000 000) of which R4,3 million was undrawn. The working capital loan and the corporate bond are classified as current liabilities at 30 June 2020 – refer to note 21 on page 64.

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 interest cover loan covenant for the six-month period ended 30 June 2020 was breached and was condoned by the corporate bondholder on 30 August 2020. As the breach occurred at 30 June 2020, the loan was classified to current liabilities in the group statement of financial position at 30 June 2020, similar to the prior financial year. The corporate bond is due for settlement on 31 January 2021.
- The debtors cover loan covenant for the 12-month period ended 30 June 2020 was breached and was condoned by the Bank of China. As the breach occurred at 30 June 2020, the loan was classified to current liabilities in the group statement of financial position at 30 June 2020, similar to the prior financial year. A notarial general covering bond in the amount of R100 million over the movable assets was provided as additional security to the Bank of China Limited. Refer to note 21 on page 64.

- The Bank of China working capital loan was extended subsequent to year-end to 27 December 2021.
- The disposal of the 51% interest in Reflex Solutions Proprietary Limited for R76,0 million (*cum dividend*) is in process and subject to the JSE regulatory approvals process as a Category 1 transaction and is expected to conclude in January 2021 following the general meeting of shareholders. The board and the major shareholders are supportive of this transaction. The expected proceeds will be used to fully settle the corporate bond and partly settle the Bank of China working capital loan.
- The continuing impact of COVID-19 pandemic on the group, as this is an ongoing and adjusting event. Refer to note 34.3.

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

Due to the loss position no dividend is declared.

Directors' interests in share capital

At the close of business on 30 June 2020, the interests of the directors in the issued share capital of the company amounted to:

	2020	2019
Direct – beneficial		
MSC Bawa	**50 509**	50 509
AMF da Silva	**1 070 500**	1 070 500
WA Prinsloo	**25 000**	25 000
Indirect – beneficial		
MJ Madungandaba	**42 998 052**	41 896 865
ATM Mokgokong	**31 566 332**	30 757 914
MSC Bawa	**4 010 170**	3 781 887
Total	**79 720 563**	77 582 675

During the financial year the Jasco Employee Share Incentive Trust ("the Trust") purchased a total of nil Jasco shares in the open market for a total amount of Rnil (2019: 949 997 shares for R523 861.45). Refer to note 19 on page 60.

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	2020	2019
Direct – beneficial		
M Janse van Vuuren (Resigned 31 May 2020)	–	2 394 488
TS Petje (Resigned 29 February 2020)	–	465 702

There were no share options issued during the year.

STATEMENTS OF COMPREHENSIVE INCOME

FOR THE YEAR ENDED 30 JUNE 2020

		Group		Company	
	Note	2020 R'000	2019 R'000	2020 R'000	2019 R'000
Revenue	4	939 213	1 137 355	59 122	23 133
Cost of sales	5	(652 533)	(746 540)	–	–
Gross profit		286 680	390 815	59 122	23 133
Other income	6	17 999	20 575	1 909	721
Selling and distribution costs	6	(2 252)	(2 186)	–	–
Administrative expenses	6	(240 614)	(286 214)	(11 234)	(7 729)
Other expenses	6	(118 024)	(109 669)	(24 294)	(10 359)
Net impairment loss on trade receivables	16	(4 121)	(1 972)	–	–
Operating (loss)/profit		(60 332)	11 349	25 503	5 766
Finance income	6	3 726	4 559	439	1 198
Finance costs	6	(36 079)	(25 754)	(21 186)	(23 682)
Equity accounted share of profit/(loss) from associate	13	33	(1 623)	–	–
(Loss)/profit before taxation	6	(92 652)	(11 469)	4 756	(16 718)
Taxation	7	(9 983)	(7 906)	9	422
(Loss)/profit for the year		(102 635)	(19 375)	4 765	(16 296)
Other comprehensive loss		–	–	–	–
Total comprehensive (loss)/income for the year		(102 635)	(19 375)	4 765	(16 296)
Profit/(Loss) for the year attributable to:					
– non-controlling interests	3	8 228	9 762	–	–
– ordinary shareholders of the parent		(110 863)	(29 137)	4 765	(16 296)
		(102 635)	(19 375)	4 765	(16 296)
Total comprehensive income/(loss) attributable to:					
– non-controlling interests		8 228	9 762	–	–
– ordinary shareholders of the parent		(110 863)	(29 137)	4 765	(16 296)
		(102 635)	(19 375)	4 765	(16 296)
Earnings per ordinary share (cents) – basic	8	(49,4)	(12,9)	2,1	(7,2)
– diluted	8.1	(49,4)	(12,9)	2,1	(7,2)

STATEMENTS OF FINANCIAL POSITION

AT 30 JUNE 2020

		Group			Company		
	Note	2020 R'000	2019 R'000	2018 Restated^ R'000	2020 R'000	2019 R'000	2018 Restated^ R'000
Assets							
Non-current assets		327 277	258 203	258 819	114 746	127 236	133 462
Plant and equipment#	9	74 675	83 393	79 596	–	–	–
Right of use assets	10	106 124	–	–	–	–	–
Intangible assets	11	117 772	144 233	154 509	–	–	–
Investment in subsidiaries	12	–	–	–	112 716	125 350	121 718
Investment in joint venture/associate	13	–	–	4 412	–	–	6 166
Deferred income tax	7	21 981	22 093	19 725	–	–	–
Other non-current contract assets	4	1 664	–	–	–	–	–
Other non-current assets	14	5 061	8 484	577	2 030	1 886	5 578
Current assets		309 208	399 823	467 229	91 357	80 085	98 811
Inventories	15	101 113	108 484	102 642	–	–	–
Contract assets	4	11 927	6 685	–	–	–	–
Trade and other receivables	16	159 646	205 136	286 197	213	10 212	174
Amounts owing by group companies	12	–	–	–	90 747	69 392	98 295
Taxation refundable		11 938	11 308	9 506	300	300	–
Short-term portion of other non-current assets	14	3 258	2 723	995	–	–	–
Cash and cash equivalents	17	21 326	65 487	67 889	97	181	342
Total assets		636 485	658 026	726 048	206 103	207 321	232 273
Equity and liabilities							
Shareholders' equity		59 626	176 535	204 219	4 823	58	16 354
Share capital	18.2	281 283	281 283	281 283	281 283	281 283	281 283
Treasury shares	19	(3 083)	(3 203)	(450)	–	–	–
Non-distributable reserves	20	4 848	7 109	6 941	14	14	14
Retained loss		(257 155)	(139 174)	(110 392)	(276 474)	(281 239)	(264 943)
Equity attributable to equity holders of the parent		25 893	146 015	177 382	4 823	58	16 354
Non-controlling interests		33 733	30 520	26 837	–	–	–
Non-current liabilities		121 743	17 721	139 440	7	16	122 730
Interest-bearing liabilities<	21	6 218	7 083	128 549	–	–	122 710
Lease liabilities*	10	110 871	–	–	–	–	–
Contract liabilities	4	2 333	3 877	518	–	–	–
Deferred income tax	7	2 321	6 761	10 373	7	16	20
Current liabilities		455 116	463 770	382 389	201 273	207 247	93 189
Trade and other payables	22	172 446	213 450	285 263	4 242	15 266	44 286
Provisions	23	5 891	1 354	1 196	2 558	–	950
Amounts owing to group companies	12	–	–	–	3 548	548	–
Taxation		4 970	5 239	2 992	–	–	418
Contract liabilities	4	42 509	41 674	38 237	–	–	–
Short-term borrowings<	24	203 020	202 053	54 701	190 925	191 433	47 535
Lease liabilities*	10	26 280	–	–	–	–	–
Total equity and liabilities		636 485	658 026	726 048	206 103	207 321	232 273

Prior year includes leased assets previously recognised prior to adoption of IFRS 16
< *Prior year interest-bearing liabilities include finance lease liabilities recognised prior to the adoption of IFRS 16 Leases*
* *Lease liabilities arising on adoption of IFRS 16*
^ *Certain provisions were reclassified into trade and other payables as they better reflect the nature of the liability.*

STATEMENTS OF CHANGES IN EQUITY

FOR THE YEAR ENDED 30 JUNE 2020

	Note	Share capital R'000	Treasury shares R'000	Non-distributable reserves R'000	Retained earnings/(loss) R'000	Total parent shareholders' equity R'000	Non-controlling interest R'000	Total equity R'000
Group								
Balance as at 30 June 2018		281 283	(450)	6 941	(110 392)	177 382	26 837	204 219
Treasury shares – Share Incentive Trust	19	–	(2 753)	–	–	(2 753)	–	(2 753)
Equity settled share-based payment	20	–	–	517	–	517	–	517
Transfer of equity settled share-based payment reserve	20	–	–	(355)	355	–	–	–
Transactions with non-controlling shareholders	3	–	–	2 448	–	2 448	(6 079)	(3 631)
Utilisation of equity settled share-based payment reserve	20	–	–	(2 442)	–	(2 442)	–	(2 442)
Total comprehensive (loss)/income		–	–	–	(29 137)	(29 137)	9 762	(19 375)
(Loss)/profit for the year		–	–	–	(29 137)	(29 137)	9 762	(19 375)
Other comprehensive loss		–	–	–	–	–	–	–
Balance as at 30 June 2019		281 283	(3 203)	7 109	(139 174)	146 015	30 520	176 535
Retained earnings – IFRS 16 transtional adjustment	33	–	–	–	(9 321)	(9 321)	(1 790)	(11 111)
Restated equity at the beginning of the year		281 283	(3 203)	7 109	(148 495)	136 694	28 730	165 424
Treasury shares – Share Incentive Trust	19	–	120	–	–	120	–	120
Equity settled share-based payment	20	–	–	187	–	187	–	187
Disposal of companies	3	–	–	–	–	–	38	38
Dividend paid to non-controlling shareholder	3	–	–	–	–	–	(3 263)	(3 263)
Recycling of non-distributable reserves (transaction with NCI)	20	–	–	(2 448)	2 448	–	–	–
Transactions with non-controlling shareholders	3	–	–	–	(245)	(245)	–	(245)
Total comprehensive (loss)/income		–	–	–	(110 863)	(110 863)	8 228	(102 635)
(Loss)/profit for the year		–	–	–	(110 863)	(110 863)	8 228	(102 635)
Other comprehensive loss		–	–	–	–	–	–	–
Balance as at 30 June 2020		281 283	(3 083)	4 848	(257 155)	25 893	33 733	59 626
Company								
Balance as at 30 June 2018		281 283	–	14	(264 943)	16 354	–	16 354
Total comprehensive loss		–	–	–	(16 296)	(16 296)	–	(16 296)
Loss for the year		–	–	–	(16 296)	(16 296)	–	(16 296)
Other comprehensive loss		–	–	–	–	–	–	–
Balance as at 30 June 2019		281 283	–	14	(281 239)	58	–	58
Total comprehensive income		–	–	–	4 765	4 765	–	4 765
Profit for the year		–	–	–	4 765	4 765	–	4 765
Other comprehensive loss		–	–	–	–	–	–	–
Balance as at 30 June 2020		281 283	–	14	(276 474)	4 823	–	4 823
		Note 18	Note 19	Note 20			Note 3	

STATEMENTS OF CASH FLOWS

FOR THE YEAR ENDED 30 JUNE 2020

		Group		Company	
	Note	2020 R'000	2019 R'000	2020 R'000	2019 R'000
Cash flows from operating activities		(7 424)	42 435	(9 984)	3 832
Cash generated from operations	25.1	37 935	79 480	6 092	5 476
Interest received		3 523	4 310	397	1 136
Interest paid*		(34 726)	(23 915)	(19 870)	(2 780)
Taxation paid	25.2	(10 893)	(13 440)	–	–
Dividend received		–	–	3 397	–
Dividend paid to non-controlling shareholder	3	(3 263)	(4 000)	–	–
Cash flows from investing activities		(15 402)	(55 915)	9 900	(23 993)
Purchase of plant and equipment	25.3	(7 329)	(12 986)	–	–
Proceeds on disposal of plant and equipment		520	711	–	–
Additions to right of use assets	10	(2)	–	–	–
Additions to intangibles	11	(8 686)	(12 795)	–	–
Acquisition of subsidiary, net of cash disposed of	25.4	–	(30 828)	–	–
Disposal of subsidiary, net of cash disposed of	25.4	(74)	–	–	–
Increase in loan to associate	25.5	(2 554)	(1 018)	–	–
Decrease/(increase) in loan amounts owing by group companies		–	–	9 900	(23 993)
Receipts from loan to customer	14	2 724	1 001	–	–
Cash flows from financing activities		(24 517)	10 335	–	20 000
Cash flows from treasury shares	19	–	(524)	–	–
Non-current loans raised	21	–	20 000	–	20 000
Non-current loans repaid	21	(10 319)	(7 641)	–	–
Leases – principal payments	10	(14 198)	–	–	–
Transactions with non-controlling shareholders	25.4	–	(1 500)	–	–
Net decrease in cash and cash equivalents		(47 343)	(3 145)	(84)	(161)
Cash and cash equivalents at beginning of year		64 769	67 889	181	342
Revaluation of foreign cash balances		368	25	–	–
Net cash and cash equivalents at end of year		17 794	64 769	97	181
Cash and cash equivalents	17	21 326	65 487	97	181
Bank overdrafts	24	(3 532)	(718)	–	–
Net cash and cash equivalents at end of year		17 794	64 769	97	181

** Includes R12,7 million IFRS 16 interest paid to lessors. Refer to note 10.*

1. Corporate information

The consolidated and separate annual financial statements of Jasco Electronics Holdings Limited for the year ended 30 June 2020 were authorised for issue on 11 December 2020 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 14 to 89 have been prepared on a historical cost basis, unless otherwise stated. The consolidated and separate annual financial statements are presented in Rand and are rounded to the nearest thousand, except where otherwise indicated.

The accounting policies set out below have been applied consistently to the periods presented in these consolidated and separate financial statements with the exception of the adoption of IFRS 16.

2.2 STATEMENT OF COMPLIANCE

The consolidated and separate annual financial statements of Jasco Electronics Holdings Limited and all its subsidiaries (the group) have been prepared in accordance with International Financial Reporting Standards (IFRS), Financial Reporting Pronouncements as issued by the Financial Reporting Standards Council, the Johannesburg Stock Exchange (JSE) Listings Requirements and the requirements of the South African Companies Act of 2008.

The accounting policies set out below have been applied consistently to the periods presented in these consolidated and separate financial statements apart from the changes to accounting policies, as a result of the adoption of new standard, noted below.

2.3 NEW AND AMENDMENTS STANDARDS ADOPTED BY THE GROUP

The group has applied the following standard for the first time for their annual reporting period commencing 1 July 2019:

IFRS 16 Leases
The group had to change its accounting policies as a result of adopting IFRS 16. The group elected to adopt the new rules retrospectively without restating comparative information.

2.4 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.

The group treats transactions with non-controlling interests that do not result in a loss of control as transaction with equity owners of the group. A change in ownership interest results in an adjustment between the carrying amounts of the controlling and non-controlling interest to reflect their relative interest in the subsidiary. Any difference between the amount of the adjustment to non-controlling interests and any consideration paid or received is recognised in retained earnings.

2.4.1 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 at the proportionate share of the acquiree's identifiable net assets. Acquisition costs are expensed.

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 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.

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.

2.4.2 INVESTMENTS IN SUBSIDIARIES, JOINT VENTURES AND ASSOCIATES IN THE SEPARATE ANNUAL FINANCIAL STATEMENTS

Investments in subsidiaries are recognised from the date of acquisition and continue to be recognised until the date that such control ceases.

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

2.4.3 INVESTMENT IN JOINT VENTURE

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

2.4.4 TREASURY SHARES

Shares in Jasco Electronics Holdings Limited held by the Jasco Employee Share Incentive 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.

2.4.5 BUSINESS COMBINATION UNDER COMMON CONTROL

A business combination under common control is a transaction in which all of the combining entities or businesses are ultimately controlled by the same party or parties both before and after the transaction.

A business combination under common control falls outside of the scope of IFRS 3 Business Combinations. The group accounts for these business combinations in the following manner: any difference between the net asset value of the company and the amount paid (i.e. the purchase consideration) is recorded directly in retained earnings (equity).

2. Accounting policies continued

2.5 SEGMENTAL INFORMATION

For management (the group's executive committee) 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.

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 lease receivables, and are stated before inter-segmental charges for interest and administration services between group companies.

Refer to the segment report on page 88.

2.6 REVENUE RECOGNITION – GROUP

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

The group manages a network of Hi-sites that they developed. The group renders a comprehensive range of radio site management and technical services for the widest possible range of clients in the radio communications industry.

Revenue from contracts with customers
It is the group's policy to recognise revenue from a contract with customers when:

- it has been approved by both parties, rights have been clearly identified i.e. the customer has legal title to goods or service and the group has right to payment;
- payment terms have been defined;
- the contract has commercial substance; and
- collectability has been ascertained as probable. Collectability of customer's payments is ascertained based on the customer's historical records, guarantees provided, the customer's industry and advance payments made, if any.

Contracts are assessed individually to determine whether the products and services are distinct i.e. the product or service is separately identifiable from the other items in the contract with the customer and whether the customer can benefit from the goods or services either on its own or together with other resources that are readily available. The consideration is allocated between the goods and services in a contract based on management's best estimate of the stand-alone selling prices of the goods and services.

When a contract results in a payment being received from customers in advance of fulfilling the performance obligation, a contract liability is recognised, similarly, when the performance obligation has been fulfilled and the customers have not been invoiced, a contract asset is recognised.

The group recognises an asset in relation to costs incurred in fulfilment of service level agreements (SLAs). The asset is amortised on a straight-line basis over the term of the specific contract it relates to, consistent with the pattern of recognition of the associated revenue.

Revenue is recognised at the amount of the transaction price that is allocated to that performance obligation excluding amounts collected on behalf of third parties. Revenue is recognised when (or as) the entity satisfies a performance obligation by transferring a promised good or service (i.e. an asset) to a customer. An asset is transferred when (or as) the customer obtains control of that asset. Control of an asset or service refers to the ability to direct the use of and obtain substantially all of the remaining benefits (potential cash inflows or savings in cash outflows) associated with the asset.

Disaggregation of revenue from contract with customers

The group's activities mainly comprise the sale of IT goods and related services, maintenance and support services, connectivity, cloud and hosting services as well as project-related services. Further details regarding the disaggregation of revenue from contracts with customers are provided below.

Sales of goods and related services

Sale of IT goods and related services

The group sells a range of goods to its customers and recognises the revenue when control is transferred to the customer, being when the customer accepts delivery of the goods, at a point in time. General payment terms are 30 to 90 days from invoice date.

In addition, the group sells goods to customers with related services included. Depending on the nature of the contract, the group applies its judgement to conclude whether the goods and services should be treated as a single performance obligation or as two separate performance obligations.

Where the group sells goods and related services to customers and these goods and services are not distinct, i.e. not separately identifiable, the contracts are treated as a single performance obligation. However, where the goods and services are distinct, i.e. separately identifiable, and the customer can benefit from the goods and services either on its own or together with other resources that are readily available, then the goods and services are treated as two separate performance obligations. The transaction price is then split based on the stand-alone selling prices of the goods and related services.

The related services sold, when considered to be distinct, are recognised over time when the services are rendered to the customer, excluding specific services below.

The group provides software asset management services to its customers which include provision of software licences, in-house hosting and managed services in the form of insight reports. Such services are provided to the customers as a bundle, where the group operates as a principal responsible for delivery of such services with revenue recognised based on the satisfaction of performance obligations, which occurs when control of goods or service transfers to a customer over the term of the contract with the customer on a straight-line basis per performance obligation as is seen as a stand-ready obligation. Depending on the nature of the contract, the group applies its judgement to conclude whether the goods and services should be treated as a single performance obligation or as two separate performance obligations.

The transaction price is then split based on stand-alone selling prices.

Sale of component goods revenue

The group sells a range of plastic component products to its customers, whereby/in which the group acts as a principal in these contracts.

The group recognises the revenue when control is transferred to the customer, being when the customer accepts delivery of the goods. The sale and delivery are seen as one performance obligation therefore the group recognises the related revenue at a point in time upon delivery of goods. General payment terms are 30 to 90 days from invoice date.

The transaction price is determined as the selling prices of the goods.

Project-related revenue

The group delivers various projects to its customers, including designs, builds and installations of various customer driven solutions.

The group provides a service of integrating goods or services into a bundle of goods or services that represent the combined output for which a customer has contracted, the goods or services either modify or are modified by other goods or services, or are considered to be highly interdependent or interrelated. In these contracts the goods and services are therefore not separately identifiable and not seen as separate performance obligations.

The group recognises revenue over time based on the input method, i.e. costs incurred in fulfilling the performance obligation as a percentage of total estimated costs of the project. The payment terms are based on the underlying contract with the customer, however, they are usually within 30 to 90 days from invoice date. The group recognises contract assets and contract liabilities on these contracts depending on the billing milestones identified in these contracts.

Revenue from providing other project related services on an ad hoc basis is recognised in the accounting period in which the services are rendered. As these services are performed once-off at a point in time, the related revenue is recognised at the point in time. The standard payment terms are usually within 30 to 90 days from invoice date.

The transaction price is determined in accordance with the SLA.

2. Accounting policies continued

2.6 REVENUE RECOGNITION – GROUP CONTINUED

Maintenance and support services

The group recognises revenue over time based on the input method, i.e. costs incurred as a percentage of total estimated costs. The payment terms are based on the underlying contract with the customer, however, they are usually within 30 to 90 days from invoice date. The group recognises contract assets and contract liabilities on these contracts depending on the billing milestones identified in these contracts. Refer to note 4.

Revenue from providing other maintenance and support services on an ad hoc basis is recognised in the accounting period in which the services are rendered. As these services are performed once-off at a point in time, the related revenue is recognised at the point in time. The standard payment terms are usually within 30 to 90 days from invoice date.

The transaction price is determined in accordance with the SLA.

Connectivity and hosting services

The group provides a range of connectivity and hosting services to its customers which include connecting customers to their networks and hosting customers on the group's data centre. The group recognises revenue over time as per the contract with customer. The group recognises revenue over time based on the input method, i.e. costs incurred as a percentage of total estimated costs.

Revenue recognised over time is based on the contracts with customers that cover a specific period over which these services need to be rendered. The revenue recognised over time is measured in accordance with the duration of the contract based on the satisfaction of performance obligations, which occurs when connectivity and hosting services are rendered to a customer.

Revenue from providing other connectivity and hosting services on an ad hoc basis is recognised in the accounting period in which the services are rendered. As these services are performed once-off at a point in time, the related revenue is recognised at the point in time. The standard payment terms are usually within 30 to 90 days from invoice date.

Software related licences revenue

The group sells a range of software licences to its customers, whereby the group acts as a principal in these contracts. The group recognises the revenue when control is transferred to the customer, being when the customer accepts delivery of the licence. The sale and installation of the software are seen as one performance obligation and therefore the group recognises the related revenue at a point in time. General payment terms are 30 to 90 days from invoice date.

The group also provides a range of software services to its customers which provide customers with right of access to software per SLAs that enhances office productivity. The group generally recognises revenue relating to right of access sales over time on a straight-line basis in accordance with the SLAs.

Where the group sells software licences with the right to updates and such updates are not considered critical to the functionality of the software, the group considers that such licences include two performance obligations:

- A licence to the current version of the software product, which is recognised on a principal basis at a point in time; and
- An entitlement for future updates, which is recognised on a principal basis over time on a straight-line basis as this is seen as a stand ready obligation and this is the group's best estimate as to how these revenues are earned.

The transaction price is determined in accordance with the SLA. Contracts that include both the licence and the entitlement for future updates, the transaction price is allocated to each performance obligation. As the group sells the licence to customers, the transaction price of the licence is determined as if it was a stand-alone transaction and the remaining balance of the contract price is then allocated to the future updates of the software.

Agency revenue

The group also acts as a middle-man between a landlord and a tenant and provides services to improve revenue income for the landlords by performing efficiency assessment activities on behalf of the landlords. The group recognises such third party professional services on an agent basis over time when the services are rendered and the general payment terms are 30 to 90 days from invoice date. The revenue is recognised based on agreed upon fees as per SLA.

When a contract results in payment received from customers in advance of fulfilling performance obligation, a contract liability is recognised, similarly, when the performance obligation has been fulfilled and the customers have not been invoiced, a contract assets is recognised.

2.7 REVENUE RECOGNITION – COMPANY

Dividend income
Dividend income is recognised when the right to receive payment is established and is included as part of revenue in the statement of comprehensive income.

Finance income
Interest income is recognised using the effective interest rate method and is included as part of revenue in the statement of comprehensive income.

Administration fees
The company provides administration and management services to group companies as part of managing the group effectively.

The administration and management services fee income is recognised in the accounting period in which the services are rendered to the companies in the group based on satisfaction of performance obligations, which occurs when services are rendered to the group company, i.e. over time on a straight-line basis as it is seen as stand-ready.

2.8 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
- Freight and logistic costs

2.9 FOREIGN CURRENCY TRANSLATION

2.9.1 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.

2.10 TAXATION

2.10.1 TAX EXPENSES

Current and deferred taxes are recognised as income or expenses and are included in the statement of comprehensive income. 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.

2.10.2 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.

2.10.3 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.

2. Accounting policies continued

2.10 TAXATION CONTINUED

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 group recognises the net future tax benefit related to deferred tax assets to the extent that it is probable that the deductible temporary differences will reverse in the foreseeable future. Assessing the recoverability of deferred tax assets requires the group to make significant estimates related to expectations of future taxable income.

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.

2.10.4 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.

2.11 EMPLOYEE BENEFITS

2.11.1 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.

2.11.2 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 as the related service is provided. 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.

2.11.3 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.

Refer to note 20.

2.12 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 out flow 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.

2.13 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. 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

2.13 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.

2.14 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.

Intangible assets 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 are 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 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:

Voice transaction management application	33,3%
Customer-related intangibles	10%
Trade names	6,7 – 10%
Computer software	14,3%

Gains or losses arising from the recognition 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

Expenditure incurred in relation to research activities are expensed as incurred.

Expenditure incurred in relation to development activities, whereby research findings are applied to the plan or design for production of a new product or substantial improvement of an existing product, are capitalised only if the development costs can be measured reliably, future economic benefits are probable, the group has sufficient resources to complete the asset and the product if technically and commercially feasible.

The expenditure capitalised includes the cost of materials, direct labour and an appropriate proportion of overheads that were incurred directly in the development of the product. The group develops various voice transaction management applications (note 11).

During the period of development, the asset is tested for impairment annually upon completion the intangible is transferred to the relevant intangible category and amortised as appropriate for that asset.

2.15 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.

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.

2.16 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.

2.17 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. Accounting policies continued

2.17 LEASES CONTINUED

2.17.1 GROUP AS A LESSEE

The group's leases include buildings, rooftops, motor vehicles and office equipment. The terms on the lease agreements are generally fixed, with a renewal period as an option.

Right of use assets
The group recognises right of use assets at the commencement date of the lease.

Right of use assets are measured at cost, less any accumulated depreciation and any impairment losses and adjusted for any remeasurement of lease liabilities. The cost of right of use assets includes the amount of the lease liabilities recognised and initial direct costs incurred. The right of use assets are depreciated over the shorter of the assets' useful lives and the lease terms. If the group is reasonably certain to exercise a purchase option, the right of use asset is depreciated over the underlying asset's useful life.

Lease liabilities
Lease liabilities are measured as the present value of the lease payments that are not paid at that date discounted at group's incremental borrowing rate or the rate implicit in the lease contract.

The group's lease liability is subsequently increased to reflect the interest on the lease liability, reduced to reflect the lease payments made and re-measured to reflect any lease modifications. Where there is a remeasurement of the lease liability, a corresponding adjustment is made to the right of use asset.

For leases that include both lease and non-lease components, the group accounts for non-lease components as operating expenses and are recognised in profit or loss as they are incurred.

Variable lease payments that depend on an index or a rate are initially measured using the index or rate as at the commencement date. Changes to the lease payments are taken into account at the point in time when the lease payments actually change and the change is accounted for as remeasurement of the lease liability.

Short-term leases and leases of low-value assets
The group has elected not to recognise right of use assets and lease liabilities for some of low-value assets and for short-term leases. The group considers leased assets with a new purchase value of below R100 000 to be low-value assets and these relate mainly to leased office equipment. The group considers short-term leases as those leases that have a lease term of 12 months or less from commencement date and do not contain a purchase option.

The group recognises the lease payments associated with these leases as an expense on a straight-line basis.

2.17.2 GROUP AS A LESSOR

Lease agreements were the group is a lessor are classified as either operating or finance leases.

Leases in which the group does not transfer substantially all the risks and benefits incidental to ownership of an underlying 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.

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.

If the lease agreement is classified as an operating lease, the lessor continues to present the underlying assets.

2.17.3 IAS 17 COMPARATIVE PRESENTATION – GROUP AS A LESSEE

In the 2019 financial year, the group applied IAS 17 in accounting for its leases. The group has determined that its leases were operating leases and therefore recognised the lease expense on a straight-line over the lease term, with a lease accrual recognised for the difference between the straight-lined and actual lease payments.

2.18 FINANCIAL INSTRUMENTS

Financial instruments comprise investments in equity, loans receivable, trade and other receivables (excluding prepayments), investments, cash and cash equivalents, restricted cash, non-current loans, current loans, as well as financial liabilities, consisting of borrowings, derivative financial liabilities and trade and other payables.

2.18.1 RECOGNITION AND DERECOGNITION

Regular way purchases and sales of financial assets are recognised on trade-date, the date on which the group commits to purchase or sell the asset. Financial assets are derecognised when the rights to receive cash flows from the financial assets have expired and the group has transferred substantially all the risks and rewards of ownership.

2.18.2 MEASUREMENT

At initial recognition, the group measures a financial asset (excluding trade receivables) at its fair value plus, in the case of a financial asset not at fair value through profit or loss ("FVPL"), transaction costs that are directly attributable to the acquisition of the financial asset. Transaction costs of financial assets carried at FVPL are expensed in profit or loss.

(a) At fair value through profit or loss

Foreign currency contracts
The group's only financial instruments carried at fair value through profit or loss were foreign currency contracts.

(b) At amortised cost

Trade receivables, lease receivables and contract assets

Trade receivables, lease receivables and contract assets, measured in accordance with IFRS 9, are recognised initially at the amount of consideration that is unconditional unless they contain significant financing components, when they are recognised at fair value. The group holds the trade receivables with the objective to collect the contractual cash flows and therefore measures them subsequently at amortised cost using the effective interest method. The group and company applies the simplified approach to measuring expected credit losses for trade receivables, lease receivables and contract assets unless there is a significant financing component. There were no significant trade receivables, lease receivables and contract assets with financing component during the reporting period.

Other financial assets at amortised cost
The group classifies its financial assets as at amortised cost only if both of the following criteria are met: the asset is held within a business model whose objective is to collect the contractual cash flows; and the contractual terms give rise to cash flows that are solely payments of principal and interest.

Other financial assets at amortised cost include the following: Trade and other receivables (note 16), Other non-current assets (note 14), loans to associates and joint ventures (note 13) and cash and other cash equivalents (note 17).

For cash and other cash equivalents, interest is based on prevailing market rates of the respective bank accounts in which the cash and other cash equivalents are domiciled.

Other receivables are subsequently measured at amortised cost less expected credit losses under the general model.

2.18.3 VALUATION TECHNIQUES USED TO DETERMINE FAIR VALUES

The fair value of financial assets carried at FVPL is determined using techniques as set out in note 32.2.

2.18.4 IMPAIRMENT

Before the adoption of IFRS 9, the group calculated the allowance for credit losses using the incurred loss model.

Under the incurred loss model, the group assessed whether there was any objective evidence of impairment at the end of each reporting period. If such evidence existed the allowance for credit losses in respect of financial assets at amortised cost were calculated as the difference between the assets carrying amount and its recoverable amount, being its present value of the estimated future cash flows discounted at the original effective interest rate (EIR).

Under IFRS 9 the group calculates the allowance for credit losses based on ECLs for financial assets measured at amortised cost: trade receivables, lease receivables and contract assets. ECLs are a probability weighted estimate of credit losses. Credit losses are measured as the present value of all cash shortfalls (i.e. the difference between the cash flows due to the group in accordance with the contract and the cash flows that the group expects to receive). ECLs are discounted at the original EIR of the financial asset.

2. Accounting policies continued

2.18 FINANCIAL INSTRUMENTS CONTINUED

The group applies the simplified approach to determine the ECL for trade receivables, lease receivables and contract assets.

For all other financial assets at amortised cost, the group recognises lifetime expected credit losses when there has been a significant increase in credit risk since initial recognition, which is determined by:

(a) a review of overdue amounts;

(b) comparing the risk of default at the reporting date and at the date of initial recognition; and

(c) an assessment of relevant historical and forward-looking quantitative and qualitative information.

If the credit risk on the financial asset has not increased significantly since initial recognition, the group measures the loss allowance for that financial asset at an amount equal to 12-months expected credit loss, which comprises the expected lifetime loss from the instrument were a default to occur within 12 months of the reporting date.

Simplified approach

The group writes off a financial asset when there is information indicating that the debtor is in severe financial difficulty and there is no realistic prospect of recovery.

Expected credit loss is calculated as the probability of default multiplied by the loss given default (amount that will be lost in a default event), multiplied by exposure of default.

To measure the ECLs, trade receivables, lease receivables and contract assets are grouped based on shared credit risk characteristics (refer to table below) and the days past due to identify non-performing receivables.

Category	Description
Small to medium customers	This category of customers is generally represented by small- and medium-sized enterprises. These entities are most exposed to the local markets. The credit risk assigned to these entities are medium. Probabilities of default per entity/for entities in this category are based on historical payments and other information available on the financial condition of the entity/entities. Expected credit loss rates for entities within this category generally range between 0% and 4%.
Large customers	This category of customers is generally represented by large-sized enterprises. These entities are mostly exposed to the local and international markets. The credit risk assigned to these entities are low to medium. Probabilities of default per entity/for entities in this category are based on historical payments and other information available on the financial conditions of the entity/entities, this has been assessed to be low. Expected credit loss rates for entities within this category generally range between 0% and 5%. Refer to note 16.

The group considers an event of default has materialised, and the financial asset is credit impaired, when information developed internally or obtained from external sources indicates that the debtor is unlikely to pay the group without taking into account any collateral held by the group or if the financial asset is more than 90 days past due unless the group has reasonable and supportable information to demonstrate that a more lagging default criterion is more appropriate.

In addition, forward-looking macro-economic conditions and factors are considered when determining the ECLs for trade receivables, lease receivables and contract assets, namely trading conditions, as well as economic growth and inflationary outlook in the short term.

Impairment losses on financial assets are presented on the face of the statement of comprehensive income. Subsequent recoveries of amounts previously written off are credited against the same line item.

Intercompany loans
The group applies a general approach to determine the ECL for intercompany loans. ECL is calculated using historical data (12 months and 36 months respectively) as well as forward-looking data in form budgets for following year. The calculation of the ECL is based on each individual company within the group's historical default rates observed over the expected life of the loans, adjusted for factors that are specific to the company, general economic conditions and an assessment of both the current and forecast direction of the market at the reporting date, including time value for money, where appropriate. This is done to allow for risk differentiation going forward and allows for risk management strategies impact being implemented.

2.19 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:

2.19.1 IMPAIRMENT OF NON-FINANCIAL ASSETS

Management is required to make judgements concerning the cause, timing and amount of impairment. In the identification of impairment indicators, management considers the impact of changes in current market, technological and economic conditions as well as other circumstances that could indicate that impairment exists. Management's judgement is also required when assessing whether a previously recognised impairment loss should be reversed.

Where impairment indicators exist, the determination of the recoverable amount requires management to make assumptions to determine the fair value less costs to sell or value-in-use. Key assumptions on which management has based its determination of value-in-use include discount rates, projected cash flows and growth rates. The judgements, assumptions and methodologies used can have a material impact on the fair value and ultimately the amount of any impairment.

2.19.2 LEASES

Determination of lease term contracts with renewal and termination options (group as a lessee)
The group determines the lease term as non-cancellable term of the lease, together with any periods covered by an option to extend or terminate the lease if it is reasonably certain to be exercised.

The group has several lease contracts that include extension and termination options. The group applies judgement in evaluating whether it is reasonably certain whether or not to exercise the option to renew or terminate the lease. After the commencement date, the group reassesses the lease term if there is a significant event or change in circumstances that is within its control that affects its ability to exercise or not to exercise the option to renew or terminate.

Determination of the incremental borrowing rate
Where the group cannot readily determine the interest rate implicit in the leases it enters into, it uses its incremental borrowing rate to measure its lease liabilities.

The incremental borrowing rate is the rate of interest that the group would have to pay to borrow over a similar term the funds necessary to obtain an asset of a similar value to the right of use asset in a similar economic environment.

2.19.3 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.

At acquisition fair values are 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.

2. Accounting policies continued

2.19 SIGNIFICANT ACCOUNTING JUDGEMENT AND ESTIMATES CONTINUED

2.19.4 DEFERRED TAXATION

Management's judgement is exercised in 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. Key assumptions on which management has based its determination of future taxable income include projected profits and future growth rates. When deciding whether to recognise unutilised tax credits, management determines the extent to which future taxable income are likely to be available for set-off. In the event that the assessment of future profits, future tax payments and future utilisation changes, the change in the recognised deferred taxation is recognised in profit or loss.

2.19.5 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.

2.19.6 SALES OF GOODS AND RELATED SERVICES

The group enters into contracts with customers which include goods that are delivered to the customer and an ongoing service relating to the goods for a specific period as set out in the contracts. The group has applied its judgement and views these arrangements, in some instances, as a single performance obligation that needs to be met as the goods and services are not separately identifiable and the customer cannot benefit from either the goods or the services separately. The revenue on these contracts is recognised over time using the input method, i.e., costs incurred as a percentage of total expected costs.

2.19.7 DETERMINATION OF USEFUL LIFE AND RESIDUAL VALUE OF PLANT AND EQUIPMENT

The depreciation methods, estimated remaining useful lives and residual values are reviewed at least annually. The estimation of the useful lives of plant and equipment is based on historic performance as well as expectations about future use and therefore requires a significant degree of judgement to be applied by management.

2.19.8 GOING CONCERN

The group and company statement of financial position has a negative net current asset value position at 30 June 2020. The group and company generated losses for the 2020 year-end and breached its debt covenants.

Management applied its judgement, taking into account the current financial position, future forecasted profits and future cash flows including its future obligations in terms of its borrowings in concluding that the group and company are a going concern. Changes in the assumptions regarding future cash flows and profits could affect the going concern of the group. Refer notes 21 and 32.5 which sets out the liquidity risks of the group and company.

Refer to note 34.3 for impact of COVID-19 on significant accounting judgement and estimates.

2.20 STANDARDS AND INTERPRETATIONS ISSUED AND NOT YET EFFECTIVE

The followings 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**
IFRS 3	Business Combinations	Definition of Business: The amendments: • confirmed that a business must include inputs and a process, and clarified that: – the process must be substantive; and – the inputs and process must together significantly contribute to creating outputs. • narrowed the definitions of a business by focusing the definition of outputs on goods and services provided to customers and other income from ordinary activities, rather than on providing dividends or other economic benefits directly to investors or lowering costs; and • added a test that makes it easier to conclude that a company has acquired a group of assets, rather than a business, if the value of the assets acquired is substantially all concentrated in a single asset or group of similar assets.	1 January 2020
IFRS 9	Financial Instruments	Interest Rate Benchmark Reform Phase 2: The amendments to IFRS 9, IAS 39, IFRS 7, IFRS 4 and IFRS 16 amend requirements relating to changes in the basis for determining contractual cash flows of financial assets, financial liabilities and lease liabilities and disclosures. • The amendment to IFRS 7 requires a company to make additional disclosures in its financial statements so that investors can better understand the effects of IBOR reform on that company • The amendments to IFRS 9 enable a company to apply a practical expedient to account for a change in the contractual cash flows that are required by IBOR reform by updating the effective interest rate to reflect any change arising from the reform.	1 January 2021
IFRS 9	Financial Instruments	Annual Improvements to IFRS Standards 2018–2020: The amendment clarifies which fees an entity includes when it applies the "10 per cent" test in assessing whether to derecognise a financial liability.	1 January 2022
IFRS 16	Leases	Interest Rate Benchmark Reform Phase 2: The amendments to IFRS 9, IAS 39, IFRS 7, IFRS 4 and IFRS 16 amend requirements relating to changes in the basis for determining contractual cash flows of financial assets, financial liabilities and lease liabilities, hedge accounting and disclosures. • The amendment to IFRS 16 enables a company to apply a practical expedient to account for a lease modification required by the IBOR reform.	1 January 2021
IAS 1	Presentation of Financial Statements	Classification of Liabilities as Current or Non-current: Narrow-scope amendments to IAS 1 to clarify how to classify debt and other liabilities as current or non-current.	1 January 2023

3. Subsidiary companies included in these results

	Number of Issued shares	Effective ownership 2020 %	Effective ownership 2019 %
Trading companies			
Direct			
Jasco Trading (Pty) Limited	4 180	100	100
Jasco Carrier Solutions (Pty) Limited	4 000	100	100
Jasco Networks (Pty) Limited	13 400	100	100
Jasco Enterprise (Pty) Limited	100	100	100
Jasco Systems (Pty) Limited	100	100	100
Jasco Distributors (Pty) Limited[^^]	11 500	–	70
Reflex Solutions (Pty) Limited	1 000	51	51
RAMM Systems (Pty) Limited	1 000	51	51
Jasco Technical Services (Pty) Limited[^^]	100	–	10
Indirect			
Ferro Resonant Technologies (Pty) Limited*	1 000	100	100
Jasco Property Solutions (Pty) Limited[>]	100	100	51
Jasco Security and Fire Solutions (Pty) Limited (formerly: MV Fire Protection Services (Pty) Limited)[<]	297	100	100
NewTelco South Africa (Pty) Limited[<]	100	100	100
Datavoice (Pty) Limited	100	100	100
Jasco ICT Datafusion (Pty) Limited[@]	183 674	51	51
Dormant			
Jasco Cables Investments (Pty) Limited	543 780	100	100
Jasco Converged Solutions (Pty) Limited	1 001	100	100
Jasco Energy and Industry Solutions (Pty) Limited	6 406 859	100	100
Jasco Infrastructure Company (Pty) Limited	100	100	100
Jasco IOT Solutions (Pty) Limited	1 000	51	51
Maringo Communications (Pty) Limited[#]	228	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

All the subsidiary companies are registered in South Africa and their principle place of business is in South Africa.

* *Shares owned by Jasco Trading (Pty) Limited*
[>] *During 2020, Jasco Property Solutions (Pty) Limited became a wholly-owned subsidiary of Jasco Carrier Solutions (Pty) Limited through the acquisition of the 51% interest held by Jasco Electronics Holdings Limited and the 49% interest from the non-controlling shareholder.*
[#] *Shares owned by Jasco Carrier Solutions (Pty) Limited*
[<] *Shares owned by Jasco Energy and Industry Solutions (Pty) Limited. The non-controlling interest in Jasco Security and Fire Solutions (Pty) Limited and NewTelco South Africa (Pty) Limited were bought out in the 2019 financial year by Jasco Electronics Holdings Limited.*
[@] *Shares owned by Reflex Solutions (Pty) Limited*
[^^] *Disposed of in 2020*

	2020 R'000	2019 R'000
Aggregate profits of subsidiaries	36 200	43 813
Aggregate losses of subsidiaries	(136 177)	(54 560)
	(99 977)	(10 747)

Disposals in 2020

With effect from 1 July 2019, Jasco sold its 70% shareholding in Jasco Distributors (Pty) Limited (Jasco Distributors) for an amount of R115, resulting in a loss of R69 000. The initial investment was carried at cost.

With effect from 31 May 2020, Jasco sold its 10% shareholding in Jasco Technical Services (Pty) Limited for an amount of R10, resulting in a loss of R8 000. The initial investment was carried at cost.

As at 31 December 2019, Jasco Electronics Holdings Limited (JEHL) held 51% shareholding in Jasco Property Solutions (Pty) Limited (Jasco Property Solutions). With effective from 1 January 2020, Jasco Carrier Solutions (Pty) Limited (Jasco Carrier Solutions) bought the remaining 49% shareholding from the non-controlling interest and 51% shareholding from JEHL for an amount of R143 610 and R149 472 respectively. 100% of the shares in Jasco Property Solutions are now held by Jasco Carrier Solutions.

	NewTelco R'000
Share of non-controlling interest in net assets acquired	(101)
Purchase price	(144)
Transaction with non-controlling interest	(245)

Non-controlling interest

	Principal place of business	Effective ownership 2020 %	Effective ownership 2019 %
Reflex Solutions (Pty) Limited	South Africa	49	49
Jasco ICT Datafusion (Pty) Limited	South Africa	49	49
RAMM Systems (Pty) Limited	South Africa	49	49
Jasco IOT Solutions (Pty) Limited	South Africa	49	49
Jasco Distributors (Pty) Limited#	South Africa	–	30
Jasco Property Solutions (Pty) Limited*	South Africa	–	49

\# *Disposed of in current year*
* *The non-controlling interest was bought out in the current year*

	Opening NCI R'000	NCI share of IFRS 16 adjustment R'000	Dividends R'000	Transactions with non-controlling shareholders R'000	NCI: Current profit/(loss) R'000	Closing NCI R'000
2020						
Reflex Solutions (Pty) Limited	19 076	(1 790)	(3 263)	–	7 794	21 817
RAMM Systems (Pty) Limited	11 007	–	–	–	143	11 150
Jasco ICT Datafusion (Pty) Limited	2 439	–	–	–	268	2 707
Other non-significant NCI	(2 002)	–	–	38	23	(1 941)
	30 520	(1 790)	(3 263)	38	8 228	33 733
2019						
Reflex Solutions (Pty) Limited	12 141	–	–	–	6 935	19 076
MV Fire Protection Services (Pty) Limited	2 885	–	–	(3 043)	158	–
NewTelco South Africa (Pty) Limited	2 883	–	–	(3 036)	153	–
RAMM Systems (Pty) Limited	10 863	–	–	–	144	11 007
Jasco ICT Datafusion (Pty) Limited	–	–	–	–	2 439	2 439
Other non-significant NCI	(1 935)	–	–	–	(67)	(2 002)
	26 837	–	–	(6 079)	9 762	30 520

3. Subsidiary companies included in these results continued

Summarised statement of profit or loss for 2020

	Reflex Solutions		RAMM Systems		Datafusion	
	2020 R'000	2019 R'000	2020 R'000	2019 R'000	2020 R'000	2019 R'000
Revenue	276 238	169 691	35 300	41 997	1 068	4 649
Cost of sales	(170 333)	(86 636)	(17 707)	(17 231)	(337)	(3 464)
Operating expenses (incl. other income)	(84 517)	(64 207)	(17 294)	(25 419)	21	3 683
Net finance costs (incl. finance income)	132	(203)	106	77	8	110
Profit/(loss) before tax	21 520	18 645	405	(576)	760	4 978
Income tax expense	(5 613)	(4 492)	(113)	869	(213)	–
Total comprehensive income/(loss)	15 907	14 153	292	293	547	4 978
Attributable to non-controlling interests	7 794	6 935	143	144	268	2 439

Summarised statement of financial position as at 2020

	Reflex Solutions		RAMM Systems		Datafusion	
	2020 R'000	2019 R'000	2020 R'000	2019 R'000	2020 R'000	2019 R'000
Current assets	77 092	44 360	8 692	18 400	1 420	1 567
Non-current assets	30 756	25 044	760	1 254	1 536	1 556
Total assets	107 848	69 404	9 452	19 654	2 956	3 123
Equity	41 546	32 299	7 770	7 479	2 719	2 172
Current liabilities	59 567	30 816	1 640	12 039	237	951
Non-current liabilities	6 735	6 289	42	136	–	–
Total equity and liabilities	107 848	69 404	9 452	19 654	2 956	3 123

Summarised statement of cash flow for 2020

	Reflex Solutions		RAMM Systems		Datafusion	
	2020 R'000	2019 R'000	2020 R'000	2019 R'000	2020 R'000	2019 R'000
Operating	1 362	10 576	(6 020)	9 089	(94)	3 859
Investing	(4 882)	(4 654)	(98)	(445)	20	(4 149)
Financing	(7 398)	(2 387)	(86)	(337)	–	–
Net movement in cash and cash equivalents	(10 918)	3 535	(6 204)	8 307	(74)	(290)

	Group		Company	
	2020 R'000	2019 R'000	2020 R'000	2019 R'000
4. Revenue				
The group derives revenue from the transfer of goods and services over time and at a point in time in the following major revenue streams:				
Revenue from contracts with customers	912 190	1 107 288	–	–
Rental income from Hi-sites*	27 023	30 067	–	–
Dividend income*	–	–	53 397	–
Finance income				
– amounts owing by subsidiaries*	–	–	647	8 062
Administration fees (from customers)	–	–	5 078	15 071
Total revenue	939 213	1 137 355	59 122	23 133

** Not in the scope of IFRS 15 – Revenue from contracts with customers.*

4.1 DISAGGREGATION OF REVENUE FROM CONTRACTS WITH CUSTOMERS

Revenue is disaggregated by major revenue streams as documented below:

	Group 2020 R'000	Group 2019 R'000	Company 2020 R'000	Company 2019 R'000
Sale of goods and related services#	508 906	677 441	–	–
At a point in time	506 479	675 479	–	–
Over a period of time	2 427	1 962	–	–
Project related revenue	68 736	69 787	–	–
At a point in time	55 358	42 259	–	–
Over a period of time	13 378	27 528	–	–
Maintenance and support services#	160 094	196 191	–	–
At a point in time	38 572	43 410	–	–
Over a period of time	121 522	152 781	–	–
Connectivity and hosting services#	138 938	125 783	–	–
At a point in time	6 258	6 288	–	–
Over a period of time	132 680	119 495	–	–
Software related licenses#	30 338	30 088	–	–
At a point in time	9 314	17 043	–	–
Over a period of time	21 024	13 045	–	–
Agency revenue	5 178	7 998	–	–
Over a period of time	5 178	7 998	–	–
Administration fees	–	–	5 078	15 071
Over a period of time	–	–	5 078	15 071
Total revenue from contracts with customers	912 190	1 107 288	5 078	15 071

 # Prior year amounts were reclassified out of sale of goods and related services in the ICT-Enterprise segment into maintenance and support services, connectivity and hosting services and software related licenses as they better reflect the nature of the revenue.

	Group		Company	
	2020 R'000	2019 R'000	2020 R'000	2019 R'000
4. Revenue continued				
4.2 ASSETS AND LIABILITIES RELATED TO CONTRACTS WITH CUSTOMERS				
The group recognised the following assets and liabilities related to contracts with customers:				
4.2.1 CONTRACT ASSETS				
Contract assets relate to performance obligations fulfilled but the customer has not yet been billed.				
Current contract assets	11 927	6 685	–	–
Total contract assets	11 927	6 685	–	–
Reconciliation of contract assets				
Opening balance at the beginning of year	6 685	11 935	–	–
Transferred to trade and other receivables on invoicing the customer	(4 805)	(11 935)	–	–
Raised in the current year	10 047	6 685	–	–
Closing balance at end of year	11 927	6 685	–	–
Contract assets have been considered for loss allowance and are deemed immaterial hence no provision has been raised. Refer to note 16. Contract assets increased as the group provided more services ahead of the agreed payment schedules for fixed-price contracts. The group did not recognise any loss allowance for contract assets as the balance is fully recoverable.				
4.2.2 CONTRACT LIABILITIES				
Contract liabilities relate to revenue received in advance in respect of service level agreements, and were previously recorded as deferred maintenance revenue.				
Current contract liabilities	42 509	41 674	–	–
Non-current contract liabilities	2 333	3 877	–	–
Total contract liabilities	44 842	45 551	–	–
Reconciliation of contract liabilities:				
Opening balance at beginning of year	45 551	38 755	–	–
Recognised as revenue in current year	(33 200)	(38 237)	–	–
Raised in the current year	32 491	45 033	–	–
Closing balance at end of year	44 842	45 551	–	–

Contract liabilities decreased due to decrease in prepayments made by customers and a decrease in overall contract activity.

	Group		Company	
	2020 R'000	2019 R'000	2020 R'000	2019 R'000

4. Revenue continued

4.2.2 CONTRACT LIABILITIES (continued)

Management expects the contracts liabilities that are allocated to contracts with partially or fully unsatisfied performance obligation will be recognised as follows:

	Group 2020 R'000	Group 2019 R'000	Company 2020 R'000	Company 2019 R'000
– Within one year	42 509	41 674	–	–
– Within two years	2 333	3 877	–	–
	44 842	45 551	–	–

4.2.3 ASSETS RECOGNISED FROM COSTS TO FULFIL A CONTRACT

The costs relate directly to the service level agreements entered into that will be used in satisfying the contract and are expected to be recovered. They were therefore recognised as an asset from costs to fulfil a contract.

	Group 2020 R'000	Group 2019 R'000	Company 2020 R'000	Company 2019 R'000
Opening balance	32 487	33 931	–	–
Reclassified to prepayments	(7 498)	–	–	–
Costs incurred to fulfil contracts during the year	28 896	32 487	–	–
Amortisation of costs incurred to fulfil contracts during the year	(41 325)	(33 931)	–	–
	12 560	32 487	–	–
Current portion of assets recognised for costs incurred to fulfil a contract (included in Trade and other receivables – refer note 16)	10 896	32 487	–	–
Non-current portion of assets recognised for costs incurred to fulfil a contract	1 664	–	–	–

4.2.4 COSTS INCURRED TO ACQUIRE CONTRACTS

There were no costs incurred.

4. Revenue continued

4.3 REVENUE BY SEGMENTS

Refer to the segment report on page 88 for the basis of determining the different segments within the group.

Revenue by reportable segment is disaggregated by major revenue streams as below:

	Sale of goods and related services R'000	Project related revenue R'000	Maintenance and support services R'000	Connectivity and hosting services R'000	Software related licences R'000	Agency revenue R'000	Administration fees R'000	Rental revenue: Hi-sites* R'000	Total R'000
2020									
ICT – Enterprise	194 133	–	158 118	138 547	30 338	5 178	–	–	526 314
ICT – Carriers	137 429	13 453	–	–	–	–	–	27 023	177 905
Electrical Manufacturers	181 677	–	–	–	–	–	–	–	181 677
Security & Fire	5 025	55 283	1 844	391	–	–	–	–	62 543
Power & Renewables	7 692	–	132	–	–	–	–	–	7 824
Sub-total operating division	525 956	68 736	160 094	138 938	30 338	5 178	–	27 023	956 263
Other non-operating divisions	–	–	–	–	–	–	5 078	–	5 078
Adjustments – intercompany eliminations	(17 050)	–	–	–	–	–	(5 078)	–	(22 128)
Total	508 906	68 736	160 094	138 938	30 338	5 178	–	27 023	939 213
2019									
ICT – Enterprise	187 711	–	192 691	125 783	30 088	7 998	–	–	544 271
ICT – Carriers	273 328	39 352	–	–	–	–	–	30 067	342 747
Electrical Manufacturers	196 641	–	–	–	–	–	–	–	196 641
Security & Fire	43 038	30 435	3 353	–	–	–	–	–	76 826
Power & Renewables	9 745	–	147	–	–	–	–	–	9 892
Sub-total operating division	710 463	69 787	196 191	125 783	30 088	7 998	–	30 067	1 170 377
Other non-operating divisions	610	–	–	–	–	–	15 071	–	15 681
Adjustments – intercompany eliminations	(33 632)	–	–	–	–	–	(15 071)	–	(48 703)
Total	677 441	69 787	196 191	125 783	30 088	7 998	–	30 067	1 137 355

** Not from IFRS 15 Revenue from contracts with customers*

	Group		Company	
	2020 R'000	2019 R'000	2020 R'000	2019 R'000

5. Cost of sales

	2020 R'000	2019 R'000	2020 R'000	2019 R'000
Cost of inventory expensed*	478 083	547 378	–	–
Other direct purchase cost	32 724	40 752	–	–
Cost of conversion#	28 891	36 751	–	–
Labour cost#	112 835	121 659	–	–
Total cost of sales	652 533	746 540	–	–

** Amount relating to inventory written-off was reclassified from other direct purchase cost into cost of inventory expensed. Refer to note 15.*

 # Amount relating to cost of factory management was moved out of cost of conversion to labour costs

6. Loss before taxation

The operating loss is stated after allowing for the following:

	2020 R'000	2019 R'000	2020 R'000	2019 R'000
Income				
Foreign exchange gains arising from financial instruments	7 702	13 212	–	721
– realised	7 518	10 150	–	–
– unrealised	184	3 062	–	721
Gains on loan restructure (note 21)	1 771	–	1 771	–
Rental income	2 785	2 074	–	–
Training costs recovery	1 897	2 752	–	–
Finance income	3 726	4 559	439	1 198
– Finance income from financial assets at amortised cost	3 709	4 538	439	1 198
– bank interest	1 842	2 209	397	868
– other loans	1 867	2 329	42	330
– Finance income from finance lease agreements	17	21	–	–

	Group		Company	
	2020 R'000	2019 R'000	2020 R'000	2019 R'000
6. Loss before taxation continued				
Expenditure				
Administration, managerial and secretarial fees paid to subsidiaries	–	–	4 241	634
Amortisation of intangible assets (refer note 11)	20 009	18 502	–	–
Auditors' remuneration	779	7 118	–	1 070
– audit fees (current year)	–	5 177	–	1 070
– audit fees (prior year)	779	1 941	–	–
Cost relating to the planned disposal of Electrical Manufacturers	3 397	–	–	–
Cost relating to disposal of East Africa	2 558	–	2 558	–
Consulting fees	27 232	19 941	3 103	524
Depreciation of plant and equipment (refer note 9)	22 924	20 005	–	–
Depreciation of right of use assets (refer note 10)	19 000	–	–	–
Finance costs of other financial liabilities	36 079	25 754	21 186	23 682
Finance costs	21 639	24 153	21 186	23 682
– bank loans and overdrafts	236	363	172	351
– corporate bond and term loan	20 650	20 902	20 650	20 902
– other	753	2 888	364	2 429
Finance charges	14 440	1 601	–	–
– lease liabilities	12 682	905	–	–
– instalment sale agreements	1 758	696	–	–
Foreign exchange losses arising from financial instruments	5 673	14 654	–	547
– realised	4 788	11 133	–	–
– unrealised	885	3 521	–	547
Impairment of goodwill (note 11)	10 251	4 569	–	–
Impairment of intangible asset (note 11)	4 887	–	–	–
Impairment of loan subsidiaries (refer note 12 and 14)	478	–	8 000	–
Impairment of loan to associate/joint-venture (refer note 13)	3 889	6 820	–	6 401
Impairment of Investment in RAMM Systems (note 12)	–	–	10 000	–
Impairment of loan to the Jasco Employee Share Incentive Trust (refer note 14)	–	–	551	2 703
Insurance expense	2 465	2 227	–	–

	Group		Company	
	2020 R'000	2019 R'000	2020 R'000	2019 R'000

6. Loss before taxation continued

Lease charges on low-value assets and short-term leases	5 500	24 857	–	–
– rental premises	4 600	23 680	–	–
– equipment	181	165	–	–
– motor vehicles	719	1 012	–	–
Loss on disposal of Jasco Distributors	69	–	2 623	–
Staff costs	310 773	331 884	2 388	2 656
Short-term benefits	290 592	312 956	2 388	2 656
– non-executive directors	2 388	2 648	2 388	2 656
– executive directors	9 491	9 431	–	–
– executive management	20 596	15 290	–	–
– other staff (including other benefits)*	258 117	285 587	–	–
Equity-settled share-based payment (refer note 20.1)	187	517	–	–
– executive directors	165	452	–	–
– executive management	22	49	–	–
– other staff	–	16	–	–
Post-employment benefits – total amounts contributed to defined contribution funds	17 823	18 411	–	–
– executive directors	652	954	–	–
– executive management	2 486	1 814	–	–
– other staff	14 685	15 643	–	–
Termination benefits	2 171	–	–	–
– executive directors	2 171	–	–	–

** R112 834 370 (2019: R121 659 787) included as part of cost of sales per note 5.*

7. Taxation

South African normal taxation				
Current	9 896	13 562	–	(418)
– current year charge	9 896	14 689	–	–
– prior year over provision	–	(1 127)	–	(418)
Deferred	(11)	(5 980)	(9)	(4)
– temporary differences	(12 548)	(8 033)	(9)	(4)
– reduction/(increase) of tax losses recognised	1 928	(765)	–	–
– prior year under provision	10 609	2 818	–	–
Foreign taxes	98	324	–	–
Total normal tax	9 983	7 906	(9)	(422)
Dividends tax	–	–	–	–
Total taxation	9 983	7 906	(9)	(422)

	Group 2020 %	Group 2019 %	Company 2020 %	Company 2019 %
7. Taxation continued				
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
Change in estimate from prior year	(11,4)	(15,0)	–	(2,5)
Non-deductible expenses	(9,8)	(60,2)	178,4	(19,4)
Interest on Corporate Bond	(1,2)	(12,2)	24,0	(8,4)
IFRS 2 charges	(0,1)	(1,3)	–	–
Acquisition costs of subsidiaries	(1,0)	–	–	–
Consulting fees	(1,3)	(4,2)	11,4	–
Donations	(0,3)	(1,4)	3,3	–
Impairment of loan receivable from Jasco Trading	–	–	47,1	–
Impairment in Investment in RAMM Systems	–	–	58,9	–
Impairment of loan receivable from Trust	–	–	3,2	–
Impairment of goodwill	(3,1)	(11,2)	–	–
Impairment of loan receivable from East Africa & Middle East	(1,2)	(25,2)	–	(10,3)
Legal fees	(0,3)	–	–	–
Loss on disposal of subsidiary	–	–	15,4	–
Jasco East Africa closure cost	(0,8)	–	15,1	–
Equity accounted losses	–	(4,0)	–	–
Other*	(0,6)	(0,8)	–	(0,7)
Non-taxable income and dividend received	1,6	(0,6)	(325,7)	–
Dividend received	–	–	(314,4)	–
Gains on loan restructure – IFRS application	0,5	–	(10,4)	–
Profit on sale of Property Solutions subsidiary	–	–	(0,8)	–
ETI claimed	0,5	–	–	–
Other	0,6	(0,6)	–	–
Unrecognised tax losses	(14,8)	(21,9)	119,0	(3,6)
Differences in capital gains rate	(4,4)	–	–	–
Differences in corporate tax rates	–	0,8	–	–
Effective taxation rate	(10,8)	(68,9)	–	2,5

** The prior year percentage relating to other was broken down further.*

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

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

	Group		Company	
	2020 R'000	2019 R'000	2020 R'000	2019 R'000
7. Taxation continued				
Deferred income tax asset/(liability)				
Beginning of year	15 332	9 352	(16)	(20)
IFRS 16 retained earnings adjustment	4 321	–	–	–
Disposal of subsidiary	(4)	–	–	–
Income statement movement	11	5 980	9	4
End of year	19 660	15 332	(7)	(16)
Deferred tax asset	21 981	22 093	–	–
Deferred tax liability	(2 321)	(6 761)	(7)	(16)
Net deferred tax asset	19 660	15 332	(7)	(16)
Made up as follows				
– taxation losses	10 249	17 134	–	–
– provisions	7 897	5 480	–	–
– capitalised costs	443	20	–	–
– amortisation of intangibles	(9 318)	(11 519)	–	–
– impairment of receivables	462	518	–	–
– prepayments	(4 456)	(6 125)	(7)	(16)
– retentions	(300)	(540)	–	–
– section 24C allowance	(3 987)	(3 591)	–	–
– income received in advance	12 416	12 309	–	–
– deferred gains and losses on foreign currency contracts	7	162	–	–
– deferred lease payments and income	(130)	3 217	–	–
– Lease agreements	6 452	627	–	–
– accelerated depreciation	(75)	(2 360)	–	–
	19 660	15 332	(7)	(16)
Estimated taxation losses available for set off against future taxable profits	158 243	128 748	–	11 838
Taxation losses which could be recognised as an asset	44 308	36 050	–	11 838
Less deferred asset not recognised	(34 059)	(18 916)	–	–
Asset recognised – tax losses	10 249	17 134	–	–
Deferred tax assets				
– less than 12 months	15 789	8 630	–	–
– greater than 12 months	6 192	13 463	–	–
	21 981	22 093	–	–
Deferred tax liabilities				
– less than 12 months	(2 321)	(6 761)	(7)	(16)
– greater than 12 months	–	–	–	–
	(2 321)	(6 761)	(7)	(16)

The group has considered the impact of IFRIC 23 and related agenda decision and there was no impact on the group and the company.

8. Earnings per ordinary share

The earnings loss per share of cents 49.4 cents (2019: loss of 12.9 cents) is based on an earnings loss of R110 862 976 (2019: loss of R29 137 000) and 224 446 129 (2019: 226 280 586) shares, being the weighted average number of shares in issue during the year, less the treasury shares. Refer to note 19.

Headline earnings per ordinary share

The headline earnings loss per share of 44.5 cents (2019: loss of 10.7 cents) is based on headline earnings loss of R99 761 789 (2019: loss of R24 172 059) and 224 446 129 (2019: 226 280 586) shares, being the weighted average number of shares in issue during the year, less the treasury shares.

Reconciliation of headline earnings:

	Group			
	Profit before tax and non-controlling interest R'000	Tax R'000	Non-controlling interest R'000	Headline earnings R'000
2020				
Loss attributable to ordinary shareholders	(92 652)	(9 767)	(8 230)	(110 649)
Loss on disposal of plant and equipment	773	(216)	2	559
Loss on disposal of subsidiary	77	–	–	77
Impairment of goodwill	10 251	–	–	10 251
Headline earnings loss				(99 762)
2019				
Loss attributable to ordinary shareholders	(11 469)	(7 975)	(9 752)	(29 016)
Loss on disposal of plant and equipment	396	(111)	(10)	275
Impairment of goodwill	4 569	–	–	4 569
Headline earnings loss				(24 172)

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 49.4 cents (2019: loss 12.9 cents) and headline earnings loss per share 44.5 cents (2019: loss 10.7 cents). The shares and options issued by the Share Incentive Trusts impacted the weighted average number of shares used in the calculation as follows:

	Group	
	2020	2019
Weighted average number of shares	224 446 129	226 280 586
	224 446 129	226 280 586

	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 equipment R'000	Leased furniture and equipment R'000	Total plant and equipment R'000

9. Plant and equipment

2020								
Net book value								
– beginning of year	3 890	30 505	3 333	21 165	780	8 613	14 442	82 728
– cost	8 253	67 590	13 876	46 228	5 285	38 007	19 698	198 937
– accumulated depreciation	(4 363)	(37 085)	(10 543)	(25 063)	(4 505)	(29 394)	(4 591)	(115 544)
– reclassification to right of use assets	–	–	–	–	–	–	(665)	(665)
Current year movements	(850)	(5 281)	(384)	(1 363)	(80)	14 347	(14 442)	(8 053)
– additions	400	1 037	24	3 602	129	11 065	–	16 257
– net book value of disposals	–	(910)	(51)	(236)	(20)	(361)	286	(1 292)
– reclassification of plant and equipment	–	–	–	–	407	14 321	(14 728)	–
– net disposal of subsidiaries	–	–	–	–	–	(94)	–	(94)
– depreciation	(1 250)	(5 408)	(357)	(4 729)	(596)	(10 584)	–	(22 924)
End of year	3 040	25 224	2 949	19 802	700	22 960	–	74 675
Made up as follows								
– cost	7 918	66 059	13 850	48 222	5 545	65 477	–	207 071
– accumulated depreciation	(4 878)	(40 835)	(10 901)	(28 420)	(4 845)	(42 517)	–	(132 396)
Net book value	3 040	25 224	2 949	19 802	700	22 960	–	74 675
2019								
Net book value								
– beginning of year	5 215	21 871	2 813	22 991	1 170	8 772	16 764	79 596
– 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)
Current year movements	(1 325)	8 634	520	(1 826)	(390)	(159)	(1 657)	3 797
– additions	160	3 783	845	3 562	283	6 185	9 639	24 457
– net book value of disposals	(206)	(315)	–	(213)	–	(195)	(178)	(1 107)
– reclassification of plant and equipment	–	9 881	–	(212)	–	649	(9 866)	452
– depreciation	(1 279)	(4 715)	(325)	(4 963)	(673)	(6 798)	(1 252)	(20 005)
End of year	3 890	30 505	3 333	21 165	780	8 613	15 107	83 393
Made up as follows								
– cost	8 253	67 590	13 876	46 228	5 285	38 007	19 698	198 937
– accumulated depreciation	(4 363)	(37 085)	(10 543)	(25 063)	(4 505)	(29 394)	(4 591)	(115 544)
Net book value	3 890	30 505	3 333	21 165	780	8 613	15 107	83 393

Pledged as security

Certain motor vehicles and equipment are secured as per note 21.

10. Right of use assets and lease liabilities

	Group			
	Buildings and property R'000	Motor vehicles R'000	Furniture fixtures and office equipment R'000	Total right of use assets R'000
2020				
Net book value – beginning of year	79 801	190	665	80 656
– reclassification from plant and equipment	–	–	665	665
– IFRS 16 transitional adjustment of operating leases	79 801	190	–	79 991
Current year movements	25 188	686	(406)	25 468
– additions	43 550	918	–	44 468
– depreciation	(18 362)	(232)	(406)	(19 000)
End of year	104 989	876	259	106 124
Made up as follows				
– cost	123 352	1 108	2 316	126 776
– accumulated depreciation	(18 363)	(232)	(2 057)	(20 652)
Net book value	104 989	876	259	106 124

	Group	
	2020 R'000	2019 R'000
Principal amounts owing in respect of lease agreement		
Total	137 151	–
– gross minimum lease payments	186 536	–
– finance charges	(49 385)	–
Current lease liabilities		
– lease liabilities	(26 280)	–
Non-current lease liabilities	110 871	–
Reconciliation of liabilities arising from financing activities		
Reclassification from interest-bearing liabilities	792	–
New leases obtained	44 468	–
IFRS 16 transitional adjustment of operating leases	106 091	–
Capitalised initial costs	(26 880)	–
Principal repayments	(14 198)	–
Interest repayments	(12 682)	–
Finance charges	12 682	–
Capitalised initial costs	(2)	–
Balance at 30 June 2020	137 151	–

	Group	
	2020 R'000	2019 R'000

10. Right of use assets and lease liabilities continued

10.1 AMOUNTS RECOGNISED IN THE STATEMENT OF COMPREHENSIVE INCOME

	2020 R'000	2019 R'000
Depreciation charge of right of use assets		
– Buildings and property	18 362	–
– Motor vehicles	232	–
– Furniture, fixtures and office equipment	406	–
Finance cost	12 682	–
Expense relating to short-term leases and leases of low-value assets	5 500	–

In the previous year, the group only recognised lease assets and lease liabilities in relation to leases that were classified as "finance leases" under IAS 17 Leases. The assets were presented in plant and equipment and the liabilities as part of interest-bearing liabilities

For adjustments recognised on adoption of IFRS 16 on 1 July 2019 refer to note 33.

	2020 R'000	2019 R'000
The maturity analysis of the carrying amount of the lease liabilities is as follows:		
– one year	30 008	–
– after one year, within five years	137 237	–
– after five years	19 291	–
Total	186 536	–

An average rate of 10.87% was applied across the group on all leases. The disclosed leases have lease terms that end between October 2020 and September 2025.

Refer to note 34.3 regarding rent concession received as a result of impact of COVID-19 pandemic.

11. Intangible assets

	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
2020						
Net book value – beginning of year	82 081	5 880	19 820	12 007	24 445	144 233
– cost	151 972	10 377	36 950	18 417	43 079	260 795
– accumulated amortisation and impairment	(69 891)	(4 497)	(17 130)	(6 410)	(18 634)	(116 562)
Current year movements	(10 251)	(1 667)	(8 663)	(1 414)	(4 466)	(26 461)
– additions	–	–	7 433	1 253	–	8 686
– amortisation	–	(1 667)	(11 209)	(2 667)	(4 466)	(20 009)
– impairment	(10 251)	–	(4 887)	–	–	(15 138)
End of year	71 830	4 213	11 157	10 593	19 979	117 772
Made up as follows						
– cost	151 972	22 840	35 372	19 669	36 178	266 031
– accumulated amortisation and impairment	(80 142)	(18 627)	(24 215)	(9 076)	(16 199)	(148 259)
Net book value	71 830	4 213	11 157	10 593	19 979	117 772
2019						
Net book value – beginning of year	86 650	7 549	19 128	11 176	30 006	154 509
– cost	151 972	10 377	28 457	14 115	43 079	248 000
– accumulated amortisation and impairment	(65 322)	(2 828)	(9 329)	(2 939)	(13 073)	(93 491)
Current year movements	(4 569)	(1 669)	692	831	(5 561)	(10 276)
– additions	–	–	8 493	4 302	–	12 795
– amortisation	–	(1 669)	(7 801)	(3 471)	(5 561)	(18 502)
– impairment	(4 569)	–	–	–	–	(4 569)
End of year	82 081	5 880	19 820	12 007	24 445	144 233
Made up as follows						–
– cost	151 972	10 377	36 950	18 417	43 079	260 795
– accumulated amortisation and impairment	(69 891)	(4 497)	(17 130)	(6 410)	(18 634)	(116 562)
Net book value	82 081	5 880	19 820	12 007	24 445	144 233

The voice transaction management applications consist of costs capitalised during the development of various voice transaction management applications.

The voice transaction management applications were impaired by R4,8 million. The impairment loss was recognised in relation to the older version of the software.

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

Majority of the goodwill impairment in the prior year relates to the Jasco Power Solutions goodwill.

The goodwill impairment in the current year relates to RAMM Systems. The entity suffered significant reductions in sales volumes during the current year and therefore the goodwill was impaired.

11. Intangible assets continued

The goodwill relating to each reporting segment is as follows:

	Carrying value 2020 R'000	Carrying value 2019 R'000
Information and communication technologies – Carriers	32 370	32 370
Information and communication technologies – Reflex	30 475	30 475
Information and communication technologies – RAMM*	8 374	18 625
Electrical Manufacturers	611	611
	71 830	82 081

** Goodwill relating to RAMM was separated to be in line with the new operating segments*

As at the reporting date, the goodwill was tested for impairment. The cash flow projections, prepared 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 16.68% (2019: 16.71%) for all other CGU's excluding RAMM which has a pre-tax discount rate of 21.67% (2019: 21.67%). Revenue for first year is based on approved budgets and thereafter the revenue growth assumptions 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 gross profit (GP) margins used in the value-in-use calculations are as follows: Carriers 58% (2019: 31%), Reflex (2019: 31%), RAMM 50% (2019: 52%) and Electrical Manufacturers 14% (2019: 17%). The potential impact of COVID-19 on future cash flow projections were considered in the assessment, given the evidence that was available at the time of finalising the consolidated annual financial statements.

Assessment of goodwill relating to Reflex Solutions for the 2020 financial year was assessed as part of the valuation of the company. Refer to note 34 for details on the disposal of Reflex Solutions. Carriers growth rate increased from 31% in 2019 to 58% in 2020 assessment due to the fact that Carriers will be restructured and will include divisions from other companies within the group.

Key assumptions

The calculation of value-in-use is most sensitive to gross profit margin, 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. 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 taking into account the cost of capital of the 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.

Sensitivity analysis

Management has performed a sensitivity analysis for the material goodwill balances, excluding Reflex due to its planned disposal, being the goodwill relating to the investments in the ICT – Carriers cash-generating unit CGU, the ICT – RAMM CGU and the Electrical Manufacturers CGU. The goodwill sensitivity tests performed for a 1.5% change in the 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 ICT-Carriers and Electrical Manufacturers. The carrying value of goodwill relating for ICT – RAMM CGU was affected by the changes in the above assumptions.

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 any additional impairment. Set out below is the change in the discounted cash flows of applying a 1.5% change in the key assumptions.

Key assumption	GP margin		Growth rate		Discount rate	
(Amounts in R'000)	(1.5%)	1.5%	(1.5%)	1.5%	(1.5%)	1.5%
ICT – Carriers goodwill	(4 659)	4 659	(5 903)	6 045	10 251	(8 457)
ICT – RAMM goodwill	(2 529)	2 529	(3 765)	3 907	1 542	(1 338)
Electrical Manufacturers goodwill	(16 454)	16 454	(7 139)	7 414	9 161	(7 534)

11. Intangible assets continued

Impairment

In the 2020 financial year, a goodwill impairment of R10.3 million (refer to note 6) was recognised. The impairment charge is included as part of other expenses in the statement of comprehensive income.

	Company	
	2020 R'000	2019 R'000
12. 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 Distributors (Pty) Limited	–	2 623
– Jasco Energy and Industry Solutions (Pty) Limited	5 823	5 823
– Jasco Enterprise (Pty) Limited	6 645	6 645
– Jasco Infrastructure Company (Pty) Limited*	–	–
– Jasco IOT Solutions (Pty) Limited	1	1
– Jasco Networks (Pty) Limited	136	136
– Jasco Property Solutions (Pty) Limited	–	11
– Jasco Security and Fire Solutions (Pty) Limited	3 432	3 432
– Jasco Systems (Pty) Limited*	–	–
– Jasco Trading (Pty) Limited	877	877
– NewtelCo South Africa (Pty) Limited	200	200
– RAMM Systems (Pty) Limited	18 985	28 985
– Reflex Solutions (Pty) Limited	37 726	37 726
– Webb Masts and Towers (Pty) Limited*	–	–
	112 716	125 350
Amounts owing by group companies on current account		
– Datavoice (Pty) Limited	–	2 091
– Ferro Resonant Technologies (Pty) Limited	–	123
– Jasco Cables Investments (Pty) Limited	14	7
– Jasco Carrier Solutions (Pty) Limited	251	641
– Jasco IOT Solutions (Pty) Limited	23	18
– Jasco Networks (Pty) Limited	27 494	6 102
– Jasco Property Solutions (Pty) Limited	–	102
– Jasco Security and Fire Solutions (Pty) Limited	–	9
– Jasco Systems (Pty) Limited	25 914	1 420
– Jasco Trading (Pty) Limited	37 052	58 873
– NewtelCo South Africa (Pty) Limited	–	6
	90 748	69 392
Amounts owing to group companies on current account		
– Jasco Trading (Pty) Limited	(3 548)	(548)
	(3 548)	(548)

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

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.

12. Investment in subsidiaries continued

Credit risk

Management assesses the liquidity and solvency of the borrowers before granting loans.

In assessing the expected credit loss on related party receivable balances, the following was considered:

- Whether the borrower has sufficient available highly liquid current assets to repay the outstanding intercompany loan if the loan was demanded at reporting date. If the company has sufficient highly liquid currents assets then the probability of default is considered to approximate 0%.
- If it was determined that the borrower does not have sufficient highly liquid current assets to repay the loan if demanded at the reporting date, the borrower is assumed to part take in a "fire sale" in order to repay the loans (assuming worst case that the borrower is sold for a value equal to it's net asset value), then the borrower would result in enough cash being generated in order to pay intercompany loans.

Based on the above mentioned assessment, the loan receivable from Jasco Trading (Pty) Limited was impaired in the current year by R8 million.

The assessment of the investment in RAMM Systems (Pty) Limited resulted in an impairment by R10 million due to the fact that RAMM Systems has reported a decrease in turnover in 2020 and this is expected to continue in the 2021 financial year.

13. Investment in joint venture/associates

The group acquired a 40% interest in Jasco Middle East DMCC (Jasco Middle East) 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.

Jasco Middle East was dormant and did not trade during the 2020 financial year.

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 and equity accounts for this investment. In the current year, management took a decision to sell its shares in Jasco East Africa, effective 30 April 2020, and a provision of R2,6 million was raised for the cost of closing down the associate.

In the current year, Jasco's share in the net profit of Jasco East Africa amounted to R33 000 (2019: loss of R1,6 million)

	Company	
	2020 R'000	2019 R'000
	–	–
Investment in Jasco Middle East DMCC	72	72
Loan to Jasco Middle East DMCC	6 329	6 329
Impairment provision*	(6 401)	(6 401)

* *These loans were written off as management do not believe that they are recoverable, based on the fact that Jasco Middle East is dormant and shares in Jasco East Africa were sold in April 2020. Funding was provided to Jasco East Africa in current year, as there was a project that was budgeted for, however, it did not materialise as expected.*

	Group 2020 R'000	Group 2019 R'000	Company 2020 R'000	Company 2019 R'000
14. Other non-current assets				
14.1 LOAN TO THE JASCO EMPLOYEE SHARE INCENTIVE TRUST	–	–	2 030	1 886
Loan	–	–	10 656	9 961
Allowance for impairment	–	–	(8 626)	(8 075)
The loan attracts interest at a rate of 4,75% (2019: 7,5%) which is the rate as per SARS Interest Rates – Table 3.				
14.2 LOAN TO CUSTOMER*	5 036	8 300	–	–
Total	8 233	10 977	–	–
– loan	9 461	14 001	–	–
– unearned finance income	(1 228)	(3 024)	–	–
Current portion transferred to current assets	(3 197)	(2 677)	–	–
Relates to loan provided to a Jasco Enterprise customer, in a form of extended credit terms, and it attracts interest at rate of Prime plus 5% (2019: 15,50%).				
14.3 OTHER LOANS*				
Total	–	90	–	–
– loan	1 092	90	–	–
– allowance for impairment	(1 092)	–	–	–
14.4 FINANCE LEASE RECEIVABLE	25	94	–	–
Total	86	140	–	–
– future minimum rentals under the finance lease receivables	95	166	–	–
– unearned finance income	(9)	(26)	–	–
Current portion transferred to current assets	(61)	(46)	–	–
Non-current	5 061	8 484	2 030	1 886

* *In the prior year, the loan to customer and other loans were reported as other loans. In the current year, these were split out to better reflect the nature of the loans.*

	Group		Company	
	2020 R'000	2019 R'000	2020 R'000	2019 R'000

14. Other non-current assets continued

Reconciliation of assets arising from investing activities

	Group 2020 R'000	Group 2019 R'000	Company 2020 R'000	Company 2019 R'000
Opening balance	11 207	185	1 886	4 589
Loan provided – non-cash	–	11 882	48	–
Loan provided – cash	73	90	–	–
Disposal of subsidiary	404	–	–	–
Loss allowance	(568)	–	(551)	(2 703)
Repayments	(4 225)	(2 234)	–	–
Capital repayments	(2 797)	(1 091)	–	–
Finance income	(1 428)	(1 143)	–	–
Finance income	1 428	1 284	647	–
Closing balance	8 319	11 207	2 030	1 886
– Current	3 258	2 723	–	–
– Non-current	5 061	8 484	2 030	1 886
Total assets arising from investing activies	8 319	11 207	2 030	1 886

Credit risk

Loan to the Jasco Employee Share Incentive Trust

The company applies the general model approach to measure expected credit losses (ECL) on the loan receivable from the trust for impairment. The impairment provision is calculated as the difference between the fair value of the Trust's net assets and the loan. There was an increase of R551 386 in the impairment allowance (2019: R2,7million). This relates to a decrease in the fair value of the Trust's net assets as a result of the decrease in the Jasco share price. The additional loss allowance recognised during the current year is based on the stage 2 ECL provision. The directors are of the opinion that after the allowance for impairment, the loan is fairly stated.

Loan to customer

The group applies the simplified approach to determine the ECL allowance on loan receivables. All external parties are subjected to stringent credit vetting prior to group providing funding. The group believes there is no risk of default based on past history with respective parties and there is no future indicators that concludes to the contrary, therefore there was no impairment loss raised in the financial year. The group has a legal enforcement rights to recovery the loan.

The group considered the impact of COVID-19 on the customer's ability to pay instalments as and when they are due.

Due to the fact that the customer has not defaulted on its payments during the year, and the fact that the customer operates in the debt collection industry and there has been an increase in clientele for companies in this industry as a result of COVID-19, management is of the opinion that the risk of default on the loan is low and therefore the loan was not impaired.

This non-current receivable attracts interest at a variable rate linked to the prime rate and the instalments of capital and interest are receivable monthly in advance. The last instalment is receivable in the 2023 financial year.

Other loans

The group applies the simplified approach to determine the ECL allowance on loan receivables. These relate to loan receivable from Paven Chetty (former shareholder in Jasco Datafusion), loan receivable from Jasco Distributors and amounts receivable from the sale of Jasco Technical Services and Jasco Distributors.

	Loan to the Jasco Employee Share Incentive Trust		Other loans	
	2020 R'000	2019 R'000	2020 R'000	2019 R'000
14. Other non-current assets continued				
Reconciliation of loss allowance				
– Loss allowance at the beginning of the year	(8 075)	(5 372)	(524)	–
– Raised during the year	(551)	(2 703)	(568)	(524)
Loss allowance at the end of the year	(8 626)	(8 075)	(1 092)	(524)

Finance lease receivables

The group applies the simplified approach to measure expected credit losses which uses a lifetime expected loss allowance for all finance lease receivables. Lease payments are due 30 days after invoicing. The group has R86 043 exposure to credit risk at the reporting date. Any impairment loss would be immaterial.

The maturity analysis of the carrying amount of the lease receivable is as follows:

	2020 R'000	2019 R'000
– one year	70	71
– after one year, within five years	25	95
Total	95	166

	Group		Company	
	2020 R'000	2019 R'000	2020 R'000	2019 R'000
15. Inventories				
Raw materials	28 314	33 847	–	–
Work in progress	12 749	8 160	–	–
Finished goods and merchandise	60 050	66 477	–	–
– at cost	71 936	74 535	–	–
– provision for obsolete stock	(11 886)	(8 058)	–	–
	101 113	108 484	–	–
Inventory expensed, included in cost of sales	478 083	547 378	–	–
– inventory expensed during the year	473 662	545 550	–	–
– inventory written off during the year	4 421	1 828	–	–

	Group		Company	
	2020 R'000	2019 R'000	2020 R'000	2019 R'000

16. Trade and other receivables

	Group 2020 R'000	Group 2019 R'000	Company 2020 R'000	Company 2019 R'000
Financial instruments				
Trade receivables	135 617	150 561	–	–
– trade receivables	141 917	153 500	–	–
– impairment allowance	(6 300)	(2 939)	–	–
Deposits	1 644	–	–	–
Other receivables*	4 171	10 049	73	10 049
Non-financial instruments				
Costs incurred to fulfil contracts^	10 896	32 487	–	163
Prepayments	1 445	–	31	–
Retentions	1 071	1 929	–	–
VAT receivables	2 172	5 561	109	–
Other receivables#	2 573	4 549	–	–
Financial assets at fair value through profit or loss				
Foreign currency contracts	57	–	–	–
	159 646	205 136	213	10 212
At the year-end, the analysis of trade receivables past due is as follows:				
30 to 60 days	40 627	27 075	–	–
60 to 90 days	8 860	5 043	–	–
90 to 120 days	2 463	1 704	–	–
120 days and longer	7 925	7 734	–	–
	59 875	41 556	–	–
Impairment loss allowance	(6 300)	(2 939)	–	–
Not past due	82 042	111 944	–	–
Net trade receivables	135 617	150 561	–	–
The movements in the allowance for impairment of the trade and other receivables were as follows:				
At the beginning of the year	2 939	941	–	–
Charge for the year@	4 864	2 208	–	–
Amounts written off	(1 149)	(2)	–	–
Unused amounts reversed@	(354)	(208)	–	–
At the end of the year	6 300	2 939	–	–

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

* *Included in the prior year's other receivables is R10 048 654 relating to funds that were held in a trust account, relating to the purchase consideration of Reflex Solutions (Pty) Limited. The payment to the shareholders was delayed as a result of the legal dispute with the minority shareholders. This was settled in the current year.*

^ *Refer to note 4.*

\# *Balance relates mainly to recoverable costs and deferred maintenance expenses.*

@ *The impairment loss and reversal of impairment are disclosed on the statement of comprehensive income.*

16. Trade and other receivables continued

Credit risk

Trade receivables and contract assets

Each customer is analysed individually for creditworthiness before terms and conditions are offered. Customer credit limits are set for each customer based on the results of internal or external assessment. The compliance with credit limits by customers are regularly monitored by management of respective subsidiaries.

There is no credit risk in relation to cash sale as settlement is made upon conclusion of sale and therefore mitigating credit risk.

There have been no significant changes in the credit risk management policies and processes since the prior reporting period. The group measures the loss allowance for trade receivables by applying the simplified approach which is prescribed by IFRS 9 by using the provision matrix.

The group writes off a financial asset when there is information indicating that the debtor is in severe financial difficulty and there is no realistic prospect of recovery. The group considers an event of default has materialised, and the financial asset is credit impaired, when information developed internally or obtained from external sources indicates that the debtor is unlikely to pay the group without taking into account any collateral held by the group or if there are indicators that there is no reasonable expectation of recovery or the failure of a debtor to engage in a repayment plan with the group, and a failure to make payment for a period of greater than 90 days past due. The impact of COVID-19 has been factored into expected credit losses assessment as the group considers the impact of the pandemic on its customers.

The expected credit losses (ECL) has been developed by making use of past default experience of debtors, but also incorporates forward-looking information such as outlook of the customer and general economic conditions of the industry as at the reporting date. The loss allowance provision is determined as follows:

		Current	More than 30 days past due	More than 60 days past due	More than 90 days past due	More than 120 days past due	Total
2020							
Trade receivable							
Expected loss rate	(%)	0.1	0.2	0.7	8.3	73.7	
Gross carrying amount – trade receivables		82 500	40 094	8 893	2 505	7 925	141 917
Loss allowance		99	88	62	209	5 842	6 300
Net carrying amount		82 401	40 006	8 831	2 296	2 083	135 617
Contract assets							
Expected loss rate	(%)	0	0	0	0	0	
Gross carrying amount – contract assets		11 745	–	–	–	182	11 927
Net carrying amount		11 745	–	–	–	182	11 927
2019							
Trade receivable							
Expected loss rate	(%)	0.4	0.2	2.5	5.1	35.8	
Gross carrying amount – trade receivables		113 606	27 009	5 293	1 505	6 087	153 500
Loss allowance		500	50	132	77	2 180	2 939
Net carrying amount		113 106	26 959	5 161	1 428	3 907	150 561
Contract assets							
Expected loss rate	(%)	0	0	0	0	0	
Gross carrying amount – contract assets		6 685	–	–	–	–	6 685
Net carrying amount		6 685	–	–	–	–	6 685

16. Trade and other receivables continued

ECLs are calculated by applying loss ratio to the aged balance of trade receivables and contract assets. The loss ratio is calculated according to the ageing of the trade receivables and contract assets. Management assesses each customer individually and makes judgement of whether amounts owing as per the different ageing group for that specific customer is recoverable. The group trade receivables terms are generally between 30 and 90 days and the above provision matrix takes this fact into account.

There was no loss allowance recognised on contract assets as these are recoverable with 12 months. Management assessed the ability of the customers to pay amount when invoiced and management believes the amount are recoverable. Due to the fact that the amounts are recoverable within 12 months, the discounting of the amounts are considered to be immaterial.

Management regularly reviews the receivables age analysis and follows up on long-outstanding receivables. The group makes use of debt collectors in instances where it has exhausted all avenues to recover amounts owing.

The group applies the simplified approach on a similar basis as trade receivable to measure expected credit losses for other receivable. Cost incurred to fulfil a contract are determined with reference to contractual agreement and therefore defaults are considered based on contractual terms which are determined on a contract by contract basis. After IFRS 9 assessments were conducted by the group, the expected credit loss on other receivable was not determined to be material.

Impairment losses on trade receivables and contract assets are presented on the statement of comprehensive income. Subsequent recoveries of amounts previously written off and reversal of impairment of asset are credited against the same amount.

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.

17. Cash and cash equivalents

	Group		Company	
	2020 R'000	2019 R'000	2020 R'000	2019 R'000
Current accounts	19 373	53 824	97	181
Call accounts	1 893	11 600	–	–
Cash on hand	60	63	–	–
	21 326	65 487	97	181
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				
zaA1	331	26 667	–	72
zaAA	12 539	38 565	6	26
zaA3	17	15	–	–
zaB2	8 192	–	5	–
Other	247	240	86	83
	21 326	65 487	97	181

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

Credit risk
The group limits its counterparty exposure arising from bank accounts/call deposits by only dealing with well-established financial institutions of high credit standing. The impact of COVID-19 on the related financial institutions, where the cash is held, was considered and the credit risk was concluded to be low as the funds are held in financial institutions which have been guaranteed by the Reserve Bank and this reduced the group's credit risk. No expected credit losses have been provided for in the current financial year, as the amounts are due on demand.

	Group 2020 R'000	Group 2019 R'000	Company 2020 R'000	Company 2019 R'000
18. Share capital				
18.1 AUTHORISED				
750 000 000 ordinary shares with no par value				
29 884 633 redeemable preference shares with no par value				
18.2 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

	Group 2020 R'000	Group 2019 R'000
19. Treasury shares		
The Jasco Employee Share Incentive Trust owns 4 873 062 (2019: 5 081 782) unallocated ordinary shares	**3 083**	3 203
Treasury shares at cost	**3 083**	3 203
Opening balance	**3 203**	450
Treasury shares acquired in an open market	**–**	524
Forfeited shares	**–**	2 823
Treasury shares vested	**(120)**	(594)
Closing balance	**3 083**	3 203

Refer to note 2.4.4 for a description relating to the treasury shares.
Refer to the Directors Report on page 12.

	Group		Company	
	2020 R'000	2019 R'000	2020 R'000	2019 R'000

20. Non-distributable reserves

Equity settled share-based payment reserve (note 20.1)#	4 848	4 661	14	14
– beginning of year	4 661	6 941	14	14
– transferred during the year	–	(355)	–	–
– utilised during the year	–	(2 442)	–	–
– arising during year	187	517	–	–
Transactions with non-controlling interest*	–	2 448	–	–
– beginning of year	2 448	–	–	–
– arising during year	–	2 448	–	–
– recycled to retained earnings	(2 448)	–	–	–
	4 848	7 109	14	14

* *Relates to profit and loss on sale of subsidiaries under common control transactions. The profit of R2 448 000 relates to the buy-out of non-controlling interest in Jasco Security and Fire (Pty) Limited and NewTelco South Africa (Pty) Limited. The amount relating to transactions with non-controlling interest was recycled to retained earnings in the current year. Refer to note 2.4.5 and 3.*

\# *Refer to note 2.11.3 for a description relating to share-based compensation.*

20.1 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 including all subsequent capitalisation and rights issues. The maximum number of shares and/or options allowed for any one person is 8 735 969 (2019: 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.

	2020	2019
Number of ordinary shares reserved	32 759 885	32 759 885
Less: total number of shares allocated	2 649 296	2 649 296
– beginning of year	2 649 296	9 690 402
– allocation of shares to employees during the year	–	–
– net forfeiture by employees during the year	–	(7 041 106)
Less: total number of unforfeited options granted	1 260 596	4 137 517
– beginning of year	4 137 517	4 774 517
– allocation of options to employees during the year	(653 731)	(637 000)
– net forfeiture/cancellation of options during the year	(2 223 190)	–
Number of shares in respect of which options and shares have not been granted	28 849 993	25 973 072

20.1 EQUITY-SETTLED SHARE-BASED PAYMENTS continued

Summary of shares/options issued

Date issued	Date lapsing	Number	Price per share (cents)	Shares issued by trust not yet withdrawn 2020	Shares issued by trust not yet withdrawn 2019	Number of unvested shares 2020	Number of unvested shares 2019
Shares							
13 June 2016	N/A	2 163 699	81	834 881	834 881	–	208 720
2 June 2015	N/A	9 146 118	55	1 626 915	1 626 915	–	–
5 February 2014	N/A	1 470 000	72	187 500	187 500	–	–
		12 779 817		2 649 296	2 649 296	–	208 720

Date issued	Date lapsing	Number	Price per share (cents)	Options issued by trust not yet exercised 2020	Options issued by trust not yet exercised 2019	Number of unvested options 2020	Number of unvested options 2019
Options							
3 October 2016	3 October 2021	465 702	93	–	465 702	–	232 851
28 June 2016	28 June 2021	1 206 071	81	470 525	1 206 071	–	301 518
4 January 2016	4 January 2021	790 071	60	790 071	790 071	–	197 518
2 June 2015	2 June 2020	2 322 534	55	–	1 675 673	–	–
		4 784 378		1 260 596	4 137 517	–	731 887

	Shares 2020	Shares 2019	Options 2020	Options 2019
Reconciliation of number of outstanding, unvested shares and options				
Beginning of year	208 720	3 368 379	731 887	1 882 692
Forfeiture/cancellation of shares during the year	–	(2 137 481)	(300 312)	–
Shares/options vested by rules of scheme	(208 720)	(1 022 178)	(431 575)	(1 150 805)
End of year	–	208 720	–	731 887

20. Non-distributable reserves continued

20.1 EQUITY-SETTLED SHARE-BASED PAYMENTS CONTINUED

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:

		2020	2019
Maximum term of grant	(years)	5	5
Exercise multiple		1,5	1,5
		%	%
Volatility			
– two years vesting		81,79	81,79
– three years vesting		80,42	80,42
– four years vesting		77,63	77,63
Dividend yield		0,05	0,05
Risk free rate			
– two years vesting		7,79	7,79
– three years vesting		7,82	7,82
– four years vesting		7,88	7,88
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 6):

	Group		Company	
	2020 R'000	2019 R'000	2020 R'000	2019 R'000
Equity-settled share-based payment	187	517	–	–

20.2 CASH-SETTLED SHARE-BASED PAYMENTS

There is one participant in the cash-settled share-based incentive scheme. There is no expense arising in 2020 and 2019 as the performance targets were not met.

21. Interest-bearing liabilities

	Group 2020 R'000	Group 2019 R'000	Company 2020 R'000	Company 2019 R'000
Secured	**204 847**	207 539	**190 925**	191 433
Corporate bond	**45 250**	45 783	**45 250**	45 783
Term loan: Bank of China	**145 675**	145 650	**145 675**	145 650
Principal amounts owing in respect of finance lease agreements on furniture and office equipment@	–	792	–	–
– gross minimum lease payments	–	989	–	–
– finance charges	–	(197)	–	–
Principal amounts owing in respect of instalment sale agreements	**13 922**	15 314	–	–
– gross minimum instalments	**15 448**	17 564	–	–
– finance charges	**(1 526)**	(2 250)	–	–
Unsecured	–	98	–	–
Loans from non-controlling shareholders	–	98	–	–
Total	**204 847**	207 637	**190 925**	191 433
Current portion transferred to short-term borrowings (refer note 24)	**(198 629)**	(200 554)	**(190 925)**	(191 433)
– finance lease agreements	–	(328)	–	–
– instalment sale agreements	**(7 704)**	(8 793)	–	–
– corporate bond	**(45 250)**	(45 783)	**(45 250)**	(45 783)
– term loan	**(145 675)**	(145 650)	**(145 675)**	(145 650)
Non-current	**6 218**	7 083	–	–

@ *Finance lease agreements have been reclassified to lease liabilities. Refer to note 10.*

Particulars

The corporate bond was issued on 30 January 2015, bears interest at the three-month JIBAR plus 3,25%. Interest is repaid quarterly and the entire capital plus any accrued interest is repayable on 31 January 2021.

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

- Interest cover ratio being EBIT divided by Net finance, changes at minimum of 2.0 times. 2020: (3.06) (2019: 0.76)
- Debt to EBITDA ratio at a maximum of 3.5 times. 2020: 5.55 (2019: 3.51)
- Debt to Equity ratio, being debt divided by equity, at a maximum of 60%. 2020: 307.8% (2019: 77%)

The corporate bond holder condoned the breach of the loan covenants subsequent to year-end, noted above, at 30 June 2020.

The facility of R150 million from the Bank of China was raised on 13 May 2017. An additional draw-down of R20 million was utilised on 6 September 2018. The loan is secured by a cession of the debtors and a notarial general covering bond of R100 million over the movable assets of the major subsidiaries of the group and bears interest at the three-month JIBAR plus 330 basis points, which is payable on a quarterly basis. The capital is repayable in one instalment by 27 December 2021.

21. Interest-bearing liabilities continued

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

- Debt to equity ratio to not exceed a level of 150%. 2020: 344% (2019: 77%)
- Current and quick ratios not to reduce below 1.2:1 and 0.80:1 respectively. 2020: 1.3 and 0.9 (2019: 0.97 and 0.71)
- Interest cover to be maintained at a minimum of 1.5 times. Profit before interest and tax divided by net finance costs. 2020: (1.7) (2019: 0.76)
- Debtors in 0 to 90 days to provide 100% cover on the outstanding Bank of China balance at all times. 2020: 90% (2019: 99%)

The bank has condoned the breach of the loan covenants at 30 June 2020 subsequent to year end. However, due to the extension of the facility being received after 30 June 2020, the related borrowings remained as current liability at 30 June 2020. The Bank of China borrowing has been extended until 27 December 2021 on which date one lump sum payment on the entire capital portion of this loan and any outstanding interest will be repaid to the Bank of China.

The instalment sale 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 motor vehicles and equipment with a net book value of R17 775 933 (2019: R15 107 247).

At the date of initial application, the group elected to use the practical expedient provided by IFRS 16, which allows the group to apply IFRS 16 to only those contracts that were previously identified as leases under IAS 17 and IFRIC 4.

Reconciliation of liabilities arising from financing activities

	Group				
	Corporate bond R'000	Bank of China R'000	Loans from non-controlling interest R'000	Instalment sale agreement R'000	Total R'000
2020					
Balance at 30 June 2019	45 783	145 650	98	16 106	207 637
New instalment sale agreement	–	–	–	8 927	8 927
Reclassification to lease liabilities	–	–	–	(792)	(792)
Repayments	(4 553)	(14 834)	–	(12 077)	(31 464)
Capital repayments	–	–	–	(10 319)	(10 319)
Interest repayments	(4 553)	(14 834)	–	(1 758)	(21 145)
Finance charges	4 069	16 581	–	1 758	22 408
Reclassification to Trade and other payables	–	–	(98)	–	(98)
Loan restructure	(49)	(1 722)	–	–	(1 771)
Balance at 30 June 2020	45 250	145 675	–	13 922	204 847
Current liabilities	45 250	145 675	–	7 704	198 629
Non-current liabilities	–	–	–	6 218	6 218

21. Interest-bearing liabilities continued

	Group				
	Corporate bond R'000	Bank of China R'000	Loans from non-controlling interest R'000	Instalment sale agreement R'000	Total R'000
2019					
Balance at 30 June 2018	45 392	124 853	98	12 241	182 584
Loans obtained	–	20 000	–	–	20 000
New leases obtained – non-cash	–	–	–	11 444	11 444
Repayments	(4 617)	(14 445)	–	(9 244)	(28 306)
Capital repayments	–	–	–	(7 641)	(7 641)
Interest repayments	(4 617)	(14 445)	–	(1 603)	(20 665)
Finance charges	5 008	15 894	–	1 601	22 503
Other	–	(652)	–	64	(588)
Balance at 30 June 2019	45 783	145 650	98	16 106	207 637
Current liabilities	45 783	145 650	–	9 121	200 554
Non-current liabilities	–	–	98	6 985	7 083

	Company		
	Corporate bond R'000	Bank of China R'000	Total R'000
2020			
Balance at 30 June 2019	**45 783**	**145 650**	**191 433**
Repayments	**(4 553)**	**(14 834)**	**(19 387)**
Interest repayments	**(4 553)**	**(14 834)**	**(19 387)**
Finance charges	**4 069**	**16 581**	**20 650**
Loan restructure*	**(49)**	**(1 722)**	**(1 771)**
Balance at 30 June 2020	**45 250**	**145 675**	**190 925**
Current liabilities	**45 250**	**145 675**	**190 925**
2019			
Balance at 30 June 2018	45 392	124 853	170 245
Loans obtained	–	20 000	20 000
Repayments	(4 617)	(14 445)	(19 062)
Interest repayments	(4 617)	(14 445)	(19 062)
Finance charges	5 008	15 894	20 902
Reclassified to trade and other payables	–	(652)	(652)
Balance at 30 June 2019	45 783	145 650	191 433
Current liabilities	45 783	145 650	191 433

* *The amount relates to adjustments that were made in relation to the remeasurement of the Corporate bond and Bank of China loan in the current year as a result of the extension in the loan repayment date to 31 January 2021 and 27 February 2021 respectively.*

	Group		Company	
	2020 R'000	2019 R'000	2020 R'000	2019 R'000

22. Trade and other payables

	Group 2020 R'000	Group 2019 R'000	Company 2020 R'000	Company 2019 R'000
Financial instruments				
Trade payables	113 821	134 659	1 958	340
Deferred consideration				
– Reflex Solutions	–	9 780	–	9 780
– Jasco Security & Fire Solutions	453	1 500	453	1 500
Other payables>	3 016	4 593	–	–
Non-financial instruments				
Accrued expenses#	17 045	14 634	1 831	3 231
Payroll related accruals#	22 138	24 343	–	–
Deferred lease payments	–	11 491	–	–
VAT payable	2 617	6 958	–	415
Other payables*	13 287	4 431	–	–
Financial liabilities at fair value through profit or loss				
Foreign currency contracts	69	1 061	–	–
	172 446	213 450	4 242	15 266

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

Deferred lease payments were derecognised upon the adoption of IFRS 16 – Leases.

Amortised cost approximates the fair value due to the short-term nature of the financial instruments.

* *Included in the Other payables amount is an amount of R9 593 129 in relation to the prepayment in Datavoice for the Motorola agreement.*

\# *Audit fees and leave pay provisions were reclassified into accrued expenses and payroll related accruals respectively to reflect the correct nature of the amounts.*

> *Balance mainly relates to debtors with credit balances that were reclassified to trade and other payables.*

	Group 2020 R'000	Group 2019 R'000	Company 2020 R'000	Company 2019 R'000
23. Provisions				
Incentive Bonus				
Beginning of year	600	–	–	–
Arising during year	3 533	600	–	–
Utilised during year	(1 043)	–	–	–
Unused amount reversed	(600)	–	–	–
End of year	2 490	600	–	–
Warranties				
Beginning of year	150	313	–	–
Unused amount reversed	–	(163)	–	–
End of year	150	150	–	–
Other				
Beginning of year	604	883	–	–
Arising during year	3 932	351	2 558	–
Utilised during year	(1 285)	(630)	–	–
End of year	3 251	604	2 558	–
Total provisions				
Beginning of year	1 354	1 196	–	–
Arising during year	7 465	951	2 558	–
Utilised during year	(2 328)	(630)	–	–
Unused amount reversed	(600)	(163)	–	–
End of year	5 891	1 354	2 558	–

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 and cost relating to the closure of Jasco East Africa. The utilisation of these provisions are uncertain but expected to occur within a year.

	Group 2020 R'000	Group 2019 R'000	Company 2020 R'000	Company 2019 R'000
24. Short-term borrowings				
Short-term borrowings comprise:				
– current portion of non-current interest-bearing liabilities (refer note 21)	198 629	200 554	190 926	191 433
– insurance payment plan	859	781	–	–
– bank overdrafts	3 532	718	–	–
	203 020	202 053	190 926	191 433

Amortised cost approximates the fair value due to the short-term nature of the financial instruments.

	Group		Company	
	2020 R'000	2019 R'000	2020 R'000	2019 R'000

25. Notes to the statements of cash flows

25.1 RECONCILIATION OF (LOSS)/PROFIT BEFORE TAXATION TO CASH GENERATED FROM OPERATIONS

	Group 2020 R'000	Group 2019 R'000	Company 2020 R'000	Company 2019 R'000
Loss before income tax	(92 652)	(11 469)	4 756	(16 718)
Adjustments for:				
– amortisation of intangibles	20 009	18 502	–	–
– depreciation of plant and equipment	22 924	20 005	–	–
– depreciation of right of use assets	19 000	–	–	–
– equity-settled share-based payment	187	517	–	–
– impairment of investment in associate joint venture	3 889	6 820	–	6 401
– impairment of goodwill	10 251	4 569	–	–
– impairment of intangible asset	4 887	–	–	–
– impairment of loan to Jasco Distributors	478	–	–	–
– impairment of loan to the Jasco Share Incentive Trust	–	–	10 551	2 703
– Impairment of inter company loan	–	–	8 000	–
– impairment of receivables	–	120	–	120
– provisions raised/(reversed)	4 537	(4 959)	2 558	–
– unrealised foreign exchange gains	(184)	(3 062)	–	(721)
– unrealised foreign exchange losses	885	3 521	–	547
– net loss on sale of plant and equipment	773	396	–	–
– net loss on disposal of subsidiary	77	–	2 485	–
– cost of disposal of business operation (Jasco East Africa)	2 558	–	2 558	–
– equity accounted (profit)/loss from associate	(33)	1 623	–	–
– net interest and dividend paid/(received)	32 353	21 195	(32 650)	22 484
Cash flows from operations before working capital changes	29 939	57 778	(1 742)	14 816
Working capital changes	7 996	21 702	7 834	(9 340)
– decrease/(increase) in inventories	7 142	(5 842)	–	–
– decrease/(increase) in trade and other receivables, including contract and other assets	36 935	58 143	9 999	(10 038)
– decrease in amounts owing by subsidiaries	–	–	10 845	–
– decrease in trade and other payables, including contract liabilities	(36 081)	(30 599)	(16 010)	150
– increase in amounts owing to subsidiaries	–	–	3 000	548
Cash generated from operations	37 935	79 480	6 092	5 476

25. Notes to the statements of cash flows continued

25.2 TAXATION PAID

	Group 2020 R'000	Group 2019 R'000	Company 2020 R'000	Company 2019 R'000
Net taxation refundable/(payable) at beginning of year	6 069	6 514	300	(418)
Amounts charged per statement of comprehensive income, excluding deferred taxation	(9 994)	(13 885)	–	418
Paid on behalf by group companies	–	–	–	300
Net taxation refundable at end of year	(6 968)	(6 069)	(300)	(300)
Cash amounts paid	(10 893)	(13 440)	–	–

25.3 PURCHASE OF PLANT AND EQUIPMENT

	Group 2020 R'000	Group 2019 R'000	Company 2020 R'000	Company 2019 R'000
Replacement of plant equipment	(973)	(1 246)	–	–
Plant and machinery	(15)	(413)	–	–
Furniture and office equipment	(330)	(664)	–	–
Motor vehicles	(129)	–	–	–
Computer and manufacturing equipment	(431)	(67)	–	–
Leasehold improvements	(68)	(102)	–	–
Additions to plant and equipment	(6 357)	(11 740)	–	–
Plant and machinery	(1 022)	(3 370)	–	–
Hi-sites	(25)	(845)	–	–
Furniture and office equipment	(3 272)	(2 898)	–	–
Motor vehicles	–	(40)	–	–
Computer and manufacturing equipment	(1 707)	(4 529)	–	–
Leasehold improvements	(331)	(58)	–	–
Total purchase of plant and equipment	(7 330)	(12 986)	–	–

	Group		Company	
	2020 R'000	2019 R'000	2020 R'000	2019 R'000

25. Notes to the statements of cash flows continued

25.4 DISPOSAL/ACQUISITION OF SUBSIDIARIES

	Group 2020 R'000	Group 2019 R'000	Company 2020 R'000	Company 2019 R'000
(Increased)/decreased investment in subsidiary, at cost	–	(3 632)	2 634	(3 632)
Equity	(208)	–	–	–
Plant and equipment	94	–	–	–
Inventories	229	–	–	–
Accounts receivable	187	–	–	–
Amounts owing by subsidiaries on current account	150	–	(150)	–
Accounts payable	(47)	–	–	–
Amounts owing to subsidiaries on current account	(2)	–	–	–
Deferred taxation	4	–	–	–
Amount owing to group companies on loan accounts	(404)	632	–	632
Net cash and cash equivalents	74	–	–	–
Loss on disposal of subsidiary	(77)	–	(2 484)	–
Total purchase price	–	(3 000)	–	(3 000)
Exclude: net cash and cash equivalents disposed of	(74)	–		–
Exclude: deferred payment Jasco Distributors (2019: Reflex Solutions, Jasco Security and Fire)	–	1 500	–	1 500
Paid on behalf by group companies*	–	(30 828)	–	1 500
Cash flow on acquisition, net of cash acquired/disposed of	(74)	(32 328)	–	–

The payment for Jasco Security and Fire Solutions (Pty) Limited (formerly: MV Fire Protection Services (Pty) Limited) was made by Jasco Trading (Pty) Limited, a wholly-owned subsidiary of the company. Included in the cash outflow of R32 328 000 above is R1 500 000 which was paid to acquire the non-controlling interest in Jasco Security and Fire.

** Relates to 2018 acquisition and the contingent consideration that was paid in the 2019 financial year.*

25.4 DISPOSAL/ACQUISITION OF SUBSIDIARIES CONTINUED

Break-down of the 2020 disposal of subsidiaries

In 2020, the group decreased it's shareholdings in Jasco Distributors and Jasco Technical Services and increased its shareholding in Jasco Property Solutions.

	Jasco Distributors R'000	Jasco Technical Services R'000	Jasco Property Solutions R'000	Total R'000
Equity	(64)	–	(144)	(208)
Plant and equipment	86	8	–	94
Inventories	229	–	–	229
Accounts receivable	187	–	–	187
Amounts owing by subsidiaries on current account	150	–	–	150
Accounts payable	(191)	–	144	(47)
Amounts owing to subsidiaries on current account	(2)	–	–	(2)
Deferred taxation	4	–	–	4
Amounts owing to subsidiaries on loan account	(404)	–	–	(404)
Net cash and cash equivalents	74	–	–	74
Loss on disposal of subsidiary	(69)	(8)	–	(77)
Total purchase price	–	–	–	–
Excludes: net cash and cash equivalents	(74)	–	–	(74)
Cash flow on disposal, net of cash	(74)	–	–	(74)

Break-down of the 2019 acquisition of subsidiaries

In 2019, the group increased it's shareholdings in Jasco Security & Fire Solutions (Pty) Limited and NewTelco South Africa (Pty) Limited (NewTelco).

	MV Fire R'000	NewTelco R'000	Total R'000
Investment in subsidiary, at cost	(3 432)	(200)	(3 632)
Amount owing to group companies on loan accounts	432	200	632
	(3 000)	–	(3 000)
Exclude: deferred payment MV Fire Protection Services	1 500	–	1 500
Paid on behalf of by group companies (transaction with NCI)	1 500	–	1 500
	–	–	–

	Group 2020 R'000	Group 2019 R'000	Company 2020 R'000	Company 2019 R'000
25.5 LOAN TO ASSOCIATES				
Loan to Jasco East Africa	2 554	1 018	–	–
	2 554	1 018	–	–

	Group	
	2020 R'000	2019 R'000

26. Lease agreements

26.1 SHORT-TERM LEASES AND LOW-VALUE ASSETS

	2020 R'000	2019 R'000
Future minimum rentals for premises and office equipment under non-cancellable leases payable within:		
– one year	3 991	22 513
– after one year, within five years	11 094	102 527
– after five years	–	28 150
Total	15 085	153 190

** Prior year amount includes leases that were classified as operating leases under IAS 17*

Refer to note 34.3 regarding rent concession received as a result of impact of COVID-19 pandemic.

26.2 OPERATING LEASE INCOME

	2020 R'000	2019 R'000
Future minimum rentals under non-cancellable leases receivable within:		
– one year	26 747	28 022
– after one year, within five years	11 429	20 377
– after five years	635	2 212
Total	38 811	50 611

The operating lease income is derived from rental agreements with customers utilising the group's network of Hi-sites and rooftops under management.

	Group		Company	
	2020 R'000	2019 R'000	2020 R'000	2019 R'000

27. Banking facilities

	Group 2020 R'000	Group 2019 R'000	Company 2020 R'000	Company 2019 R'000
Bank overdrafts of the group, excluding FerroTech, Jasco Security and Fire, Reflex Solutions and RAMM Systems are cross-guaranteed by the group companies. The net overdrafts of subsidiaries as at 30 June 2020 amounted to R3,5 million (2019: R718 000). The details of the banking facilities are as follows:				
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	150 000	150 000	150 000
The following general banking facilities are held by ring-fenced subsidiaries				
– Absa Bank (Jasco Security & Fire)	2 000	2 000	–	–
– First National Bank (Reflex Solutions)	5 000	1 500	–	–
– Nedbank (RAMM Systems)	1 000	1 000	–	–

In May 2017 the group obtained a R150 million working capital medium-term loan from the Bank of China. Of the R150 million Bank of China loan the group has borrowed R145,7 million therefore the group has a undrawn facility with Bank of China of R4,3 million at 30 June 2020 (2019: R4,3 million) (refer to note 21).

28. Directors' and prescribed officers' emoluments

	Fees for services as a director R	Basic salary R	Sums paid by way of expense allowance R	Contributions under any other benefit scheme[$] R	Termination benefits R	Total short-term benefits R	Contributions to defined contribution funds R	Share-based payments R	Total R
2020									
Non-executive									
(paid by Jasco Electronics Holdings Limited)									
ATM Mokgokong	490 945	–	–	–	–	490 945	–	–	490 945
MJ Madungandaba	476 674	–	–	–	–	476 674	–	–	476 674
DH du Plessis	376 968	–	–	–	–	376 968	–	–	376 968
MS Bawa	369 970	–	–	–	–	369 970	–	–	369 970
T Zondi	293 723	–	–	–	–	293 723	–	–	293 723
P Radebe	379 455	–	–	–	–	379 455	–	–	379 455
AMF da Silva*[@]	–	–	–	1 290 000	–	1 290 000	–	–	1 290 000
	2 387 735	–	–	1 290 000	–	3 677 735	–	–	3 677 735
Executive									
(paid by Jasco Trading (Pty) Limited)									
M Janse van Vuuren[#]	–	2 685 045	54 450	304 133	1 689 375	4 733 003	331 030	27 621	5 091 655
WA Prinsloo[@]	–	2 729 162	54 450	488 174	–	3 271 787	46 295	112 016	3 430 097
T Petje[>]	–	1 514 773	56 550	244 549	481 531	2 297 402	274 943	25 453	2 597 799
AMF da Silva*[@]	–	70 000	–	–	–	70 000	–	–	70 000
Total directors	2 387 735	6 998 980	165 450	2 326 856	2 170 906	14 049 927	652 269	165 090	14 687 285

** AMF da Silva became the interim CEO from 1 June 2020*

[#] Resigned 31 May 2020

[>] Resigned 29 February 2020

[@] Remuneration received in terms of consultancy agreement. WA Prinsloo is on fixed term contract that expires on 31 March 2021 and AMF da Silva is appointed on a month-to-month basis, due to the interim nature of his appointment.

[$] Included in other benefits are contributions to funeral fund, UIF and SDL, leave pay-out, travel allowance and consultancy fees.

28. Directors' and prescribed officers' emoluments continued

	Fees for services as a director R	Basic salary R	Sums paid by way of expense allowance R	Contributions under any other benefit scheme R	Total short-term benefits R	Contributions to defined contribution funds R	Share-based payments R	Total R
2019								
Non-executive								
(paid by Jasco Electronics Holdings Limited)								
ATM Mokgokong	489 282	–	–	–	489 282	–	–	489 282
MJ Madungandaba	475 060	–	–	–	475 060	–	–	475 060
JC Farrant	182 375	–	–	–	182 375	–	–	182 375
DH du Plessis	193 317	–	–	–	193 317	–	–	193 317
MS Bawa	368 717	–	–	–	368 717	–	–	368 717
T Zondi	285 410	–	–	–	285 410	–	–	285 410
P Radebe	368 717	–	–	–	368 717	–	–	368 717
AMF da Silva	285 410	–	–	–	285 410	–	–	285 410
	2 648 288	–	–	–	2 648 288	–	–	2 648 288
Executive								
(paid by Jasco Trading (Pty) Limited)								
M Janse van Vuuren	–	2 680 334	12 600	216 593	2 909 527	437 364	76 274	3 423 165
WA Prinsloo	–	2 570 324	12 600	703 670	3 286 595	55 071	336 401	3 678 067
T Petje	–	1 620 166	12 600	137 810	1 770 576	295 888	39 001	2 105 465
S Samuels	–	1 389 021	12 600	62 841	1 464 462	165 881	–	1 630 343
Total directors	2 648 288	8 259 845	50 400	1 120 914	12 079 447	954 204	451 676	13 485 328

29. Borrowings

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

30. 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 6 for the company contributions made.

31. Related parties

The subsidiaries of the group are identified in note 3. The ultimate holding company is Jasco Electronics Holdings Limited.

All purchasing and selling transactions with related parties are concluded at arm's-length. The outstanding balances at year-end are unsecured, bear interest at 7,25% (2019: 10,5%) 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 88.

Amounts owing between subsidiaries are set out in note 12.

Directors' emoluments are disclosed in note 28 on pages 74 and 75.

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

	2020 R'000	2019 R'000
Administration fees received from subsidiaries		
Jasco Carrier Solutions	–	641
Jasco Trading	1 670	5 618
Jasco Networks	2 494	5 512
Datavoice	–	1 952
Jasco Power Solutions	–	123
Jasco Systems	914	1 225
	5 078	15 071
Administration fees paid to subsidiaries		
Jasco Trading	4 241	634
Finance income from amounts owing by subsidiaries received		
Jasco Share Incentive Trust	647	852
Jasco Trading	–	7 210
	647	8 062

A dividend of R3 396 600 was received from Reflex Solutions and dividend *in specie* was received from Jasco Systems (Pty) Limited (value of R25 million) and Jasco Networks (Pty) Limited (value of R25 million). No dividend was received in the 2019 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 6 and 30 for the required disclosures.

32. 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.

		Group			
		2020		2019	
	Note	Amortised cost R'000	Fair value through profit or loss R'000	Amortised cost R'000	Fair value through profit or loss R'000
Non-current financial assets					
Other non-current assets	14	5 036	–	8 390	–
Other non-current contract assets	4	1 664	–	–	–
Current financial assets					
Trade and other receivables – financial instruments	16	141 432	–	160 610	–
Foreign currency contracts	16	–	57	–	–
Cash and cash equivalents	17	21 326	–	65 487	–
Short-term portion of other non-current assets	14	3 197	–	2 677	–
Contract assets	4	11 927	–	6 685	–
Non-current financial liabilities					
Interest-bearing liabilities	21	6 218	–	7 083	–
Current financial liabilities					
Trade and other payables – financial instruments	22	117 290	–	150 532	–
Foreign currency contracts	22	–	69	–	1 061
Short-term borrowings	21	198 629	–	200 554	–

		Company			
		2020		2019	
	Note	Amortised cost R'000	Fair value through profit or loss R'000	Amortised cost R'000	Fair value through profit or loss R'000
Current financial assets					
Trade and other receivables – financial instruments	16	73	–	10 049	–
Cash and cash equivalents	17	97	–	181	–
Current financial liabilities					
Trade and other payables – financial instruments	22	2 411	–	11 620	–
Short-term borrowings	21	190 925	–	191 433	–

32. Financial instruments continued

32.1 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 optimises the management of its capital through a centralised treasury structure. This structure is managed under the supervision of the group chief financial officer. Key responsibilities of the group treasury includes:

- Centralised cash management
- Group funding requirements

Funding to subsidiaries is provided through loans. Loans between group companies are considered to be part of the capital structure.

Though not formally documented, the group has a target debt-to-equity ratio of 1:1 respectively. The group currently has a debt-to-equity ration of 3:1 respectively (adjusted for lease liabilities). The group will use the proceeds from planned sale of Reflex Solutions (Pty) Limited to reduce its debt exposure (refer to note 34.1). This is in line with plans of moving towards the target debt-to-equity ratio.

Jasco Electronics Holdings Limited's share capital consists of 229 million ordinary shares (note 18). The group makes use of the Jasco employee share trust to purchase its shares in the market. These shares are disclosed as treasury shares (note 19).

The group's net debt may be calculated as follows:

	2020 R'000	2019 R'000
Interest-bearing liabilities	6 218	7 083
Short-term borrowings	203 020	202 053
Cash and cash equivalent	(21 326)	(65 487)
Net debt as at end of year	**187 912**	143 649

The group has specific financial covenants in place with various financial institutions. Financial covenants on the corporate bond and the Bank of China loan were breached at 30 June 2020 and the related borrowings was classified as a current liability.

Subsequent to year end, management have obtained an extension for the loan from the Bank of China. The new repayment date is 27 December 2021. The corporate bond is expected to be settled on 31 January 2021 from the proceeds of the disposal of Reflex Solutions. Refer to note 21.

There were no changes in the group's approach to capital management during the year.

32. Financial instruments continued

32.2 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, has been calculated by discounting the expected future cash flows at prevailing interest rates. The fair value of foreign currency 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 incorporates 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 2020 and 2019, 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.

	2020 R'000	2019 R'000
Foreign currency contracts asset	57	–
Foreign currency contracts liability	69	1 061

32.3 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, Australian Dollar and Euro.

The group entities hedge trade payables and trade receivables, denominated in foreign currencies, by entering into foreign currency contracts. It is the group's policy not to enter into foreign currency contracts until a firm commitment is in place. The forward currency 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 IFRS 9.

32. Financial instruments continued

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

	Group			
	Foreign amount 2020 '000	Foreign amount 2019 '000	Rand amount 2020 R'000	Rand amount 2019 R'000
Trade and other receivables			**6 617**	9 011
Foreign currency:				
– Pound Sterling	**24**	–	**508**	–
– US Dollar	**352**	640	**6 109**	8 988
– Euro	**–**	1	**–**	23
Trade and other payables			**20 088**	38 115
Foreign currency:				
– Pound Sterling	**32**	26	**690**	468
– US Dollar	**610**	1 828	**10 585**	25 762
– Euro	**450**	741	**8 760**	11 880
– Australian Dollar	**4**	1	**53**	5

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:

		Group		Company	
	Increase/(decrease) in basis points	2020 R'000	2019 R'000	2020 R'000	2019 R'000
– Pound Sterling	+1c	**(1)**	(5)	**–**	–
	–1c	**1**	5	**–**	–
– US Dollar	+1c	**140**	(346)	**–**	–
	–1c	**(140)**	346	**–**	–
– Euro	+1c	**(20)**	(161)	**–**	–
	–1c	**20**	161	**–**	–
– AUD	+1c	**–**	(2)	**–**	–
	–1c	**–**	2	**–**	–

To account for the impact of COVID-19 in 2020, the analysis considered a change of 1 cent per currency (2019: 10 cents).

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:

	2020 Average rate	2020 Closing rate	2019 Average rate	2019 Closing rate
– Kenyan Shilling	**0,1481**	**0,1610**	0,1359	0,1352
– United Arab Emirates Dirham	**4,2293**	**4,7217**	3,8240	3,7370

32. Financial instruments continued

32.4 INTEREST RATE RISK

The group's exposure to market risk for changes in interest rates relates to the group's debt.

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

Financial covenants on the corporate bond and Bank of China loan were breached at 30 June 2020 and the related borrowings were classified as current liabilities and included within one year in the tables below. Subsequent to year-end, management has obtained an extension on the Bank of China loan. The new repayment dates is 27 December 2021. Refer to note 21.

The 2 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
2020					
Variable rate					
Corporate bond	(45 250)	(45 250)	–	–	–
Interest-bearing liabilities	(160 456)	(154 238)	(5 176)	(1 034)	(8)
Lease liabilities	(137 151)	(16 850)	(20 411)	(20 643)	(79 247)
Other loans	8 319	3 258	5 061	–	–
Net cash and cash equivalents	17 794	17 794	–	–	–
	(316 744)	(195 286)	(20 526)	(21 677)	(79 255)
2019					
Variable rate					
Corporate bond	(45 783)	(45 783)	–	–	–
Interest-bearing liabilities	(162 634)	(155 552)	(7 082)	–	–
Other loans	11 140	2 723	3 184	3 660	1 573
Net cash and cash equivalents	65 487	65 487	–	–	–
	(131 790)	(133 125)	(3 898)	3 660	1 573

32. Financial instruments continued

	Company	
	Total R'000	Within one year R'000
2020		
Variable rate		
Amounts owing by subsidiaries	90 747	90 747
Loan to Jasco Employee Share Incentive Trust	10 656	10 656
Cash and cash equivalents	97	97
Term loan	(145 675)	(145 675)
Corporate bond	(45 250)	(45 250)
	(89 425)	(89 425)
2019		
Variable rate		
Amounts owing by subsidiaries	69 392	69 392
Loan to Jasco Employee Share Incentive Trust	9 961	9 961
Cash and cash equivalents	181	181
Term loan	(145 650)	(145 650)
Corporate bond	(45 783)	(45 783)
	(111 899)	(111 899)

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:

		Group		Company	
	Increase/(decrease) in basis points	2020 R'000	2019 R'000	2020 R'000	2019 R'000
Profit before tax	+5%	(15 837)	(664)	(447)	(295)
	-5%	15 837	664	447	295

To account for the impact of COVID-19 in 2020, the analysis considered a change of 5% in the interest rate (2019: 0.5%)

32. Financial instruments continued

32.5 LIQUIDITY MANAGEMENT

The group is exposed to liquidity risk as a result of in 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. Financial covenants on the corporate bond and Bank of China loan were breached at 30 June 2020 and the related borrowings were classified as current liabilities and included in on demand in the tables below. Subsequent to year-end, management has obtained an extensions on the Bank of China loan. The repayment dates are 31 January 2021 for corporate bond and 27 December 2021 for Bank of China loan. Refer to note 21.

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.

The table below summarises the maturity profile of the group's financial instruments at year-end:

Group

	Net balance R'000	Future interest R'000	Total cash flow R'000	On demand R'000	Less than three months R'000	Three to 12 months R'000	12 to 24 months R'000	Thereafter R'000
2020								
Finance lease receivable	86	(10)	96	–	18	53	25	–
Trade and other receivables	141 431	–	141 431	43 187	87 857	10 387	–	–
Loans receivable	8 319	(1 213)	9 532	1 028	3 086	5 418	–	–
Net cash and cash equivalents	17 794	–	17 794	15 901	1 893	–	–	–
Interest-bearing loans and borrowings	(159 597)	9 915	(169 512)	(154 245)	(2 086)	(5 752)	(7 422)	(7)
Lease liabilities	(137 151)	49 385	(186 536)	–	(12 757)	(24 705)	(100 452)	(48 622)
Corporate bond	(45 250)	2 413	(47 663)	(47 663)	–	–	–	–
Trade and other payables	(117 290)	–	(117 290)	–	(116 837)	(453)	–	–
Derivative financial instruments	(12)	–	(12)	–	(12)	–	–	–
	(291 670)	60 490	(352 160)	(141 792)	(38 838)	(15 052)	(107 849)	(48 629)

	Net balance R'000	Future interest R'000	Total cash flow R'000	On demand R'000	Less than three months R'000	Three to 12 months R'000	12 to 24 months R'000	Thereafter R'000
2019								
Finance lease receivable	140	(26)	166	–	18	53	95	–
Trade and other receivables	160 610	–	160 610	35 057	121 993	3 560	–	–
Loans receivable	11 067	(3 024)	14 091	–	769	1 908	11 414	–
Net cash and cash equivalents	65 487	–	65 487	53 887	11 600	–	–	–
Interest-bearing loans and borrowings	(161 854)	25 760	(187 614)	(145 650)	(6 268)	(18 485)	(17 211)	–
Corporate bond	(45 783)	7 458	(53 241)	(45 783)	–	(5 100)	(2 358)	–
Trade and other payables	(150 532)	–	(150 532)	–	(149 032)	(1 500)	–	–
Derivative financial instruments	(1 061)	–	(1 061)	–	(1 061)	–	–	–
	(121 926)	30 168	(152 094)	(102 489)	(21 981)	(19 564)	(8 060)	–

32. Financial instruments continued

	Company						
	Net balance R'000	Future interest R'000	Total cash flow R'000	On demand R'000	Less than three months R'000	Three to 12 months R'000	Thereafter R'000
2020							
Loan to Jasco Employee Share Incentive Trust	10 656	(506)	11 162	–	–	11 162	–
Amounts owing by subsidiaries	142 262	–	142 262	–	–	142 262	–
Net cash and cash equivalents	97	–	97	97	–	–	–
Corporate bond	(45 250)	2 413	(47 663)	(47 663)	–	–	–
Interest-bearing loans and borrowings	(145 675)	8 570	(154 245)	(154 245)	–	–	–
Trade and other payables	(2 411)	–	(2 411)	–	(1 958)	(453)	–
	(40 321)	10 477	(50 798)	(201 811)	(1 958)	152 971	–
2019							
Loan to Jasco Employee Share Incentive Trust	9 961	(747)	10 708	–	–	–	10 708
Amounts owing by subsidiaries	69 392	–	69 392	–	–	69 392	–
Net cash and cash equivalents	181	–	181	181	–	–	–
Corporate bond	(45 783)	7 458	(53 241)	(45 783)	–	(5 100)	(2 358)
Interest-bearing loans and borrowings	(145 650)	23 357	(169 007)	(145 650)	(3 821)	(11 267)	(8 269)
Trade and other payables	(11 620)	–	(11 620)	–	(10 120)	(1 500)	–
	(123 519)	30 068	(153 587)	(191 252)	(13 941)	51 525	81

33. Changes in accounting policies

Changes in accounting policies

The group has adopted the following new accounting pronouncements as issued by the International Accounting Standards Board (IASB), which were effective for the group from 1 July 2019:

IFRS 16 LEASES

Adoption of IFRS 16

IFRS 16 was issued in January 2016. It resulted in almost all leases being recognised on the statement of financial position by lessees, as the distinction between operating and finance leases is removed. Under the new standard, an asset (the right to use the leased item) and a lease liability to pay rentals are recognised. Exemptions are available for short-term and low value leases. Lessors continue to classify leases as operating or finance, with IFRS 16's approach to lessor accounting substantially unchanged from its predecessor, IAS 17 Leases.

At the date of initial application, the group elected to use the practical expedient provided by IFRS 16, which allows the group to apply IFRS 16 to only those contracts that were previously identified as leases under IAS 17 and IFRIC 4.

The group's leases include buildings, rooftops, office equipment and motor vehicles. The terms on the lease agreements are generally fixed, with a renewal period as an option.

Lease rentals associated with short-term leases and leases of low-value assets are recognised on a straight-line basis as an expense in profit or loss. Therefore there is no change from the prior year accounting treatment. Short-term leases have a lease term of 12 months or less and low-value assets comprise of leases with a value below R100 000.

The group adopted IFRS 16 from 1 July 2019 using the modified retrospective transition method and has therefore not restated the comparatives for 2020 financial year, as permitted under specific transitional provisions in the standard. The cumulative effect of adopting IFRS 16 will be recognised as an adjustment to the opening balance of retained earnings at 1 July 2019, with no restatement of comparative information.

Leases that were previously classified as finance leases, the group recognised the carrying amount of the lease asset and lease liability as the carrying amount of the right of use asset and the lease liability at the date of initial application of the standard.

The group applied the following practical expedients as permitted by the standard:

- not reassess the lease definition; and
- apply a single discount rate to a portfolio of leases with reasonably similar characteristics.

The group determines the lessee's incremental borrowing rate as rate determined in accordance with prime rate as at the date of recognising the lease.

Lease liabilities are measured as the present value of the future minimum lease payments discounted at an appropriate rate. Right of use assets were measured at a carrying amount as if the standard had been applied since the commencement date, but discounted using the lessee's incremental borrowing rate at the date of initial application.

The right of use assets are depreciated over the shorter of the assets useful lives and the lease terms.

After adoption of IFRS 16, the group recognised a depreciation expense on the right of use assets and interest expense accruing on the lease liabilities.

Lease and non-lease components

For leases that include both lease and non-lease components, the group has not elected the practical expedient to account for non-lease components as part of its lease liabilities and right of use assets. Therefore, non-lease components are accounted for as operating expenses and are recognised in profit or loss as they are incurred.

Renewal and termination options

The group applies judgement in assessing whether extension or termination options will be exercised and these options are only included in the lease term if the lease is reasonably certain to be extended or not terminated.

33. Changes in accounting policies continued

(i) Measurement of right of use assets

The associated right of use assets for property leases were measured on a retrospective basis as if the new rules had always been applied. Other right of use assets were measured at the amount equal to the lease liability, adjusted by the amount of any prepaid or accrued lease payments relating to that lease recognised in the balance sheet as at 30 June 2019.

(ii) Measurement of lease liabilities

During the current year, on adoption of IFRS 16, it was noted that certain other commitments were incorrectly accounted for as part of lease commitments and some were not included in the disclosure in the prior year. The disclosure of operating lease commitments was therefore restated as at 30 June 2019 as follows:

	R'000
Operating lease commitment	
As previously reported	153 190
Contracts incorrectly included in operating lease commitments	(475)
Contracts incorrectly excluded from operating lease commitments	12 290
Restated lease commitment	165 005
Restated operating lease commitments as at 30 June 2019	165 005
(Less): short-term leases not recognised as a liability	(11 712)
(Less): low-value leases not recognised as a liability	(120)
Impact of discounting*	(47 082)
Discounted lease liabilities at 1 July 2019	106 091
Add: finance lease liabilities recognised as at 30 June 2019	792
Total lease liabilities as at 1 July 2019	106 883

** Discounted at company incremental borrowing rate. The incremental borrowing rate as at 1 July 2019 was between 10% and 10.25%.*

The change in accounting policy affected the following items in the balance sheet on 1 July 2019:	
Increase in right of use assets	
Buildings and property	79 801
Motor vehicle	190
Furniture, fixtures and office equipment	665
Decrease plant and equipment	(665)
Increase in deferred tax asset	4 321
Decrease in deferred lease payments	10 668
Decrease in interest-bearing loans	792
Increase in lease liabilities	(106 883)
Decrease in non-controlling interest	1 790
The net impact on retained earnings on 1 July 2019 was a decrease of	9 321

Impact for the period

In applying IFRS 16, the group recognised depreciation of R19 million and a finance cost of R13 million from these leases.

Cash from operating activities includes interest paid of R13 million and cash flow from financing activities includes lease liability payment of R14 million. The cash flows were previously recognised as part of net cash generated by operations as rental payments.

Earnings loss per share and diluted earnings loss per share increased by 2 cents per share for the year ended 30 June 2020 as a result of adoption of IFRS 16.

34. Events after the reporting period

34.1 DISPOSAL OF REFLEX

The disposal of Reflex Solutions for R76,0 million (*cum dividend*) is in process and subject to the JSE regulatory approvals process as a Category 1 transaction and is expected to conclude in January 2021 following the general meeting of shareholders. The decision to dispose of Reflex Solutions was made post 30 June 2020 and communicated by SENS announcements dated 21 September and 5 October 2020, therefore the transaction is a non-adjusting event. Refer to directors report on page 13 for details on the agreements.

Rationale for the disposal

Jasco's immediate focus is on completing the organisational restructure which commenced in the 2019 financial year and the reduction of debt. The Reflex Solutions business, however, requires significant investment in the short term as previously indicated, and Jasco is not currently in a position to provide the additional funding that is necessary. Accordingly, the board has decided to sell the entire shareholding in Reflex Solutions rather than to allow further dilution of Jasco's investment in the company.

34.2 CORPORATE BOND AND WORKING CAPITAL FACILITY

The corporate bond will be fully settled utilising the expected proceeds from the Reflex Solutions disposal by early 2021. The repayment date of the working capital loan from the Bank of China was extended subsequent to year-end to 27 December 2021.

34.3 IMPACT OF COVID-19

The financial impact of the lockdown in the fourth quarter of the financial year was particularly severe and the drop in revenue is conservatively estimated at R163 million. Consequently, the earnings impact was also severe due to the related drop in gross margins, additional one-off operational costs arising from the further restructure of the organisation, one-off impairments of goodwill (note 11), intangible assets (note 11) and loan receivables (note 12 and 14) and reversals of deferred taxation assets (note 7) recognised in prior financial years. Refer to the 2020 Integrated Annual Report for additional information at an operational level.

The group also received rental deferrals and discounts during the period of April to June 2020 on some of the property leases. The lease liability was reduced by the full rental charge and for the deferrals, a liability, was raised and is included in sundry creditors in trade and other payables (refer note 22). The total amount owing by the group as at 30 June 2020 relating to the deferrals was R1,1 million. Due to the fact that the amount is payable within six months after year-end, It was concluded that the discounting of the amount would be immaterial.

A discount of R75 861 was received relating to one of the short-term operating leases, and this amount has been netted off the rental expense. The group elected to apply the practical expedient per the IFRS 16 amendment.

35. Going concern

We draw attention to the fact that on 30 June 2020, the group and company had accumulated losses of R257 155 000 (2019: R139 174 000) and R276 474 000 (2019: R281 239 000) respectively, with the group making a loss of R110 863 000 (2019: R29 137 000) and the company a profit of R4 765 000 (2019: loss of R16 296 000). The group and company's current liabilities exceed its current assets by R145 908 000 (2019: R63 947 000) and R109 916 000 (2019: R127 162 000) respectively as the group breached its debt covenants causing the loans to be recorded as current liabilities instead of non-current. These events and conditions indicate that a material uncertainty exists that may cast doubt on the groups ability to continue as a going concern.

Subsequent to year-end, the Bank of China loan was extended to a 100% lump sum repayment on 31 December 2021. The directors believe there is sufficient financing available to continue the business of the group, accordingly, these financial statements have been prepared on a going-concern basis.

36. Contingent liabilities

The investigation by the Competition Commission into Jasco Security and Fire Solutions (Pty) Limited (formerly MV Fire Protection Services (Pty) Limited), several other fire installation companies, and the Automatic Sprinkle Inspection Bureau (ASIB) is ongoing. The period under investigation dates back to before Jasco's ownership of the company. The investigation has focused on the Commission's view that installation companies should compete with ASIB in the provision of inspection and accreditation services. Jasco maintains it has not contravened the Competition law and will continue to defend the matter. The former owner (Mr Anthony Balanco) has been cooperating with Jasco's attorneys in defending the matter. The maximum potential penalty is 10% of the revenue in the year that the Commission commenced the investigation. This is estimated at R3,5 million.

Introduction

For management purposes, the group is organised into business units based on their products and services. The group's executive committee, which is the group's chief operating decision-makers (CODM), 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 five main business segments, namely ICT-Enterprise, ICT-Carriers, Electrical Manufacturers, Security & Fire and Power & Renewables. ICT-Enterprise and ICT-Carriers form part of ICT segment, however, the CODM looks at them seperately.

	Income and expenses									Financial position		
	Revenue											
	Revenue R'000	Inter-segment R'000	Segmental revenue R'000	Net forex profit/(loss) and other income* R'000	Administrative and other expenses# R'000	Depreciation and amortisation R'000	Operating profit/(loss)† R'000	Finance income R'000	Finance costs R'000	Assets R'000	Liabilities R'000	Capital expenditure R'000
2020												
ICT – Enterprise	526 314	(7 992)	518 322	11 760	(167 327)	(25 788)	8 356	3 150	(1 908)	190 178	147 517	22 722
ICT – Carriers	177 905	(19)	177 886	596	(57 262)	(3 777)	(2 612)	107	(754)	86 755	29 148	309
Electrical Manufacturers	181 677	–	181 677	(433)	(30 811)	(10 452)	5 132	56	(2 865)	111 510	54 944	1 344
Security and Fire	62 543	–	62 543	38	(21 966)	(312)	(3 895)	–	(121)	21 796	10 030	68
Power and Renewables	7 824	(164)	7 660	64	(7 907)	(331)	(8 052)	1	(2)	2 030	1 513	59
Sub-total operating division	956 263	(8 175)	948 088	12 025	(285 273)	(40 660)	(1 071)	3 314	(5 650)	412 269	243 152	24 502
Other non-operating divisions	–	–	–	40 197	(78 776)	(10 994)	(49 573)	721	(26 852)	163 927	258 825	941
Adjustments@	(17 050)	8 175	(8 875)	(39 896)	38 947	(10 279)	(9 688)	(309)	(3 577)	60 289	74 882	(501)
Total	939 213	–	939 213	12 326	(325 102)	(61 933)	(60 332)	3 726	(36 079)	636 485	576 859	24 942
2019												
ICT – Enterprise	544 271	(9 126)	535 145	13 480	(196 785)	(18 222)	54 738	2 727	(1 195)	177 467	94 746	27 306
ICT – Carriers	342 747	–	342 747	883	(76 077)	(1 389)	43 022	210	(89)	112 877	30 294	1 793
Electrical Manufacturers	196 641	–	196 641	(692)	(33 250)	(5 370)	9 575	84	(513)	100 111	23 261	3 630
Security and Fire	76 826	(11 064)	65 762	1 854	(24 285)	(377)	(9 530)	29	(503)	32 478	17 795	542
Power and Renewables	9 892	(259)	9 633	365	(7 247)	(242)	(4 466)	1	(6)	3 781	350	–
Sub-total operating division	1 170 377	(20 449)	1 149 928	15 890	(337 644)	(25 600)	93 339	3 051	(2 306)	426 714	166 446	33 271
Other non-operating divisions	610	–	610	68 637	(142 135)	(6 739)	(95 804)	1 913	(31 917)	179 349	238 772	4 590
Adjustments@	(33 632)	20 449	(13 183)	(78 578)	119 622	(6 168)	13 814	(405)	8 469	51 963	76 272	(608)
Total	1 137 355	–	1 137 355	5 949	(360 157)	(38 507)	11 349	4 559	(25 754)	658 026	481 490	37 253

Segmental revenue reflects both sales to external parties and inter-group transactions across segments.

† *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 operating expenses excluding foreign exchange losses and depreciation and amortisation.*
@ *Relates to elimination of inter-group transactions.*

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

ICT – Enterprise

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

ICT – 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.

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.

Security & Fire

The Security & Fire Solutions business delivers CCTV and surveillance, alarm and perimeter monitoring, fire detection and fire suppression solutions to corporates throughout southern Africa.

Power & Renewables

The Power & Renewables business delivers energy solutions to corporates in the southern African region.

For more information on products and services of each operating segment, please refer to the page 40.

ORDINARY SHARE PERFORMANCE

AND SHAREHOLDING FOR THE YEAR ENDED 30 JUNE 2020

STATISTICAL HIGHLIGHTS FOR THE SIX YEARS ENDED 30 JUNE

		2020	2019	2018	2017	2016	2015
Jasco share price							
Lowest share price	(cents)	**8**	22	40	70	38	47
Highest share price	(cents)	**49**	75	90	120	87	125
Closing share price	(cents)	**18**	23	65	82	84	56
Analysis of Jasco share transactions							
Total number of transactions recorded on JSE		**520**	382	1 311	1 472	1 241	1 717
Total number of shares traded	(R'000)	**10 203**	4 006	9 842	16 935	23 220	15 696
Total number of shares traded as a percentage of weighted average issued shares	(%)	**4,5**	2,0	4,3	7,5	10,8	5,5
Total value of shares traded	(R'000)	**2 303**	1 549	5 929	16 152	14 018	12 035

ANALYSIS OF JASCO SHAREHOLDING AT 30 JUNE 2020

	Number of shareholders	Percentage of total	Number of shares	Percentage of total
Size of shareholding				
1 – 1 000	1 553	55,74	459 428	0,20
1 001 – 5 000	565	20,28	1 476 317	0,64
5 001 – 10 000	210	7,54	1 669 802	0,73
10 001 – 100 000	361	12,96	12 199 411	5,32
100 001 and over	97	3,48	213 514 233	93,11
	2 786	100,00	229 319 191	100,00
Analysis of shareholders				
Class				
– individuals	2 544	91,31	46 963 584	20,48
– financial institutions and corporate bodies	242	8,69	182 355 607	79,52
	2 786	100,00	229 319 191	100,00
Major shareholders (5% or more of shares in issue)				
– Community Investment Holdings (Pty) Limited (CIH)*			74 564 384	32,52
– Goldsol II (Pty) Limited			49 995 754	21,80
– TMM Holdings (Pty) Limited			24 185 620	10,55
Analysis of Jasco shareholder's spread at 30 June 2020				
Non-public				
– BEE partners	7	0,25	132 630 986	57,84
– Jasco directors†	2	0,07	1 095 500	0,48
– Jasco Employee Share Incentive Trust	1	0,04	7 522 358	3,28
	10	0,36	141 248 844	61,60
Public	2 776	99,64	88 070 347	38,41
	2 786	100,00	229 319 191	100,01

† *Refer to the directors' report on page 13 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) Limited, Parmtro Investments No 76 (Pty) Limited and Golden Pond Trading 175 (Pty) Limited.*

CORPORATE INFORMATION

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WA Prinsloo (acting)

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SPONSOR

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Sandton, 2196

TRANSFER SECRETARIES

Link Market Services South Africa (Pty) Limited
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The Standard Bank of South Africa Limited
Corporate and Investment Banking
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Johannesburg, 2001

First National Bank of Southern Africa Limited
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Johannesburg, 2001

SHAREHOLDERS' DIARY

Annual general meeting	19 January 2021
Reports	
Interim for half-year to 31 December 2019	Published 30 March 2020
Audited results for the year to 30 June 2020	Published 14 December 2020

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