JASCO

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CONSOLIDATED ANNUAL FINANCIAL STATEMENTS 2014

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CONSOLIDATED ANNUAL FINANCIAL STATEMENTS

DIRECTORS' RESPONSIBILITY FOR FINANCIAL REPORTING

TO THE SHAREHOLDERS OF JASCO ELECTRONICS HOLDINGS LIMITED

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

The audited summarised consolidated preliminary results have been prepared in accordance with International Financial Reporting Standards ("IFRS"), IAS 34 Interim Financial Reporting Standards, the SAICA Financial Reporting Guides as issued by the Accounting Practices Committee, the Financial Reporting Pronouncements as issued by the Financial Reporting Standards Council, the South African Companies Act, No 71 of 2008, as amended and the Listings Requirements of the JSE Limited. The accounting policies and methods of computation used in the preparation of this report are consistent with those of the previous year. These summarised consolidated financial statements, which were derived from the underlying audited consolidated financial statements for the year ended 30 June 2014, have not been audited. The directors take full responsibility for the preparation of the abridged report and the financial information has been correctly extracted from the underlying audited financial statements. The auditors, Ernst & Young Inc, have audited the consolidated annual financial statements for the year ended 30 June 2014 from which this summarised report has been derived and on which an unmodified opinion was expressed. These are available at Jasco's registered office.

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 annual financial statements. However, any system of internal financial control can provide only reasonable, and not absolute, assurance against material misstatement or loss.

The external auditors are responsible for auditing and reporting on the consolidated annual financial statements. The consolidated annual financial statements have been examined by the group's external auditors and their report is presented on page 2.

The consolidated annual financial statements set out on pages 3 to 54, 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
Chief executive officer

WA Prinsloo
Chief financial officer

Midrand
16 September 2014

REPORT OF THE INDEPENDENT AUDITORS

TO THE SHAREHOLDERS OF JASCO ELECTRONICS HOLDINGS LIMITED

Report on the financial statements

We have audited the consolidated annual financial statements of Jasco Electronics Holdings Limited set out on pages 9 to 54, which comprise the consolidated statement of financial position as at 30 June 2014, and the consolidated statement of comprehensive income, consolidated statement of changes in equity and statement of cash flows for the year then ended, and the notes, comprising a summary of significant accounting policies and other explanatory information.

DIRECTORS' RESPONSIBILITY FOR THE FINANCIAL STATEMENTS

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

Auditor's responsibility

Our responsibility is to express an opinion on these consolidated financial statements based on our audit. We conducted our audit in accordance with International Standards on Auditing. Those standards require that we comply with ethical requirements and plan and perform the audit to obtain reasonable assurance whether the consolidated financial statements are free from material misstatement.

An audit involves performing procedures to obtain audit evidence about the amounts and disclosures in the consolidated financial statements. The procedures selected depend on the auditor's judgement, including the assessment of the risks of material misstatement of the consolidated financial statements, whether due to fraud or error. In making those risk assessments, the auditor considers internal control relevant to the group's preparation and fair presentation of the consolidated financial statements 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. An audit also includes evaluating the appropriateness of accounting policies used and the reasonableness of accounting estimates made by management, as well as evaluating the overall presentation of the consolidated financial statements.

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

Opinion

In our opinion, the consolidated financial statements present fairly, in all material respects, the financial position of Jasco Electronics Holdings Limited and its subsidiaries as at 30 June 2014, and their financial performance and cash flows for the year then ended in accordance with International Financial Reporting Standards and the requirements of the Companies Act of South Africa.

Other reports required by the Companies Act

As part of our audit of the consolidated financial statements for the year ended 30 June 2014, we have read the directors' report, the audit and risk committee's report and the company secretary's certification for the purpose of identifying whether there are material inconsistencies between these reports and the audited consolidated financial statements. These reports are the responsibility of the respective preparers. Based on reading these reports we have not identified material inconsistencies between these reports and the audited consolidated financial statements. However, we have not audited these reports and accordingly do not express an opinion on these reports.

Ernst & Young Inc.

Ernst & Young Inc.
Director, AJ Carshagen
Registered Auditor (RA)
Chartered Accountant (SA)

Sandton
Johannesburg
16 September 2014

COMPANY SECRETARY'S CERTIFICATION

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

S Lutchan
Group company secretary

Midrand
16 September 2014

AUDIT AND RISK COMMITTEE REPORT

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 2014 in accordance with section 94 (7) (f) of the South African Companies Act of 2008.

Introduction

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

Composition, meeting and assessments

The committee consists of three independent non-executive directors who meet at least four times per year as per the committee's mandate and charter. Biographical details of the committee members are provided below and the fees paid to the committee members are outlined on page 47.

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

During the year under review, four meetings were held:

Name of member	10 September 2013	26 November 2013	4 February 2014	3 June 2014
Mr John Cyril Farrant (Chairman)	Present	Present	Present	Present
Mr Haroon Moolla	Present	Present	Present	Present
Ms Morongwe Malebye	Present	Present	Present	Present

Audit and risk committee mandate

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

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

The committee's charter prescribe that the effectiveness of the committee, its chairman and individual members are annually assessed and evaluated by the board chairman. No significant issues that require improvement were highlighted during the most recent evaluation conducted in 2014. The committee is satisfied that it has fulfilled all its statutory duties and duties assigned to it by the board during the financial year under review, as further detailed below.

The committee performed the following activities:

- Received and reviewed reports from both internal and external auditors concerning the effectiveness of the internal control environment, systems and processes;
- Considered the effectiveness of internal audit; the approval of the one year operational internal audit work plan and monitored adherence of internal audit to its annual plan;
- Reviewed the reports of both internal and external auditors detailing their findings arising out of their audits and requested appropriate responses from management;
- Made appropriate recommendations to the board of directors regarding the corrective actions to be taken as a consequence of audit findings;
- Reviewed the risk and opportunities register and categorised the level of each risk, probability and the monetary value and made appropriate recommendations to the board regarding the corrective actions needed;
- Reviewed the report prepared by internal audit regarding the risk management process in the company and the level of adoption of the group policies and procedures within each operating division;
- Nominated for appointment EY and Mr Allister Carshagen as auditors of the company and the group for the current financial year and Ms Cindy Cronning for the next financial year;
- The committee considered the proposed external audit fees for each division and approved the group audit fees in consultation with group management. The committee is responsible for determining the nature and extent of any non-audit services that the external auditors may provide to the group and pre-approve any proposed contract with the external auditors for the provision of non-audit services to the group;
- Considered the independence and objectivity of the external auditors and ensured that the scope of their additional services provided was not such that they could be seen to have impaired their independence.

AUDIT AND RISK COMMITTEE REPORT

(continued)

The committee is satisfied that the external auditors are independent of the group and are thereby able to conduct their audit functions without any influence from the group;

- The committee is responsible for reviewing any major breach of relevant legal and regulatory requirements. The committee is satisfied that there has been no material non-compliance with laws and regulations;
- The committee has satisfied itself that the group chief financial officer, Mr WA Prinsloo, has the appropriate expertise and experience to act in his capacity;
- The committee is responsible for considering and making recommendations to the board relating to the group's Integrated Annual Report, the financial statements and any other reports (with reference to the financial affairs of the group) for external distribution or publication, including those required by any regulatory or statutory authority. The Integrated Annual Report of the company for the period under review has been approved by the board upon the recommendation of the committee.

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

JC Farrant
Audit and risk committee chairman

Midrand
16 September 2014

REPORT OF THE DIRECTORS

FOR THE FINANCIAL YEAR ENDED 30 JUNE 2014

The directors have pleasure in submitting their report on the activities of the group for the year ended 30 June 2014.

NATURE OF BUSINESS

The trading activities of the group companies are divided into two main business segments, namely Information and Communications Technology (ICT) Solutions and Energy and Industry Solutions. ICT Solutions is presented in three verticals – Carrier, Enterprise and Networks – and contain the telecommunications and information technology businesses of the group, with Industry Solutions containing the Security and Power Solutions business and Energy Solutions consisting of Jasco's Electrical Manufacturers business. At year-end the group's business segments were restructured into four main business segments, namely Carrier, Enterprise and Intelligent Technologies and Electrical Manufacturers.

FINANCIAL RESULTS

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

GOING CONCERN

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

The board has considered all operational and financial related activity and forecasts for the ensuing 12 months from the approval of these annual financial statements. This consideration included the status of the disposal of the investment in M-TEC, currently treated as a non-current asset held-for-sale. At the year-end, a non-binding heads of agreement was entered into for the disposal of the investment in M-TEC, the proceeds of which will be used for the extinguishment of the preference shares which falls due for repayment to the holder at 31 December 2014, should a transaction be concluded. It is the board's view that a sale transaction will be concluded in this regard.

At November 2013, Jasco also completed a Domestic Medium Term Note Programme for R750 million which was approved by the JSE, which has yet to be drawn down against and will be used to the extent required to settle the preference shares obligation in full or in part.

PROPERTY, PLANT AND EQUIPMENT

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

CORPORATE ACTIONS

Jasco disposed of its subsidiary, LeBLANC Jasco (Pty) Limited (Lighting Structures), with effect 1 December 2012, to its outside shareholder, LeBLANC Communications (Pty) Limited for R2,1 million resulting in a loss on exit of R4 757 800.

With effect from 4 February 2013, the board has decided to dispose of its investment in M-TEC due to the continuing underperformance of the business and the tough trading conditions in this sector over the last 12 months. Accordingly, the asset has been classified as held-for-sale and the equity accounting of the investment was suspended. Refer to note 10.1 for further information.

During 2013, management approved the disposal of the group's investment in WebbLeBLANC Communications (Pty) Limited (Telecommunications Structures) and classified the investment as held-for-sale with effect from 1 June 2013. The goodwill relating to the investment (R24 177 547) was impaired. Management raised a loss on the disposal group of R9 768 883 at the 2013 year-end. The subsidiary was sold with an effective date of 1 July 2013. Refer to note 13.1 for further information.

With effect from 1 February 2014, the group acquired the Baseline NGN business for R1 716 855. NGN operates in the data, telecommunications, networking and voice over IP market ("VOIP") focusing specifically around the unified convergence of core and edge campus networks and network infrastructure.

With effect from 1 March 2014, the group acquired a wholly owned interest in MV Fire Protection Services (Pty) Limited (MV Fire) for R5 500 000. MV Fire provides fire protection and suppression services which will complement Jasco Security solutions portfolio and help make it more competitive in the marketplace.

The group also acquired the Firecare business from Firecare CC for R1 500 000 on 1 March 2014. Firecare provide fire protection solutions, installation, maintenance and alterations of fire sprinkler systems. The owner of Firecare CC retains a non-controlling 49% in the Firecare business.

With effect from 1 May 2014, the group acquired all the shares in Telesto Communications (Pty) Limited for a maximum purchase consideration of R9 850 000, subject to the achievement of a specific profit after tax for the year ending on 31 August 2014. Telesto provides solutions to the contact centre environment with a specific focus on products and solutions for outbound contact centres.

REPORT OF THE DIRECTORS (continued)

FOR THE FINANCIAL YEAR ENDED 30 JUNE 2014

SHARE CAPITAL

The authorised share capital is 750 000 000 ordinary shares and 29 884 633 redeemable preference shares. The issued share capital increased by 71 999 919 shares on 21 January 2014 following a rights issue at 80 cents per share.

The company did not repurchase any of its shares.

For further information on the Jasco ordinary shareholders' spread, refer to page 54.

DIRECTORS' INTERESTS IN SHARE CAPITAL

At the close of business on 30 June 2014, the interests of the directors in the issued share capital of the company amounted to:

Ordinary shares	2014 Number	2013 Number
Direct beneficial		
JC Farrant	150 000	150 000
H Moolla	14 918	10 000
JA Sherry	2 077 108	2 077 108
AMF da Silva	720 000	–
WA Prinsloo	750 000	–
Indirect – beneficial		
MJ Madungandaba	19 163 725	19 163 725
ATM Mokgokong	8 213 025	8 213 025
Indirect – non-beneficial		
JC Farrant	23 000	23 000
Total	31 111 776	29 636 858

Options	2014 Number	2013 Number
Direct – beneficial		
AMF da Silva	1 463 993	1 463 993
WA Prinsloo	700 000	880 000
Total	2 163 993	2 343 993

REPORT OF THE DIRECTORS

FOR THE FINANCIAL YEAR ENDED 30 JUNE 2014 (continued)

As announced on SENS on 24 February 2014, Messrs AMF da Silva and WA Prinsloo were awarded 720 000 and 750 000 shares respectively at 72 cents per share on 19 February 2014 by the Jasco Employee Share Incentive Trust.

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

Mr S Bawa, who was appointed as director on 1 July 2014 directly owns a beneficial interest in 50 509 shares, and indirectly in 3 125 000 shares through Haribase Investments.

PRESCRIBED OFFICERS' INTEREST IN SHARE CAPITAL

Options	2014 Number
Direct – beneficial	
M Janse van Vuuren	637 000

As announced on SENS on 24 February 2014, M Janse van Vuuren was awarded 637 000 options at 72 cents per share on 19 February 2014 by the Jasco Employee Share Incentive Trust.

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 (2013: 21 959 897) shares, being 15% of the issued share capital at the inception of the Trust and all subsequent capitalisation issues. The maximum number allowed for any one person is 1% 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 18.1 to the financial statements.

The Spescom Limited Share Incentive Trust was formed in 1990 to enable all employees of the Spescom group to acquire options in Spescom to provide them with incentives to advance the group's interests. No future share options will be issued in terms of this share trust and it will be allowed to wind down.

The maximum number of shares and/or options that may be granted by this trust may not exceed 20% of the issued ordinary share capital of Spescom Limited. The maximum number of shares and/or options that may be held by any one participant of the scheme may not exceed 1% of the issued share capital in question. The exercise price of the option is equal to 90% of the average market price determined for the month in which the share option is granted. The contractual life of the options is 10 years.

DIRECTORS AND SECRETARY

Details of the present directorate and secretary of the company are set out on pages 34 to 35 of the Integrated Annual Report.

In terms of the memorandum of incorporation of the company, Mr H Moolla and Ms M Malebye retire at the forthcoming annual general meeting and are eligible for re-election. Ms M Malebye has not offered herself for re-election. Ms M Malebye Mr D Dempers was appointed to the board on 16 January 2014 and Mr S Bawa on 1 July 2014.

SUBSIDIARY COMPANIES

Details are given on page 24.

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 2014, the total borrowings less cash resources was R185 090 000 (2013: R292 502 000). At 30 June 2014, the group had approved general banking facilities of R125 523 000 (2013: R130 680 000).

SUBSEQUENT EVENTS

The directors are not aware of any material changes of circumstances or fact occurred between the accounting date and the date of this report.

SPECIAL RESOLUTIONS

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

- Issue of shares in terms of section 41(3)
- Non-executive directors remuneration
- Financial assistance to a related or inter-related company or companies

STATEMENT OF COMPREHENSIVE INCOME

FOR THE FINANCIAL YEAR ENDED 30 JUNE 2014

	Note	Group 2014 R'000	Group 2013 R'000
Revenue	4	1 043 185	1 151 035
Turnover		1 035 382	1 146 034
Cost of sales		(741 813)	(824 024)
Profit before other income and expenses		293 569	322 010
Other income		19 323	36 896
Selling and distribution costs		(2 528)	(1 955)
Administrative expenses		(213 527)	(223 992)
Other expenses		(79 243)	(226 445)
Operating profit/(loss)		17 594	(93 486)
Finance income	5	7 803	5 001
Finance costs	5	(22 347)	(24 331)
Equity accounted share of loss from associate	10	–	(1 586)
Profit/(loss) before taxation	5	3 050	(114 402)
Taxation	6	3 480	6 974
Profit/(loss) for the year		6 530	(107 428)
Other comprehensive income (this will subsequently be reclassified to profit or loss)		–	2
Exchange differences on translation of foreign operations		–	2
Total comprehensive income for the year		6 530	(107 426)
Profit for the year attributable to:			
– non-controlling interests		1 224	2 632
– ordinary shareholders of the parent		5 306	(110 060)
		6 530	(107 428)
Total comprehensive income attributable to:			
– non-controlling interests		1 224	2 632
– ordinary shareholders of the parent		5 306	(110 058)
		6 530	(107 426)
Earnings per ordinary share (cents) – basic	7	3,1	(77,9)
– diluted	7.1	3,1	(77,9)

STATEMENT OF FINANCIAL POSITION

AT 30 JUNE 2014

	Note	Group 2014 R'000	Group 2013 R'000
ASSETS			
Non-current assets		241 190	227 073
Plant and equipment	8	59 541	56 200
Intangible assets	9	111 286	94 143
Investment in associates	10	–	–
Deferred income tax	11	28 994	24 246
Other non-current assets	12	41 369	52 484
Non-current assets held-for-sale	13	116 000	139 611
Current assets		388 951	510 521
Inventories	14	96 722	114 522
Trade and other receivables	15	272 975	375 495
Foreign currency contracts		323	1 796
Taxation paid in advance		1 659	1 118
Short-term portion of other non-current assets	12	11 896	10 510
Cash and cash equivalents	16	5 376	7 080
Total assets		746 141	877 205
EQUITY AND LIABILITIES			
Shareholders' equity		287 582	238 068
Share capital	17.2	275 335	220 235
Treasury shares	17.3	(6 912)	(6 911)
Non-distributable reserves	18	11 693	11 283
Retained earnings		6 355	1 049
Equity attributable to equity holders of the parent		286 471	225 656
Non-controlling interests		1 111	12 412
Non-current liabilities		75 533	168 167
Interest-bearing liabilities	19	68 887	163 030
Deferred maintenance revenue	20	1 568	1 578
Deferred income tax	11	5 078	3 559
Non-current liabilities held-for-sale	13	–	36 175
Current liabilities		383 026	434 795
Trade and other payables	21	194 508	248 187
Provisions	22	21 625	48 687
Foreign currency contracts		398	923
Taxation		1 608	3 366
Deferred maintenance revenue	20	43 308	24 821
Short-term borrowings	23	121 579	108 811
Total equity and liabilities		746 141	877 205

STATEMENT OF CHANGES IN EQUITY

FOR THE FINANCIAL YEAR ENDED 30 JUNE 2014

	Note	Share capital R'000	Treasury shares R'000	Non-distributable reserves R'000	Retained earnings R'000	Total parent shareholders' equity R'000	Non-controlling interest R'000	Total equity R'000
Group								
Balance as at 30 June 2012		220 235	(7 103)	11 364	115 346	339 842	14 590	354 432
Treasury shares – Share Incentive Trust	17.3	–	192	–	–	192	–	192
Equity-settled share-based payment	18.1	–	–	(83)	–	(83)	–	(83)
Disposal of subsidiary		–	–	–	–	–	(4 810)	(4 810)
Dividends paid	25	–	–	–	(4 239)	(4 239)	–	(4 239)
Total comprehensive income		–	–	2	(110 058)	(110 056)	2 632	(107 424)
(Loss)/profit for the year		–	–	–	(110 058)	(110 058)	2 632	(107 426)
Other comprehensive income		–	–	2	–	2	–	2
Balance as at 30 June 2013		220 235	(6 911)	11 283	1 049	225 656	12 412	238 068
Issue of new shares	17.2	55 100	–	–	–	55 100	–	55 100
Treasury shares – Share Incentive Trust	17.3	–	(1)	–	–	(1)	–	(1)
Equity-settled share-based payment	18.1	–	–	410	–	410	–	410
Disposal of subsidiary		–	–	–	–	–	(12 525)	(12 525)
Total comprehensive income		–	–	–	5 306	5 306	1 224	6 530
Profit for the year		–	–	–	5 306	5 306	1 224	6 530
Other comprehensive income		–	–	–	–	–	–	–
Balance as at 30 June 2014		275 335	(6 912)	11 693	6 355	286 471	1 111	287 582

STATEMENT OF CASH FLOWS

FOR THE FINANCIAL YEAR ENDED 30 JUNE 2014

	Note	Group 2014 R'000	Group 2013 R'000
Cash flows from operating activities		6 540	(90 830)
Cash receipts from customers		1 105 581	955 545
Cash paid to suppliers and employees		(1 080 118)	(1 021 911)
Cash generated from/(utilised in) operations	24.1	25 463	(66 366)
Interest received		7 803	5 001
Interest paid		(22 347)	(24 331)
Taxation paid	24.2	(4 379)	(882)
Dividend withholding tax paid		–	(13)
Dividends paid	25	–	(4 239)
Cash flows from investing activities		57 393	(42 213)
Acquisition of business operations	24.3	(2 500)	–
Disposal of subsidiary	24.4	2 502	2 815
Acquisition of subsidiary, net of cash acquired	24.5	(2 034)	–
Disposal of business operations	24.6	12 120	–
Additions to intangibles		(7 366)	(6 791)
Non-current debtor loans repaid		–	(23 564)
Receipts from finance lease asset		11 451	3 856
Purchase of plant and equipment		(14 061)	(21 469)
Replacement of plant and equipment	24.7	(3 557)	(1 538)
Additions to plant and equipment	24.8	(10 504)	(19 931)
Proceeds on disposal of plant and equipment		57 281	2 940
Cash flows from financing activities		(15 997)	108 645
Cash flows from treasury shares		(1)	192
New shares issued	17.2	55 100	–
Non-current loans (repaid)/raised		(71 096)	108 453
Net increase/(decrease) in cash and cash equivalents		47 936	(24 398)
Cash and cash equivalents at beginning of year		(56 024)	(31 830)
Revaluation of foreign cash balances		(22)	204
Net cash and cash equivalents at end of year		(8 110)	(56 024)
Cash and cash equivalents	16	5 376	7 080
Bank overdrafts	23	(13 486)	(60 602)
Cash included in non-current assets held-for-sale	13	–	(2 502)
Net cash and cash equivalents at end of year		(8 110)	(56 024)

NOTES TO THE ANNUAL FINANCIAL STATEMENTS

FOR THE FINANCIAL YEAR ENDED 30 JUNE 2014

1. Corporate information

The consolidated annual financial statements of Jasco Electronics Holdings Limited for the year ended 30 June 2014 were authorised for issue in accordance with a resolution of the directors. Jasco Electronics Holdings Limited is a company incorporated in the Republic of South Africa. The company's shares are publicly traded.

2. Accounting policies

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

2.1 Basis of preparation

The consolidated annual financial statements set out on pages 3 to 54 have been prepared on a historical cost basis, unless otherwise stated. The consolidated annual financial statements are presented in Rand, which is also the group's functional currency, and are rounded to the nearest thousand, except where otherwise indicated.

2.2 Statement of compliance

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

2.3 Basis of consolidation

The consolidated financial statements comprise the financial statements of the group and its subsidiaries as at 30 June 2014. Control is achieved when the group is exposed, or has rights, to variable returns from its involvement with the investee and has the ability to affect those returns through its power over the investee.

Specifically, the group controls an investee if and only if the group has:

- Power over the investee (ie existing rights that give it the current ability to direct the relevant activities of the investee)
- Exposure, or rights, to variable returns from its involvement with the investee; and
- The ability to use its power over the investee to affect its returns

When the group has less than a majority of the voting or similar rights of an investee, the group considers all relevant facts and circumstances in assessing whether it has power over an investee, including:

- The contractual arrangement with the other vote holders of the investee
- Rights arising from other contractual arrangements
- The group's voting rights and potential voting rights

The group reassesses whether or not it controls an investee if facts and circumstances indicate that there are changes to one or more of the three elements of control. Consolidation of a subsidiary begins when the group obtains control over the subsidiary and ceases when the group loses control of the subsidiary. Assets, liabilities, income and expenses of a subsidiary acquired or disposed of during the year are included in the statement of comprehensive income from the date the group gains control until the date the group ceases to control the subsidiary.

Profit or loss and each component of other comprehensive income (OCI) are attributed to the equity holders of the parent of the group and to the non-controlling interests, even if this results in the non-controlling interests having a deficit balance. When necessary, adjustments are made to the financial statements of subsidiaries to bring their accounting policies into line with the group's accounting policies. All intra-group assets and liabilities, equity, income, expenses and cash flows relating to transactions between members of the group are eliminated in full on consolidation.

A change in the ownership interest of a subsidiary, without a loss of control, is accounted for as an equity transaction. If the group loses control over a subsidiary, it:

- Derecognises the assets (including goodwill) and liabilities of the subsidiary
- Derecognises the carrying amount of any non-controlling interests
- Derecognises the cumulative translation differences recorded in equity
- Recognises the fair value of the consideration received
- Recognises the fair value of any investment retained
- Recognises any surplus or deficit in profit or loss
- Reclassifies the parent's share of components previously recognised in OCI to profit or loss or retained earnings, as appropriate, as would be required if the group had directly disposed of the related assets or liabilities

2.3.1 Business combinations and goodwill

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

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

NOTES TO THE ANNUAL FINANCIAL STATEMENTS (continued)

FOR THE FINANCIAL YEAR ENDED 30 JUNE 2014

2. Accounting policies (continued)

2.3 Basis of consolidation (continued)

2.3.1 Business combinations and goodwill (continued)

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

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

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

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

2.3.2 Investment in associate

The group's investment in an associate is accounted for under the equity method of accounting. This is an entity in which the group has significant influence. 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 associate, less any impairment in value.

The statement of comprehensive income reflects the group's share of the results of operations of the associate. 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 associate are eliminated to the extent of the interest in the associate.

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

2.3.3 Treasury shares

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

Dividends received on treasury shares are eliminated on consolidation.

2.4 Significant accounting judgement and estimates

The preparation of the group's consolidated 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 financial statements:

2.4.1 Property, plant and equipment

The useful lives of assets are based on management's estimation. Management considers the impact of changes in technology, customer service requirements, availability of capital funding and required return on assets and equity to determine the optimum useful life expectation of each individual item of plant and equipment. The estimation of residual values of assets is based on management's judgement of whether the assets will be sold and what their condition will be at that time.

2.4.2 Impairment of 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 competitive conditions, cost of capital, availability of funding, technological obsolescence, discontinuance of services and 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.

NOTES TO THE ANNUAL FINANCIAL STATEMENTS (continued)

FOR THE FINANCIAL YEAR ENDED 30 JUNE 2014

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 projected revenues, gross margins, average revenue per unit, earnings multiple, capital expenditure, expected customer bases and market share. The judgements, assumptions and methodologies used can have a material impact on the fair value and ultimately the amount of any impairment.

2.4.3 Financial assets

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

2.4.4 Impairment of receivables

Impairment is raised for management's estimates of losses on trade receivables that are deemed to contain a collection risk.

The impairment is based on an assessment of the extent to which customers have defaulted on payments already due and an assessment of their ability to make payments based on creditworthiness and historical write-offs experienced. Should the financial condition of the customers change, actual write-offs could differ significantly from the impairment.

2.4.5 Taxation

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

2.4.6 Employee benefits

The group operates an equity-settled share-based compensation plan. The related expense and reserve are determined through an actuarial valuation, which relies heavily on assumptions as disclosed in note 18.1. The factors that influence the valuation include employee turnover percentages, the expected life of the share option, volatility and dividend yield and making assumptions about them.

2.5 Revenue recognition

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

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

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

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

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

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

2.6 Foreign currency translation

2.6.1 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.

NOTES TO THE ANNUAL FINANCIAL STATEMENTS (continued)

FOR THE FINANCIAL YEAR ENDED 30 JUNE 2014

2. Accounting policies (continued)

2.6 Foreign currency translation (continued)

2.6.2 Foreign subsidiaries

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

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

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

2.7 Taxation

2.7.1 Tax expenses

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

2.7.2 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.

2.7.3 Deferred tax assets and liabilities

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

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

- Where the deferred tax liability arises from the initial recognition of goodwill or of an asset or liability in a transaction that is not a business combination and at the time of the transaction, affects neither accounting profit/(loss) nor taxable profit/(loss); and/or
- In respect of taxable temporary differences relating to investments in subsidiaries, associates or joint ventures, where the timing of the reversal of the temporary difference can be controlled and it is probable that the temporary difference will not reverse in the foreseeable future.
- Deferred tax assets are recognised for all deductible temporary differences, carry forward of unused tax credits and unused tax losses, to the extent that it is probable that taxable profit will be available against which the deductible temporary difference can be utilised, except:
  - When it arises from the initial recognition of an asset or liability in a transaction that is not a business combination and at the time of the transaction, affects neither accounting profit/(loss) nor taxable profit/(loss); or
  - In respect of taxable deductible differences relating to investments in subsidiaries, associates or joint ventures, where the timing of the reversal of the temporary difference can be controlled and it is probable that the temporary difference will reverse in the foreseeable future and taxable profit will be available against which the temporary differences can be utilised.

The carrying amount of deferred tax assets in the statement of financial position are reviewed annually and reduced to the extent that it is no longer probable that sufficient taxable profits will be available to allow all or part of the asset to be recovered. Unrecognised deferred income tax assets are reassessed 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

NOTES TO THE ANNUAL FINANCIAL STATEMENTS (continued)

FOR THE FINANCIAL YEAR ENDED 30 JUNE 2014

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.

2.7.4 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.

2.8 Borrowing costs

Borrowing costs directly attributable to the acquisition, construction or production of an asset that necessarily takes a substantial period of time to get ready for its intended use or sales are capitalised as part of the cost of the respective assets. All other borrowing costs are recognised as an expense when incurred. Borrowing costs consist of interest and other costs that an entity incurs in connection with the borrowing of funds.

2.9 Employee benefits

2.9.1 Short-term employee benefits

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

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

2.9.2 Retirement benefits

The group contributes to defined contribution funds.

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

2.9.3 Share-based compensation

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

Equity-settled transactions

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

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

Cash-settled transactions

The cost of cash-settled transactions is measured initially at fair value at the grant date. This fair value is expensed over the period until the vesting date with recognition of a corresponding liability. The liability is remeasured to fair value at each reporting date up to and including the settlement date, with changes in fair value recognised in the employee benefits expense (refer note 22).

2.9.4 Defined contribution plan

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

2.10 Provisions, contingent liabilities and commitments

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

NOTES TO THE ANNUAL FINANCIAL STATEMENTS (continued)

FOR THE FINANCIAL YEAR ENDED 30 JUNE 2014

2. Accounting policies (continued)

2.10 Provisions, contingent liabilities and commitments (continued)

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

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

2.11 Plant and equipment

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

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

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% – 20%
Motor vehicles	25%
Leased furniture and office equipment	10% – 33,3%
Managed services	20%
Hi sites	5% – 20%
Leasehold improvements	20%
Furniture and office equipment	10% – 33,3%
Computer and manufacturing equipment	10% – 20%

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

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

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

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

For assets excluding goodwill, an assessment is made at each reporting date as to whether there is any indication that previously recognised impairment losses may no longer exist or may have decreased. If such indication exists, the group estimates the asset's or cash-generating unit's recoverable amount. A previously recognised impairment loss is reversed only if there has been a change in the assumptions used to determine the asset's recoverable amount since the last

NOTES TO THE ANNUAL FINANCIAL STATEMENTS (continued)

FOR THE FINANCIAL YEAR ENDED 30 JUNE 2014

impairment loss was recognised. The reversal is limited so that the carrying amount of the asset does not exceed its recoverable amount, nor exceed the carrying amount that would have been determined, net of depreciation, had no impairment loss been recognised for the asset in prior years. Such reversal is recognised in profit or loss unless the asset is carried at a revalued amount, in which case the reversal is treated as a revaluation increase in other comprehensive income.

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

Goodwill

Goodwill is tested for impairment annually and when circumstances indicate that the carrying value may be impaired. Impairment is determined for goodwill by assessing the recoverable amount of each cash-generating unit (or group of cash-generating units) to which the goodwill relates. Where the recoverable amount of the cash-generating unit is less than their carrying amount, an impairment loss is recognised. Impairment losses relating to goodwill cannot be reversed in future periods.

Intangible assets

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

2.13 Inventories

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

Allowance is made for slow-moving and obsolete inventories.

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

2.14 Leases

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

2.14.1 Group as a lessee

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

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

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

2.14.2 Group as a lessor

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

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

2.15 Intangible assets

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

The useful lives of intangible assets are assessed as either finite or indefinite. Intangible assets with finite lives are amortised over the useful economic life and assessed for impairment whenever there is an indication that the intangible asset may be impaired. The amortisation period and the amortisation method for an intangible asset with a finite useful life is reviewed at least at the end of each reporting period.

NOTES TO THE ANNUAL FINANCIAL STATEMENTS (continued)

FOR THE FINANCIAL YEAR ENDED 30 JUNE 2014

2. Accounting policies (continued)

2.15 Intangible assets (continued)

Changes in the expected useful life or the expected pattern of consumption of future economic benefits embodied in the asset is accounted for by changing the amortisation period or method, as appropriate, and are treated as changes in accounting estimates. The amortisation expense on intangible assets with finite lives is recognised in profit or loss in the expense category consistent with the function of the intangible assets.

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

Voice transaction management applications	33,3%
Customer-related intangibles	10%
Trade names	6,7% – indefinite

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

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

Research and development costs

Research costs are expensed as incurred. Development expenditures, on an individual project, are recognised as an intangible asset when the group can demonstrate:

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

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

2.16 Financial instruments

2.16.1 Initial recognition and classification

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

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

Purchases or sales of financial assets that require delivery of assets within a timeframe established by regulation or convention in the marketplace (regular way trades) are recognised on the trade date, i.e. the date that the group commits to purchase or sell the asset.

The group's financial instruments include cash and short-term deposits, trade and other receivables, loans and other receivables, trade and other payables, bank overdrafts, loans and borrowings, financial guarantee contracts, quoted and unquoted financial instruments and derivative financial instruments.

2.16.2 Subsequent measurement

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

Trade and other receivables

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

Cash and cash equivalents

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

Cash and cash equivalents are carried at amortised cost.

NOTES TO THE ANNUAL FINANCIAL STATEMENTS (continued)

FOR THE FINANCIAL YEAR ENDED 30 JUNE 2014

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

Available-for-sale financial assets
Available-for-sale financial investments include equity and debt securities. Equity investments classified as available-for-sale are those, which are neither classified as held for trading nor designated at fair value through profit or loss. The cost exemption method has been adopted for the investment in and the loan to Leseding Electronic Investments (Pty) Limited. Debt securities in this category are those which are intended to be held for an indefinite period of time and which may be sold in response to needs for liquidity or in response to changes in the market conditions.

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

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

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

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

Gains and losses on subsequent measurement
Gains and losses arising from changes in the fair value of financial instruments, as well as gains and losses on instruments held at amortised cost, are included in net profit or loss in the period in which the change arises.

Offset
Financial assets and liabilities are offset and the net amount reported in the statement of financial position when the group has a legally enforceable right to set-off the recognised amounts, and intends either to settle on a net basis, or to realise the asset and settle the liability simultaneously.

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

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

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

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

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

NOTES TO THE ANNUAL FINANCIAL STATEMENTS (continued)

FOR THE FINANCIAL YEAR ENDED 30 JUNE 2014

2. Accounting policies (continued)

2.18 Accounting policies implemented this year

The following accounting policies were implemented during the current year, but did not have a material impact on the group.

Number	Name	Details of amendment
IFRS 10	Consolidated Financial Statements	New standard that replaces the consolidation requirements in SIC-12 Consolidation – Special Purpose Entities and IAS 27 Consolidated and Separate Financial Statements. Standard builds on existing principles by identifying the concept of control as the determining factor in whether an entity should be included within the consolidated financial statements of the parent company and provides additional guidance to assist in the determination of control where this is difficult to assess.
IFRS 11	Joint Arrangements	IFRS 11 describes the accounting for joint arrangements with joint control; proportionate consolidation will no longer be permitted for joint ventures.
IFRS 12	Disclosures of Interests in Other Entities	IFRS 12 includes all the disclosures that are required relating to an entity's interests in subsidiaries, joint arrangements, associates and structured entities. An entity is now required to disclose the judgements made to determine whether it controls another entity.
IFRS 13	Fair Value Measurements	IFRS 13 provides guidance on how to measure fair value of financial and non-financial assets and liabilities when fair value measurement is required or permitted by IFRS.
IAS 27	Separate Financial Statements	As a result of the issue of IFRS 10 Consolidated Financial Statements, IAS 27 is now limited to the accounting for subsidiaries, jointly controlled entities, and associates in separate financial statements.
IAS 28	Investments in Associates and Joint Ventures	As a result of the issue of IFRS 11 Joint Arrangements, IAS 28 Investments in Associates has been renamed to IAS 28 Investments in Associates and Joint Ventures. Joint ventures will be equity accounted in terms of IAS 28 requirements.
IAS 36	Disclosure Requirements for the Recoverable Amount of Impaired Assets	The IASB has issued amendments to IAS 36 Impairment of Assets, to clarify the disclosure requirements about the recoverable amount of impaired assets if that amount is based on fair value less costs of disposal. The amendments clarify the IASB's original intention: that the scope of these disclosures is limited to the recoverable amount of impaired assets that is based on fair value less costs of disposal.

NOTES TO THE ANNUAL FINANCIAL STATEMENTS (continued)

FOR THE FINANCIAL YEAR ENDED 30 JUNE 2014

2.19 Standards and interpretations issued and not yet effective

Number	Name	Details of amendment	Effective date**
IFRS 9	Financial Instruments	IFRS 9, as issued, reflects the first phase of the IASB's work on the replacement of IAS 39 and applies to the classification and measurement of financial assets and financial liabilities, as well as hedge accounting.	1 January 2018
IFRS 10	Consolidated Financial Statements (Amendments – Investment Entities)	IFRS 10 exception to the principle that all subsidiaries must be consolidated. Entities meeting the definition of 'Investment Entities' must account for investments in subsidiaries at fair value under IFRS 9, Financial Instruments, or IAS 39, Financial Instruments: Recognition and Measurement.	1 January 2014
IFRS 12	Disclosure of Interests in Other Entities	New disclosures required for Investment Entities (as defined in IFRS 10).	1 January 2014
IFRS 15	Revenue from Contracts with Customers	IFRS 15 Revenue from Contracts with Customers replaces IAS 11 Construction Contracts, IAS 18 Revenue and related interpretations. IFRS 15 specifies the accounting treatment for all revenue arising from contracts with customers. It applies to all entities that enter into contracts to provide goods or services to their customers, unless the contracts are in the scope of other IFRS, such as IAS 17 Leases. The standard also provides a model for the measurement and recognition of gains and losses on the sale of certain non-financial assets, such as property or equipment. Extensive disclosures will be required, including disaggregation of total revenue; information about performance obligations; changes in contract asset and liability account balances between periods and key judgements and estimates.	1 January 2017
IAS 27	Consolidated and Separate Financial Statements	Requirement to account for interests in "Investment Entities" at fair value under IFRS 9, Financial Instruments, or IAS 39, Financial Instruments: Recognition and Measurement, in the separate financial statements of a parent.	1 January 2014
IAS 32	Financial Instruments: Presentation	These amendments clarify the meaning of "currently has a legally enforceable right to set off". The amendments also clarify the application of the IAS 32 offsetting criteria to settlement systems (such as central clearing house systems) which apply gross settlement mechanisms that are not simultaneous.	1 January 2014
	Annual improvements projects	Clarification of certain sections in IFRS 2, IFRS 3, IFRS 8, IFRS 13, IAS 16, IAS38, IAS 24 and IAS 40	1 July 2014
	Annual improvements projects	Clarification of certain sections in IFRS 13	December 2013

NOTES TO THE ANNUAL FINANCIAL STATEMENTS (continued)

FOR THE FINANCIAL YEAR ENDED 30 JUNE 2014

	Issued share capital No of shares	Effective percentage 2014	2013
3. Subsidiary companies included in these results			
Trading companies			
Direct			
Jasco Trading (Pty) Limited	4 180	100	100
Jasco Cables Investments (Pty) Limited	543 780	100	100
Jasco Carrier Solutions (Pty) Limited	4 000	100	100
Jasco Energy and Industry Solutions (Pty) Limited (formerly Jasco Industry Solutions (Pty) Limited)	78 768 056	100	100
Indirect			
Ferro Resonant Technologies (Pty) Limited	1 000	100	100
Jasco Converged Solutions (Pty) Limited$	1 001	100	100
Jasco Enterprise (Pty) Limited$	100	100	100
Jasco Networks (Pty) Limited$	13 400	100	100
Jasco Properties (Pty) Limited$	100	100	100
Jasco Systems (Pty) Limited$	100	100	100
Jasco Telecommunications (Pty) Limited$	1 380 120	100	100
Maringo Communications (Pty) Ltd#	228	100	100
MV Fire Protection (Pty) Limited$	100	100	–
Multivid (Pty) Limited*	100	51	100
NewTelco South Africa (Pty) Limited$	100	67	67
Nocdesk (Pty) Limited (formerly Jasco Global Systems (Pty) Limited)*	100	100	100
Jasco Services (Pty) Limited (formerly Tasslelane Services (Pty) Limited)$	100	82	100
Telesto Communications (Pty) Limited	1 000	100	–
WebbLeBLANC Communications (Pty) Limited*@	100	–	50,5
Dormant			
Jasco ICT – DataFusion (Pty) Limited$&	100	10	100
Multivid (Pty) Limited (formerly Jasco Tasslelane (Pty) Limited)*	100	100	100
Special Cables (Pty) Limited	500	100	100
Spescom Electronics Holdings (Pty) Limited$	20 000	100	100
Spescom Limited UK$		100	100
Spescom Uganda$%	N/A	N/A	100
Webb Industries (Pty) Limited$	1 000	100	100
Webb Masts and Towers (Pty) Limited$	400	100	100

With the exception of Spescom Limited UK and Spescom Uganda, all the subsidiary companies are registered in South Africa.

* *Shares owned by Jasco Trading (Pty) Limited.*
\# *Shares owned by Jasco Carrier Solutions (Pty) Limited.*
$ *Shares owned directly/indirectly by Jasco Energy and Industry Solutions (Pty) Limited (formerly Jasco Industry Solutions (Pty) Limited).*
@ *Sold on 1 July 2013.*
& *Sold on 1 April 2014.*
% *Deregistered.*

NOTES TO THE ANNUAL FINANCIAL STATEMENTS (continued)

FOR THE FINANCIAL YEAR ENDED 30 JUNE 2014

Acquisitions in 2014

The group acquired the following businesses and subsidiaries during the year.

With effect from 1 February 2014, the group acquired the Baseline NGN business for R1 716 855. NGN operates in the data, telecommunications, networking and voice over IP market ("VOIP") focusing specifically around the unified convergence of core and edge campus networks and network infrastructure.

With effect from 1 March 2014, the group acquired a wholly owned interest in MV Fire Protection Services (Pty) Limited (MV Fire) for R5 500 000. MV Fire provides fire protection and suppression services which will complement Jasco Security Solutions portfolio and help make the business more competitive in the marketplace.

The group also acquired the Firecare business from Firecare CC for R1 500 000 on 1 March 2014. Firecare provide fire protection solutions, installation, maintenance and alterations of fire sprinkler systems. The owner of Firecare CC owns a non-controlling 49% in the Firecare business.

With effect from 1 May 2014, the group acquired all the shares in Telesto Communications (Pty) Limited for a maximum purchase consideration of R9 850 000, subject to the achievement of a specific profit after tax for the year ending on 31 August 2014. Telesto provides solutions to the contact centre environment with a specific focus on products and solutions for outbound contact centres.

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

Assets acquired and liabilities assumed

	Baseline NGN R'000	MV Fire Protection R'000	Firecare R'000	Telesto R'000	Total R'000
Assets					
Plant and equipment	892	321	547	54	**1 814**
Non-current receivable	–	–	–	336	**336**
Cash and cash equivalents	–	1 165	–	2 300	**3 465**
Trade and other receivables	682	4 313	–	6 562	**11 557**
Inventories	277	212	147	603	**1 239**
Customer related intangible assets	89	1 623	–	5 279	**6 991**
	1 940	7 634	694	15 134	**25 402**
Liabilities					
Trade and other payables	399	2 600	–	4 834	**7 833**
Deferred tax liability	–	454	–	1 156	**1 610**
Non-current loans	–	1 922	–	5 053	**6 975**
Taxation payable	–	489	–	232	**721**
	399	5 465	–	11 275	**17 139**
Total identifiable net assets at fair value	1 541	2 169	694	3 859	**8 263**
Non-controlling interest	–	–	–	–	**–**
Goodwill arising on acquisition (refer note 9)	176	3 331	806	5 990	**10 303**
Purchase consideration transferred	**1 717**	**5 500**	**1 500**	**9 849**	**18 566**

NOTES TO THE ANNUAL FINANCIAL STATEMENTS (continued)

FOR THE FINANCIAL YEAR ENDED 30 JUNE 2014

	Group 2014 R'000	Group 2013 R'000
4. Revenue		
Finance income	7 803	5 001
Turnover	1 035 382	1 146 034
Sale of goods	836 991	985 761
Rendering of services	175 862	140 169
Rental income	22 529	20 104
Total revenue	1 043 185	1 151 035
Turnover represents the net invoiced value of local and export sales, services and rental income, but excludes value added tax and inter-company sales.		
5. Profit/(loss) before taxation		
The operating profit/(loss) is stated after allowing for the following:		
Income		
Foreign exchange gains arising from financial instruments at fair value through profit and loss	8 894	13 769
– realised	8 134	9 531
– unrealised arising from change in fair value	760	4 238
Finance income from loans and receivables	7 803	5 001
– bank interest	812	626
– finance lease agreements	5	–
– other loans	6 885	2 651
– other	101	1 724
Profit on disposal of plant and equipment	280	8 916
Profit on disposal of business operations	4 289	–
Expenditure		
Administration, managerial and secretarial fees paid	253	2 256
Amortisation of intangible assets (refer note 9)	10 168	12 199
Auditor's remuneration	4 703	5 477
– audit fees (current year)	4 373	4 879
– audit fees (prior year)	301	543
– consulting and taxation services	29	55
Depreciation of plant and equipment (refer note 8)	11 450	12 141
Finance costs of other financial liabilities	22 347	24 331
• Interest paid	21 612	23 671
– bank loans and overdrafts	6 820	11 128
– mortgage bond	23	2 187
– other loans	14 052	9 250
– other	717	1 106
• Finance charges	658	597
– finance lease agreements	165	187
– instalment sale agreements	493	410
• Bonus provision discount adjustment	77	63

NOTES TO THE ANNUAL FINANCIAL STATEMENTS (continued)

FOR THE FINANCIAL YEAR ENDED 30 JUNE 2014

	Group 2014 R'000	Group 2013 R'000
5. Profit before taxation (continued)		
Expenditure (continued)		
Foreign exchange losses arising from financial instruments at fair value through profit and loss	10 828	13 065
– realised	10 107	8 879
– unrealised arising from change in fair value	721	4 186
Impairment of goodwill (refer note 9)	–	24 178
Impairment of available-for-sale financial asset (refer note 12)	–	12 089
Loss on disposal of LeBLANC Jasco (Pty) Limited	–	4 758
Loss on remeasurement of disposal group held-for-sale (refer note 13)	–	9 769
Loss on remeasurement of associate held-for-sale (refer note 10.1)	–	72 498
Loss on disposal of plant and equipment	125	381
Operating lease charges	16 614	7 094
– rental premises	15 428	5 966
– equipment	351	306
– motor vehicles	835	822
Research and development costs	258	267
Royalties paid	102	229
Staff costs	258 254	280 891
• Short-term benefits	232 458	256 938
– non-executive directors	1 804	1 681
– executive directors	4 675	5 305
– executive management	19 101	22 032
– other staff (including other benefits)	206 878	227 920
• Equity-settled share-based payment (refer note 18.1)	410	83
– executive directors	367	261
– executive management	43	–
– other staff	–	(178)
• Cash-settled share-based payment (refer note 22)	312	1 775
– executive management	190	1 775
– other staff	122	–
• Post-employment benefits – total amounts contributed to defined contribution funds	24 760	21 660
– executive directors	892	862
– executive management	2 338	2 577
– other staff	21 530	18 221
• Other short-term benefits	314	435
– executive directors	49	56
– executive management	265	379

NOTES TO THE ANNUAL FINANCIAL STATEMENTS (continued)

FOR THE FINANCIAL YEAR ENDED 30 JUNE 2014

	Group 2014 R'000	Group 2013 R'000
6. Taxation		
South African normal taxation		
Current	1 359	4 706
– current year charge	1 359	4 084
– prior year under provision	–	622
Deferred	(4 839)	(11 693)
– relating to origination and reversal of temporary differences	(4 839)	(10 155)
– prior year under provision	–	(1 538)
Total normal tax	(3 480)	(6 987)
Dividends tax	–	13
Total taxation	(3 480)	(6 974)
Estimated taxation losses available for set off against future taxable profits	198 810	188 695
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
Prior year under provision	–	0,8
Non-deductible expenses	117,5	(31,6)
Non-taxable income	(41,2)	1,4
Income tax incentives	(1,2)	0,1
Change in CGT inclusion rate	–	0,9
(Utilisation)/raising of unused tax credit	(218,5)	6,1
Differences in corporate tax rates	1,3	0,4
Effective taxation rate	(114,1)	6,1

7. Earnings per ordinary share

The earnings per share of 3,1 cents (2013: 77,9 cents loss) is based on earnings of R5 306 337 (2013: R110 060 388 loss) and 172 831 544 (2013: 141 272 436) shares, being the weighted average number of shares in issue during the year, less the treasury shares. The weighted average number of shares increased following the rights issue on 21 January 2014.

Headline earnings per ordinary share

The headline earnings per share of 0,5 cents: (2013: 0,3 cents) is based on headline earnings of R861 502 (2013: R465 485) and 172 831 544 (2013: 141 272 436) shares, being the weighted average number of shares in issue during the year, less the treasury shares.

	Group 2014 R'000	Group 2013 R'000
Reconciliation of headline earnings:		
Net profit/(loss) attributable to ordinary shareholders	5 306	(110 060)
Adjusted for	(4 444)	110 525
– net profit on disposal of property, plant and equipment	(155)	(12 478)
– loss on disposal of LeBLANC Jasco (Pty) Limited	–	4 758
– impairment of goodwill	–	24 178
– impairment of available-for-sale financial asset	–	12 089
– loss on remeasurement of disposal group held-for-sale	–	9 769
– loss on remeasurement of associate held-for-sale (M-TEC)	–	72 498
– gain on derecognition of Maringo Software Solutions (Pty) Limited	–	(289)
– profit on disposal of Automotive business unit	(4 289)	–
Headline earnings	862	465

7.1 Diluted earnings and diluted headline earnings per ordinary share

The same earnings, headline earnings and number of shares as per note 7 were used to calculate the diluted earnings and headline earnings per share. There will be no dilution in the earnings per share as a result of the 1 550 998 (2013: 1 051 998) share options as per note 18.1, as the Share Incentive Trust will acquire shares on the market to fulfil the group's obligations, should the options be exercised.

NOTES TO THE ANNUAL FINANCIAL STATEMENTS (continued)

FOR THE FINANCIAL YEAR ENDED 30 JUNE 2014

8. Plant and equipment

	Leasehold improvements R'000	Plant and machinery R'000	Hi sites R'000	Furniture and office equipment R'000	Motor vehicles R'000	Computer and manufacturing equipment R'000	Managed services R'000	Leased furniture and office equipment R'000	Total plant and equipment R'000
Group									
2014									
Net book value – beginning of year	4 234	28 148	2 790	9 883	1 034	9 527	–	584	56 200
– cost	6 236	47 740	11 780	33 326	3 040	17 231	–	1 181	120 534
– accumulated depreciation	(2 002)	(19 592)	(8 990)	(23 443)	(2 006)	(7 704)	–	(597)	(64 334)
Current year movements	5	733	(74)	3 213	240	(716)	–	(60)	3 341
– additions	743	4 716	105	6 414	70	1 854	–	159	14 061
– acquisition of subsidiaries/business operations	40	339	–	450	713	272	–	–	1 814
– disposal of subsidiaries/business operations	–	(292)	–	(39)	(115)	(422)	–	–	(868)
– net disposals	(46)	(12)	–	(117)	–	–	–	(41)	(216)
– depreciation	(732)	(4 018)	(179)	(3 495)	(428)	(2 420)	–	(178)	(11 450)
End of year	4 239	28 881	2 716	13 096	1 274	8 811	–	524	59 541
Made up as follows:									
– cost	6 857	50 559	11 885	35 778	4 358	17 393	–	1 118	127 948
– accumulated depreciation	(2 618)	(21 678)	(9 169)	(22 682)	(3 084)	(8 582)	–	(594)	(68 407)
Net book value	4 239	28 881	2 716	13 096	1 274	8 811	–	524	59 541
2013									
Net book value – beginning of year	2 292	28 092	2 814	15 171	1 568	5 791	522	858	57 108
– cost	4 062	52 534	11 620	39 130	4 462	11 668	3 084	1 551	128 111
– accumulated depreciation	(1 770)	(24 442)	(8 806)	(23 959)	(2 894)	(5 877)	(2 562)	(693)	(71 003)
Current year movements	1 942	56	(24)	(5 288)	(534)	3 736	(522)	(274)	(908)
– additions	4 486	11 522	160	3 598	–	5 863	–	–	25 629
– acquisition of subsidiaries/business operations	(1 455)	(6 211)	–	(132)	(22)	–	–	–	(7 820)
– net disposals	–	(434)	–	(4 528)	–	(149)	–	(78)	(5 189)
– reclassified as held-for-sale	(116)	(1 222)	–	(49)	–	–	–	–	(1 387)
– depreciation	(973)	(3 599)	(184)	(4 177)	(512)	(1 978)	(522)	(196)	(12 141)
End of year	4 234	28 148	2 790	9 883	1 034	9 527	–	584	56 200
Made up as follows:									
– cost	6 236	47 740	11 780	33 326	3 040	17 231	–	1 181	120 534
– accumulated depreciation	(2 002)	(19 592)	(8 990)	(23 443)	(2 006)	(7 704)	–	(597)	(64 334)
Net book value	4 234	28 148	2 790	9 883	1 034	9 527	–	584	56 200

Pledged as security

Certain motor vehicles and equipment are pledged as security as per note 19.

NOTES TO THE ANNUAL FINANCIAL STATEMENTS (continued)

FOR THE FINANCIAL YEAR ENDED 30 JUNE 2014

9. Intangible assets

	Goodwill R'000	Trade names R'000	Voice transaction management applications R'000	Customer related intangible assets R'000	Total intangible assets R'000
Group					
2014					
Net book value – beginning of year	74 894	1 035	12 831	5 383	94 143
– cost	74 894	1 351	27 159	6 901	110 305
– accumulated amortisation	–	(316)	(14 328)	(1 518)	(16 162)
Current year movements	10 303	2 225	(1 394)	6 009	17 143
– additions	–	2 651	7 366	–	10 017
– acquisition of subsidiary/business operation	10 303	–	–	6 991	17 294
– amortisation	–	(426)	(8 760)	(982)	(10 168)
End of year	85 197	3 260	11 437	11 392	111 286
Made up as follows:					
– cost	85 197	4 002	34 525	13 892	137 616
– accumulated amortisation	–	(742)	(23 088)	(2 500)	(26 330)
Net book value	85 197	3 260	11 437	11 392	111 286
2013					
Net book value – beginning of year	101 116	7 497	13 795	8 865	131 273
– cost	101 116	11 811	20 369	9 901	143 197
– accumulated amortisation	–	(4 314)	(6 574)	(1 036)	(11 924)
Current year movements	(26 222)	(6 462)	(964)	(3 482)	(37 130)
– additions	–	–	6 791	–	6 791
– disposal of subsidiary	(2 044)	(2 500)		–	(4 544)
– reallocation	–	–	–	(3 000)	(3 000)
– impairment	(24 178)	–	–	–	(24 178)
– amortisation	–	(3 962)	(7 755)	(482)	(12 199)
End of year	74 894	1 035	12 831	5 383	94 143
Made up as follows					
– cost	74 894	1 351	27 159	6 901	110 305
– accumulated amortisation	–	(316)	(14 328)	(1 518)	(16 162)
Net book value	74 894	1 035	12 831	5 383	94 143

The addition to the goodwill and customer-related intangibles relates to the acquisition of Baseline NGN, Telesto Communications, MV Fire Protection and Firecare. Refer to the report from the directors for more information.

The addition to trade names of R2 651 000 in 2014 relates to the right Jasco acquired to use the Telecom Structures designs as disposal consideration for the WebbLeBLANC business.

The disposal of intangible assets in the 2013 relates to the disposal of the Lighting Structures business, goodwill of R2 044 748 (which arose on consolidation) and brand of R2 500 000.

NOTES TO THE ANNUAL FINANCIAL STATEMENTS (continued)

FOR THE FINANCIAL YEAR ENDED 30 JUNE 2014

9. Intangible assets (continued)

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

The customer-related intangible assets relate to the customer contracts and relationships acquired in the Telesto, MV Fire Protection and Spescom acquisitions.

As at the reporting date, the goodwill was tested for impairment based on the value in use calculation. The cash flow projections from financial budgets approved by the board of directors, covering a one-year period, are discounted to the present value, using discount rates appropriate to the cash-generating unit the asset belongs to of 16% (2013: between 14% and 14,37%). Revenue growth assumptions after the first year was 6% based on an inflationary increase. A long-term growth rate of 3% (2013: between 3,5% and 4,5%) was assumed into perpetuity.

Sensitivity analysis

Management have performed a sensitivity analysis for the material goodwill balances, being the goodwill relating to the investments in the Carriers cash-generating unit (CGU) and the Enterprises CGU.

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

A reasonable possible change in any of the key assumptions would not result in the carrying amount of any of the CGUs exceeding their recoverable amounts.

Key assumptions

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

Conclusion

Based on the result of the valuation, no impairment of the goodwill is required for the current year.

NOTES TO THE ANNUAL FINANCIAL STATEMENTS (continued)

FOR THE FINANCIAL YEAR ENDED 30 JUNE 2014

10. Investment in associates

Malesela Taihan Electric Cable (Pty) Limited (M-TEC)

The group owns a 51% interest in its associate, M-TEC, but does not control the investment, either during or at the end of the year as Jasco does not have the rights to direct the relevant activities of the entity. M-TEC is involved in the manufacture of cables for the power and telecommunications industry, which was at the date of acquisition, aligned with the Jasco business.

Due to the underperformance of the business, a decision was made by the board in February 2013 to dispose of its 51% shareholding.

The group has entered into a non-binding heads of agreement to sell its interest in M-TEC to them for R119 million. This is subject to certain criteria, including obtaining shareholders' approval.

The sale is expected to be concluded by 31 January 2015.

Consequently, the investment has been classified as 'held-for-sale'. Management performed detail evaluations to determine the fair value of the asset to be R116 million, after considering anticipated costs to sell of R3 million.

The carrying value of the investment in the associate, M-TEC, has been tested for impairment due to the occurrence of the following impairment indicators

- M-TEC continues to experience a slower recovery in sales volumes.
- The financial performance is significantly below budget.
- The reduced forecast expectation of future cash flows by the management team.

The recoverable amount of the investment in M-TEC has been determined on a fair value less cost to sell basis for valuation methods and assumptions used are consistent with those used in prior periods.

The group's interest in the associate's income and expenses is as follows:

	2014 M-TEC R'000	2013 M-TEC R'000
Income and expenses*		
Revenue	–	263 562
Cost of sales	–	(237 797)
Administrative expenses	–	(27 141)
Finance income	–	24
Finance costs	–	(851)
Loss before taxation	–	(2 203)
Taxation	–	617
Loss for the year	–	(1 586)

** Until 31 January 2013*

Key financial information for M-TEC

	2014 R'000	2013 R'000
Current assets	363 425	348 651
Non-current assets	127 196	137 046
Current liabilities	(130 515)	(125 841)
Non-current liabilities	(2 170)	(2 136)
Profit/(loss) for the year	216	(30 907)
Other comprehensive income	–	–
Total comprehensive income	216	(30 907)

NOTES TO THE ANNUAL FINANCIAL STATEMENTS (continued)

FOR THE FINANCIAL YEAR ENDED 30 JUNE 2014

	Group 2014 R'000	Group 2013 R'000
11. Deferred income tax asset/(liability)		
Beginning of year	20 687	9 429
Acquisition/disposal of subsidiaries/business operations	(1 610)	(188)
Reclassified as held-for-sale	–	(247)
Movement	4 839	11 693
End of year	23 916	20 687
Deferred tax asset	28 994	24 246
Deferred tax liability	(5 078)	(3 559)
Net deferred tax asset	23 916	20 687
Made up as follows:		
– taxation losses	26 817	16 984
– provisions	5 357	12 927
– capitalised costs	11	15
– amortisation of intangibles	(6 600)	(4 927)
– impairment of receivables	363	553
– prepayments	(3 604)	(2 353)
– retentions	(1 078)	(805)
– section 24C allowance	(2 839)	(2 126)
– income received in advance	12 567	7 756
– deferred gains and losses on foreign currency contracts	(120)	(5)
– deferred lease payments and income	1 246	517
– finance lease agreements	(3 659)	(3 566)
– accelerated depreciation	(4 545)	(4 283)
	23 916	20 687

NOTES TO THE ANNUAL FINANCIAL STATEMENTS (continued)

FOR THE FINANCIAL YEAR ENDED 30 JUNE 2014

	Group 2014 R'000	Group 2013 R'000
12. Other non-current assets		
12.1 Investment in Jasco ICT – Datafusion (Pty) Limited – Loan	1 342	–
12.2 Investment in Leseding Electronic Investments (Pty) Limited	–	–
Shares at cost	1	1
Loan	10 215	10 215
Impairment	(10 216)	(10 216)
The shares consist of 100 000 ordinary shares and 235 000 convertible cumulative preference shares.		
The loan is unsecured, has no fixed terms of repayment and bears interest at the prime bank overdraft rates.		
No interest was charged in the current year, due to impairments previously raised.		
12.3 Other loans – available-for-sale	–	899
Loan	–	12 988
Impairment on available-for-sale asset	–	(12 089)
The loan to LeBLANC Jasco (Pty) Limited of R12 089 078 was impaired at 30 June 2013. The balance was repaid during the year.		
12.4 Finance lease receivable (refer below)	40 027	51 585
Total	51 923	62 095
– future minimum rentals under the finance lease receivables	64 019	81 014
– unearned finance income	(12 096)	(18 919)
Current portion transferred to current assets	(11 896)	(10 510)
Total	41 369	52 484

The finance lease receivable relates to the leasing of points of presence (POPs) for a period of five years.

The effective rate of interest is 12,25% and the lease is repayable in equal monthly instalments by 1 February 2018.

NOTES TO THE ANNUAL FINANCIAL STATEMENTS (continued)

FOR THE FINANCIAL YEAR ENDED 30 JUNE 2014

13. Non-current assets and liabilities held-for-sale

13.1 WebbleBLANC Communications (Pty) Limited (WebbLeBLANC)

On 1 June 2013, management approved the disposal fo the group's investment in WebbLeBLANC.

Consequently, the investment was reclassified as 'held-for-sale'. Management undertook the evaluation of each statement of financial position item immediately prior to reclassification.

Management concluded that the goodwill recognised of R24 177 547 no longer had value, and it was therefore impaired.

As the stage of negotiation had neared conclusion, a further loss of R9 768 833 had been recognised at the 2013 year-end on the remaining assets held by WebbLeBLANC. The sale was concluded with effect of 1 July 2013.

The major classes of assets and liabilities of WebbLeBLANC classified as held-for-sale as at the year-end were as follows:

	Group 2014 R'000	Group 2013 R'000
Assets	–	23 611
– current assets	–	3 209
– non-current assets	–	20 402
Liabilities	–	(8 435)
– current liabilities	–	(7 537)
– non-current liabilities	–	(898)
Net assets directly associated with asset held-for-sale	–	15 176
The results for WebbLeBLANC for the year are presented below:		
Revenue	–	47 182
Cost of sales	–	(43 826)
Gross profit	–	3 356
Expenses	–	(2 217)
Operating profit	–	1 139
Finance income	–	183
Profit before taxation	–	1 322
Taxation	–	193
Profit for the year	–	1 515
13.2 M-TEC		
Refer to note 10 for the analysis of the investment.		
Asset directly associated with asset held-for-sale	116 000	116 000
13.3 Property disposal		
As previously reported, Jasco had decided to dispose of its land and buildings on 30 June 2012.		
The sale was concluded on 30 June 2013, but the related liability was only settled on 8 July 2013.		
Asset directly associated with asset held-for-sale	–	–
Liability directly associated with asset held-for-sale	–	(27 740)
13.4 Summary		
Total assets held-for-sale	116 000	139 611
Total liabilities held-for-sale	–	(36 175)
Net assets directly associated with assets held-for-sale	116 000	103 436

NOTES TO THE ANNUAL FINANCIAL STATEMENTS (continued)

FOR THE FINANCIAL YEAR ENDED 30 JUNE 2014

	Group 2014 R'000	Group 2013 R'000
14. Inventories		
Raw materials	27 545	37 083
Work in progress	9 841	18 255
Finished goods and merchandise	59 336	59 184
– at cost	64 457	67 197
– provision for obsolete slow-moving inventories	(5 121)	(8 013)
	96 722	114 522
Inventory expensed, included in cost of sales	625 093	694 140
– inventory expensed during the year	624 504	692 405
– inventory written off during the year	589	1 735

Inventory with a carrying value of R70 991 590 was pledged as a security for the loan from TMM Holdings under a general notarial bond. Refer to note 19.

	Group 2014 R'000	Group 2013 R'000
15. Trade and other receivables		
Trade receivables	206 425	243 641
– trade receivables	208 443	246 605
– allowance	(2 018)	(2 964)
Prepayments	23 746	29 875
Retentions	3 851	2 873
Property disposal consideration	–	60 000
Other	38 953	39 106
	272 975	375 495

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 bank overdraft facilities.

The movements in the allowance for impairment of the trade receivables were as follows:

	Group 2014 R'000	Group 2013 R'000
At the beginning of the year	2 964	6 220
Charge for the year	1 452	945
Acquisition/(disposal) of subsidiaries	115	(31)
Amounts written off	(2 483)	(1 959)
Reclassified as held-for-sale	–	(904)
Unused amounts reversed	(30)	(1 307)
At the end of the year	2 018	2 964

As at year-end the analysis of trade receivables past due but not impaired is as follows:

	Group 2014 R'000	Group 2013 R'000
Overdue 30 to 60 days not impaired	34 996	47 747
Overdue 60 to 90 days not impaired	9 793	12 101
Overdue 90 to 120 days not impaired	7 027	7 609
Overdue 120 to longer days not impaired	29 951	29 070
Total overdue debtors not impaired	81 767	96 527
Net carrying value of impaired trade receivables	142	113
Neither past due nor impaired	124 516	147 001
Net trade receivables	206 425	243 641

Included in "neither past due nor impaired" are debtors with a carrying amount of Rnil (2013: Rnil) whose terms have been renegotiated during the year.

NOTES TO THE ANNUAL FINANCIAL STATEMENTS (continued)

FOR THE FINANCIAL YEAR ENDED 30 JUNE 2014

	Group 2014 R'000	Group 2013 R'000
16. Cash and cash equivalents		
Current accounts	4 893	6 281
Call accounts	181	617
Cash on hand	302	182
	5 376	7 080
Cash at banks earn interest at floating rates based on daily bank deposit rates.		
The fair value of the cash and cash equivalents is the same as the carrying value.		
At year-end, the group had R125,5 million (2013: R130,1 million) of general banking facilities available. (Refer to note 28.1).		
17. Share capital		
17.1 Authorised		
750 000 000 ordinary shares with no par value		
29 884 633 redeemable preference shares with no par value		
17.2 Issued		
218 399 230 (2013: 146 399 311) ordinary shares		
Beginning of year	220 235	1 464
Conversion to no-par value shares	–	218 771
Issue of share capital	57 600	–
Costs incurred in issuing of shares	(2 500)	–
End of year	275 335	220 235
In compliance with the Companies Act of South Africa, the par value shares were converted to no-par value shares during 2013.		
Jasco issued 71 999 919 new shares through a rights issue at 80 cents per share on 21 January 2014.		
17.3 Treasury shares		
The Jasco Employee Share Incentive Trust owns 2 964 538 (2013: 2 952 038) unallocated ordinary shares	3 788	3 787
The Spescom Limited Share Trust owns 2 164 837 (2013: 2 164 837) unallocated ordinary shares	3 124	3 124
Treasury shares at cost	6 912	6 911
18. Non-distributable reserves		
Post-acquisition profit of subsidiary	741	741
Equity-settled share-based payment reserve (note 18.1)	9 762	9 352
– beginning of year	9 352	9 435
– utilised during year	–	(355)
– arising during year	410	272
Foreign currency translation reserve	1 190	1 190
– beginning of year	1 190	1 188
– arising during year	–	2
	11 693	11 283

NOTES TO THE ANNUAL FINANCIAL STATEMENTS (continued)

FOR THE FINANCIAL YEAR ENDED 30 JUNE 2014

18. Non-distributable reserves (continued)

18.1 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 32 759 897 (2013: 21 959 897) shares, being 15% of the issued share capital at the inception of the Trust and all subsequent capitalisation issues. The maximum number of shares and/or options allowed for any one person is 1% of the issued share capital of the company. 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.

	2014 Number	2013 Number
Number of ordinary shares reserved	32 759 885	21 959 897
Total number of shares allocated	1 662 800	192 800
– beginning of year	192 800	195 300
– allocation of shares to employees during the year	1 470 000	–
– net forfeiture by employees during the year	–	(2 500)
Total number of unforfeited options granted	3 203 993	2 568 993
– beginning of year	2 568 993	4 408 993
– allocation of options to employees during the year	1 040 000	–
– net forfeiture/cancellation of options during the year	(405 000)	(1 840 000)
Number of shares in respect of which options and shares have not been granted	27 893 092	19 198 104

Summary of shares/options issued

Date issued	Date lapsing	Number	Price per share (c)	Number allocated not yet traded 2014	Number allocated not yet traded 2013	Number of unvested shares/options 2014	Number of unvested shares/options 2013
Shares							
5 February 2014	N/A	1 470 000	72	1 470 000	–	1 470 000	–
6 May 2004	N/A	417 000	70	54 000	54 000	–	–
1 March 2002	N/A	736 300	60	25 500	25 500	–	–
1 June 2001	N/A	2 742 800	27	113 300	113 300	–	–
		5 366 100		1 662 800	192 800	1 470 000	–
Options							
5 February 2014	5 February 2019	1 040 000	72	1 040 000	–	1 040 000	–
5 May 2011	5 May 2016	1 463 993	103	1 463 993	1 463 993	365 998	731 997
21 April 2011	21 April 2016	580 000	101	580 000	580 000	145 000	290 000
1 September 2009	1 September 2014	120 000	200	120 000	120 000	–	30 000
1 March 2009	1 March 2014	250 000	155	–	225 000	–	–
13 November 2008	13 November 2013	480 000	210	–	180 000	–	–
1 March 2008	1 March 2013	725 000	242	–	–	–	–
		4 658 993		3 203 993	2 568 993	1 550 998	1 051 997

	Shares 2014	Shares 2013	Options 2014	Options 2013
Reconciliation of number of outstanding, unvested shares and options				
Beginning of year	–	–	1 051 997	2 280 243
Allocated during the year	1 470 000	–	1 040 000	–
Options vested by rules of scheme	–	–	(540 999)	(1 228 246)
End of year	1 470 000	–	1 550 998	1 051 997

NOTES TO THE ANNUAL FINANCIAL STATEMENTS (continued)

FOR THE FINANCIAL YEAR ENDED 30 JUNE 2014

18. Non-distributable reserves (continued)

18.1 Equity settled share-based payments (continued)

Spescom Employee Share Incentive Trust

Summary of options issued (Jasco equivalent)

Date issued	Date lapsing	Number	Price per share (c)	Number allocated not yet traded 2014	Number allocated not yet traded 2013	Number of unvested shares/options 2014	Number of unvested shares/options 2013
21 February 2007	21 February 2017	462 046	82	49 292	61 842	–	–
15 December 2006	15 December 2016	1 328 300	68	692 263	801 981	–	–
		1 790 346		741 555	863 823	–	–

CEO share option scheme (former)

Jasco had implemented a share option scheme for the benefit of the former CEO. In terms of the scheme, the former CEO was awarded an option to subscribe for Jasco ordinary shares at the end of each financial year, commencing from 28 February 2007. These options lapsed in 2013 without being exercised.

Reconciliation of number of outstanding, unvested shares and options

	Group 2014 000	Group 2013 000
Beginning of year	–	2 518
Options lapsed not exercised	–	(2 518)
End of year	–	–

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:

	Shares/Options to employees 2014	Shares/Options to employees 2013
Maximum term of grant	5 years	5 years
Exercise multiple	1,5	1,5
Volatility		
– two years vesting	60,86%	54,04%
– three years vesting	57,18%	53,56%
– four years vesting	57,35%	52,01%
Dividend yield	1,68%	3,73%
Risk free rate		
– two years vesting	7,66%	7,44%
– three years vesting	7,90%	7,55%
– four years vesting	8,11%	7,77%
Forfeiture rate	10%	10%
Performance expectation	100%	100%

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

	2014 R'000	2013 R'000
Equity-settled share-based payment	410	(83)

NOTES TO THE ANNUAL FINANCIAL STATEMENTS (continued)

FOR THE FINANCIAL YEAR ENDED 30 JUNE 2014

	Group 2014 R'000	Group 2013 R'000
19. Interest-bearing liabilities		
Secured	115 801	135 825
Property loan facility: Nedbank Limited	–	27 740
Term loan: TMM Holdings	20 000	–
Principal amounts owing in respect of finance lease agreements on furniture and office equipment	687	505
– gross minimum lease payments	871	773
– finance charges	(184)	(268)
Principal amounts owing in respect of instalment sale agreements	5 114	7 580
– gross minimum lease payments	5 652	7 900
– finance charges	(538)	(320)
Preference shares	90 000	100 000
Unsecured	60 273	70 261
Vendor financing	54 446	67 544
Term loan: Nedbank Limited	3 642	–
Loans from non-controlling shareholders	2 185	2 717
Total	176 074	206 086
Reclassified as held-for-sale (refer note 13)	–	(27 740)
Current portion transferred to short-term borrowings (refer note 23)	(107 187)	(15 316)
– finance lease agreements	(169)	(144)
– instalment sale agreements	(2 633)	(2 504)
– preference shares	(90 000)	–
– vendor loan	(13 694)	(12 668)
– term loan	(691)	–
Non-current interest bearing liabilities	68 887	163 030

Particulars

The group was party to a property loan agreement by registering a bond of R31 000 000 over its property. As per note 13, the group has disposed of the property at 30 June 2013. Accordingly, the asset and related mortgage bond were reclassified as held-for-sale. The liability was settled on 8 July 2013. The loan attracted interest at the prime overdraft rate less 1% and was originally repayable in 120 equal instalments by 31 December 2021.

The loan from TMM Holdings (Pty) Limited is secured over a general notarial bond over inventory of Jasco Trading (Pty) Limited, bears interest at 8,5% and is repayable by 1 December 2016. The group has the option of settling the loan through the issue of ordinary shares at 80c per share, subject to certain conditions. Should this occur, the interest charge will decrease to 4%.

The finance lease agreements bear interest at the prime overdraft interest rate, and are repayable in equal instalments over periods between one to three years. These liabilities are secured over furniture and equipment with a net book value of R524 912 (2013: R584 756).

The instalment sale agreements bear interest at the prime overdraft rate, and are repayable in equal instalments over periods between one to three years. These liabilities are secured over motor vehicles and equipment with a net book value of R5 706 901 (2013: R6 607 206) and will be repaid within 36 months.

The preference shares consisted of 40 000 fully paid up cumulative redeemable preference shares that were issued to AfroCentric as part of the purchase consideration for M-TEC. The loan is secured by the investment in M-TEC, bears interest at 80% of the prime overdraft interest rate. During the previous financial year, a breach in the covenant relating to the interest cover was identified, this was subsequently condoned and the redemption date was extended to 31 December 2014. During the year, the group repurchased 4 000 of the preference shares for R10 million.

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

The loans from non-controlling shareholders are unsecured, attract interest between 5% and the prime overdraft interest rate, and repayment has been deferred until at least 30 June 2016 (2013: 30 June 2015).

NOTES TO THE ANNUAL FINANCIAL STATEMENTS (continued)

FOR THE FINANCIAL YEAR ENDED 30 JUNE 2014

	Group 2014 R'000	Group 2013 R'000
20. Deferred maintenance revenue		
Service level agreements are provided as a separate service in addition to the sale of the products. Revenue arising from maintenance contracts is recognised on the accrual basis over the period for which services are rendered.		
Within the next 12 months	43 308	24 821
Thereafter	1 568	1 578
	44 876	26 399
21. Trade and other payables		
Trade payables	139 561	201 266
Deferred lease payments	5 353	1 722
Other payables	49 594	45 199
	194 508	248 187
Trade payables are non-interest-bearing and are normally settled on 30 to 90 day terms.		
22. Provisions		
Audit fees		
Beginning of year	5 018	4 508
Disposal of subsidiary/business operations	–	222
Reclassified as held-for-sale	–	(300)
Arising during year	4 546	5 017
Utilised during year	(5 513)	(4 429)
Unused amount reversed	(123)	–
End of year	3 928	5 018
Bonus		
Beginning of year	31 236	16 867
Disposal of subsidiary/business operations	(1 069)	(312)
Arising during year	4 235	31 361
Utilised during year	(26 175)	(16 307)
Unused amount reversed	(3 850)	(373)
Discount rate adjustment	77	–
End of year	4 454	31 236
Leave pay		
Beginning of year	11 573	11 252
Disposal of subsidiary	(525)	(748)
Acquisition of subsidiary/business operations	939	–
Arising during year	6 104	6 273
Utilised during year	(5 619)	(5 204)
Unused amount reversed	(330)	–
End of year	12 142	11 573
Warranties		
Beginning of year	154	150
Arising during year	–	4
Utilised during year	(4)	–
End of year	150	154
Other		
Beginning of year	706	3 870
Arising during year	756	224
Utilised during year	(315)	(2 461)
Unused amount reversed	(196)	(927)
End of year	951	706

NOTES TO THE ANNUAL FINANCIAL STATEMENTS (continued)

FOR THE FINANCIAL YEAR ENDED 30 JUNE 2014

	Group 2014 R'000	Group 2013 R'000
22. Provisions (continued)		
Total provisions		
Beginning of year	48 687	36 647
Disposal of subsidiary/business operations	(1 594)	(838)
Acquisition of subsidiary/business operations	939	–
Reclassified as held-for-sale	–	(300)
Arising during year	15 641	42 879
Utilised during year	(37 626)	(28 401)
Unused amount reversed	(4 499)	(1 300)
Discount rate adjustment	77	–
End of year	21 625	48 687

Certain key employees in the group are granted share appreciation rights which can only be settled for cash. These rights will vest when certain growth targets within individual business units have been achieved. The contractual life of these rights is five years. The fair value of these rights is measured on the grant dates of 1 July 2009, 1 July 2010 and 1 July 2012, taking into account the terms and conditions on granting of the rights. The services received, and the liability to pay for those services, are recognised over the expected vesting period. Until the liability is settled, it is remeasured to fair value at each reporting date with the changes recognised in profit and loss.

The carrying amount of the liability relating to these rights at the year-end is R1 392 149 (2013: R2 789 705) and is recorded in the bonus provision. R1 392 149 (2013: R2 276 044) of the rights have vested at the year-end.

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

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

	Group 2014 R'000	Group 2013 R'000
23. Short-term borrowings		
Short-term borrowings comprise:		
– current portion of non-current interest-bearing liabilities (refer note 19)	107 187	15 316
– insurance payment plan	643	663
– short-term loan: former shareholders	263	–
– short-term loan: Grindrod Bank Limited	–	32 230
– bank overdrafts	13 486	60 602
	121 579	108 811

The Grindrod Bank Limited loan was a bridging facility on the property disposal. The loan attracted interest at 9,5% and was settled in July 2013.

The bank overdrafts are secured by a cession over trade receivables of the group.

NOTES TO THE ANNUAL FINANCIAL STATEMENTS (continued)

FOR THE FINANCIAL YEAR ENDED 30 JUNE 2014

24. Notes to the statements of cash flows

	Group 2014 R'000	Group 2013 R'000
24.1 Reconciliation of profit/(loss) before taxation to cash generated from/(utilised in) operations		
Profit/(loss) before taxation	3 050	(114 402)
Adjustments for:		
– amortisation of intangibles	10 168	12 199
– depreciation of plant and equipment	11 450	12 141
– equity-settled share-based payment	410	(83)
– impairment of assets	–	86 829
– impairment of intangibles	–	24 178
– unrealised foreign exchange gains	(760)	(4 238)
– unrealised foreign exchange losses	721	4 186
– net profit on sale of plant and equipment	(155)	(8 536)
– loss on remeasurement of disposal group held-for-sale	–	9 769
– (profit)/loss on disposal of business operation/subsidiary	(4 289)	4 758
– income from associates	–	1 586
– net interest paid	14 544	19 330
Cash flows from operations before working capital changes	35 139	47 717
Working capital changes	(9 676)	(114 083)
– decrease/(increase) in inventories	16 162	(60 154)
– decrease/(increase) in trade and other receivables	50 876	(164 328)
– (decrease)/increase in trade and other payables, provisions and current portion of long-term liabilities	(76 714)	110 399
Cash generated from/(utilised in) operations	25 463	(66 366)
24.2 Taxation paid		
Net taxation (payable)/refundable at beginning of year	(2 248)	817
Net acquisition/disposal of subsidiaries/business operations	(721)	(1 884)
Taxation payable included in non-current liabilities held-for-sale	–	2 643
Amounts charged per statement of comprehensive income, excluding deferred taxation	(1 359)	(4 706)
Net taxation (refundable)/payable at end of year	(51)	2 248
Cash amounts paid	(4 379)	(882)
24.3 Acquisition of business operations		
Plant and equipment	1 439	–
Intangibles	1 071	–
Inventories	424	–
Accounts receivable	682	–
Accounts payable	(399)	–
Total purchase price	3 217	–
Less: Future payments	(717)	–
Cash flow on acquisition	2 500	–

NOTES TO THE ANNUAL FINANCIAL STATEMENTS (continued)

FOR THE FINANCIAL YEAR ENDED 30 JUNE 2014

	Group 2014 R'000	Group 2013 R'000
24. Notes to the statements of cash flows (continued)		
24.4 Disposal of subsidiaries, net of cash disposed of		
Loss on disposal	–	(4 758)
Equity	12 525	(4 451)
Plant and equipment	–	7 819
Intangibles	–	4 545
Loans	–	(16 162)
Inventories	–	35 575
Accounts receivable	–	23 432
Accounts payable	–	(26 475)
Current taxation	–	1 884
Deferred taxation	–	188
Long-term borrowings	–	(16 994)
Non-current asset held-for-sale	(23 611)	–
Non-current liability held-for-sale	8 435	–
Net cash and cash equivalents	–	(2 815)
Total purchase price	(2 651)	1 788
Exclude: Net cash and cash equivalents disposed of	2 502	2 815
Add: Intangible acquired as part of disposal consideration	2 651	–
Less: Deferred payments	–	(1 788)
Cash flow on disposal	2 502	2 815
24.5 Acquisition of subsidiaries, net of cash acquired		
Plant and equipment	375	–
Intangibles	16 223	–
Non-current receivables	336	–
Inventories	815	–
Accounts receivable	10 875	–
Accounts payable	(7 434)	–
Current taxation	(721)	–
Deferred taxation	(1 610)	–
Long-term borrowings	(6 975)	–
Net cash and cash equivalents	3 465	–
Total purchase price	15 349	–
Exclude: Net cash and cash equivalents acquired of	(3 465)	–
Less: Deferred payments	(9 850)	–
Cash flow on disposal	2 034	-
24.6 Proceeds on disposal of business operations		
Gain on disposal	4 289	–
Plant and equipment	868	–
Inventories	2 877	–
Accounts receivable	6 834	–
Accounts payable	(1 878)	–
Total disposal consideration	12 990	–
Less: Deferred proceeds	(870)	–
Cash flow on disposal	12 120	–

NOTES TO THE ANNUAL FINANCIAL STATEMENTS (continued)

FOR THE FINANCIAL YEAR ENDED 30 JUNE 2014

	Group 2014 R'000	Group 2013 R'000
24. Notes to the statements of cash flows (continued)		
24.7 Replacement of plant and equipment		
Plant and machinery	(216)	(194)
Furniture and office equipment	(2 145)	(1 170)
Computer and manufacturing equipment	(345)	(139)
Leasehold improvements	(692)	(35)
Leased furniture and office equipment	(159)	–
Total replacement	(3 557)	(1 538)
24.8 Additions to plant and equipment		
Plant and machinery	(4 500)	(11 328)
Hi sites	(105)	(160)
Furniture and office equipment	(4 269)	(2 428)
Motor vehicles	(70)	–
Leasehold improvements	(51)	(4 366)
Computer and manufacturing equipment	(1 509)	(1 649)
Total additions	(10 504)	(19 931)
25. Dividend per ordinary share		
Final dividend number 21 of 3 cents per ordinary share declared and paid during the previous year, net of dividends received by the Share Incentive Trusts	–	4 239
26. Operating leases		
26.1 Operating lease commitments		
Future minimum rentals for premises and office equipment under non-cancellable leases payable within:		
– one year	20 275	10 472
– after one year, within five years	55 961	18 113
– after five years	71 116	1 125
Total	147 352	29 710
The increase relates to the 12-year lease agreement entered into with Genesis Capital (Pty) Limited for the rental of the head offices premises.		
26.2 Operating lease income		
Future minimum rentals under non-cancellable leases receivable within:		
– one year	23 950	20 944
– after one year, within five years	20 039	21 115
– after five years	3 882	4 901
Total	47 871	46 960

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

NOTES TO THE ANNUAL FINANCIAL STATEMENTS (continued)

FOR THE FINANCIAL YEAR ENDED 30 JUNE 2014

	Group 2014 R'000	Group 2013 R'000
27. Capital commitments		
Capital expenditure relating to plant and equipment contracted for at reporting date, but not yet incurred, will be financed using existing and new banking facilities.	765	1 927
Capital expenditure relating to plant and equipment approved but not contracted for at the reporting date will be financed using existing and new banking facilities.	12 942	910
Total	13 707	2 837
28. Contingent liabilities		
28.1 Banking facilities		
Bank overdrafts of the group, excluding FerroTech and Telesto are cross-guaranteed by the group companies. The net overdrafts of subsidiaries as at 30 June 2014 amounted to Rnil (2013: Rnil). The details of the facilities are as follows:		
Sharing cross guarantees	70 050	70 050
– Standard Bank	46 150	46 150
– First National Bank	23 900	23 900
Ringfenced facility of WebbLeBLANC Communications (Pty) Limited		
– First National Bank	–	8 000
Standalone facility of Ferro Resonant Technologies (Pty) Limited		
– Nedbank	1 500	1 500
Standalone facility for Telesto Communications (Pty) Limited		
– Nedbank	860	–
Standalone facility for MV Fire Protection (Pty) Limited		
– Absa	1 000	–
Total overdraft facility	73 410	85 050
Other general banking facilities	52 993	51 130
– Standard Bank	23 393	23 393
– First National Bank	23 600	23 600
– Nedbank	6 000	4 137
Total general banking facilities	126 403	136 180

NOTES TO THE ANNUAL FINANCIAL STATEMENTS (continued)

FOR THE FINANCIAL YEAR ENDED 30 JUNE 2014

29. Directors' and prescribed officers' emoluments

	Short-term benefits								
	Fees for services as a director R	Basic salary R	Bonuses and performance-related payments R	Sums paid by way of expense allowance R	Other benefits R	Total short-term benefits R	Contri-butions to defined contribution funds R	Share-based payments R	Total R
2014									
Non-executive									
(paid by Jasco Electronics Holdings Limited)									
ATM Mokgokong	387 552	–	–	–	–	387 552	–	–	387 552
MJ Madungandaba	376 290	–	–	–	–	376 290	–	–	376 290
JC Farrant	297 570	–	–	–	–	297 570	–	–	297 570
JA Sherry	158 881	–	–	–	–	158 881	–	–	158 881
H Moolla	292 057	–	–	–	–	292 057	–	–	292 057
M Malebye	292 057	–	–	–	–	292 057	–	–	292 057
	1 804 407	–	–	–	–	1 804 407	–	–	1 804 407
Executive									
(paid by Jasco Trading (Pty) Limited)									
AMF da Silva	–	2 518 469	–	37 906	29 084	2 585 459	629 617	228 848	3 443 924
WA Prinsloo	–	1 866 132	178 695	73 479	19 797	2 138 103	262 787	138 618	2 539 508
	–	4 384 601	178 695	111 385	48 881	4 723 562	892 404	367 466	5 983 432
Total directors	1 804 407	4 384 601	178 695	111 385	48 881	6 527 969	892 404	367 466	7 787 839
Prescribed officers									
(paid by Jasco Trading (Pty) Limited)									
M Janse van Vuuren	–	1 683 924	3 333	34 428	22 368	1 744 053	262 809	26 068	2 032 930
T Petje	–	1 292 359	–	32 898	16 183	1 341 440	227 348	–	1 568 788
Total prescribed officers	–	2 976 283	3 333	67 326	38 551	3 085 493	490 157	26 068	3 601 718
Total directors and prescribed officers	1 804 407	7 360 884	182 028	178 711	87 432	9 613 462	1 382 561	393 534	11 389 557
2013									
Non-executive									
(paid by Jasco Electronics Holdings Limited)									
ATM Mokgokong	354 101	–	–	–	–	354 101	–	–	354 101
MJ Madungandaba	353 377	–	–	–	–	353 377	–	–	353 377
JC Farrant	279 450	–	–	–	–	279 450	–	–	279 450
JA Sherry	149 204	–	–	–	–	149 204	–	–	149 204
H Moolla	270 525	–	–	–	–	270 525	–	–	270 525
M Malebye	274 275	–	–	–	–	274 275	–	–	274 275
	1 680 932	–	–	–	–	1 680 932	–	–	1 680 932
Executive									
(paid by Jasco Trading (Pty) Limited)									
AMF da Silva	–	2 852 276	232 540	53 473	32 809	3 171 098	608 326	183 158	3 962 582
WA Prinsloo	–	1 968 553	145 404	52 473	23 059	2 189 489	253 901	78 045	2 521 435
	–	4 820 829	377 944	105 946	55 868	5 360 587	862 227	261 203	6 484 017
Total directors	1 680 932	4 820 829	377 944	105 946	55 868	7 041 519	862 227	261 203	8 164 949
Prescribed officers									
(paid by subsidiaries)									
M Janse van Vuuren	–	1 603 735	141 745	37 013	19 348	1 801 841	250 294	–	2 052 135
T Vermeulen (12 months)*	–	1 709 860	141 501	53 780	20 634	1 925 775	268 715	–	2 194 490
C Lamprecht (8 months) *	–	782 489	103 382	24 026	10 183	920 080	176 998	–	1 097 078
T Petje	–	1 254 716	112 801	58 550	15 835	1 441 902	220 726	–	1 662 628
Total prescribed officers	–	5 350 800	499 429	173 369	66 000	6 089 598	916 733	–	7 006 331
Total directors and prescribed officers	1 680 932	10 171 629	877 373	279 315	121 868	13 131 117	1 778 960	261 203	15 171 280

**Resigned during 2013.*

NOTES TO THE ANNUAL FINANCIAL STATEMENTS (continued)

FOR THE FINANCIAL YEAR ENDED 30 JUNE 2014

30. Borrowings

The group's borrowings are not limited by its articles of association and are at the directors' discretion.

31. Retirement benefits

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

32. Related parties

The subsidiaries of the group are identified on page 24.

All purchasing and selling transactions with related parties are concluded at arm's length. Outstanding balances at year-end are unsecured, bear interest at 5,25% (2013: 5%) and settlement occurs in cash.

Interest on inter-group balances are disclosed in note 5.

Details of inter-group revenue are disclosed in the segmental report on page 53.

Amounts owing to non-controlling shareholders are set out in note 19.

Directors' emoluments are disclosed in note 29 on page 47.

Administration, managerial and secretarial fees between related parties are disclosed in note 5 on page 26. No other transactions were entered into between the holding company and its subsidiaries.

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

33. Financial instruments

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

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

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

No changes were made to the objectives, policies or processes during the years ended 30 June 2014 and 2013.

33.1 Capital management

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

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

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

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

NOTES TO THE ANNUAL FINANCIAL STATEMENTS (continued)

FOR THE FINANCIAL YEAR ENDED 30 JUNE 2014

33. Financial instruments (continued)

33.2 Fair values

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

The fair value of financial instruments, excluding foreign currency contracts and option contracts, has been calculated by discounting the expected future cash flows at prevailing interest rates. The fair value of foreign currency contracts and option contracts has been determined using valuation techniques with market observable inputs.

The 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 2014 and 2013, with the exception of cash and cash equivalents (level 1) and foreign currency contracts (level 2), all financial assets were in level 3.

33.3 Foreign currency risk

The group incurs currency risk as a result of transactions which are denominated in a currency other than the group entities' functional currency. The currencies, giving rise to currency risk, in which the group primarily deals, are pound sterling, US dollar, Euro and Japanese yen.

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

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

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

	Foreign amount		Rand amount	
	2014 000	2013 000	2014 R'000	2013 R'000
Trade and other receivables			8 802	21 096
Foreign currency:				
– Pound sterling	32	36	591	550
– US dollar	648	2 064	6 443	20 536
– Euro	121	1	1 768	10
Trade and other payables			57 094	82 370
Foreign currency:				
– Pound sterling	24	21	437	318
– US dollar	4 342	6 080	43 199	60 495
– US dollar put option	–	(600)	–	(5 755)
– Euro	910	2 096	13 288	27 092
– Australian dollar	17	24	170	220

NOTES TO THE ANNUAL FINANCIAL STATEMENTS (continued)

FOR THE FINANCIAL YEAR ENDED 30 JUNE 2014

33. Financial instruments (continued)

33.3 Foreign currency risk (continued)

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

	Increase/ (decrease) in basis points	Group 2014 R'000	2013 R'000
– Pound sterling	+10c	(2)	1
	−10c	2	(1)
– US dollar	+10c	(641)	(1 006)
	−10c	641	1 006
– Euro	+10c	(178)	(255)
	−10c	178	255
– Australian dollar	+10c	(2)	(2)
	−10c	2	2

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:

	2014 Average rate	2014 Closing rate	2013 Average rate	2013 Closing rate
– Pound sterling	16,872	18,194	12,242	12,934
– Uganda shilling	–	–	0,003	0,003

33.4 Interest rate risk

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

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

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

	Total R'000	Within 1 year R'000	1 to 2 years R'000	2 to 3 years R'000	3 to 4 years R'000
Group					
2014					
Fixed rate					
Interest-bearing liabilities	(54 446)	(13 694)	(14 715)	(15 951)	(10 086)
TMM loan	(20 000)	–	(20 000)	–	–
Variable rate					
Interest-bearing liabilities	(102 558)	(94 399)	(4 068)	(4 092)	–
Net cash and cash equivalents	(8 110)	(8 110)	–	–	–
2013					
Fixed rate					
Interest-bearing liabilities	(67 371)	(12 668)	(13 694)	(14 802)	(26 207)
Short-term loan	(663)	(663)	–	–	–
Variable rate					
Interest-bearing liabilities	(138 644)	(30 610)	(102 802)	(1 890)	(3 342)
Short-term loan	(32 300)	(32 300)	–	–	–
Net cash and cash equivalents	(56 024)	(56 024)	–	–	–

NOTES TO THE ANNUAL FINANCIAL STATEMENTS (continued)

FOR THE FINANCIAL YEAR ENDED 30 JUNE 2014

33. Financial instruments (continued)

33.4 Interest rate risk (continued)

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

	Increase/ (decrease) in basis points	Group 2014 R'000	Group 2013 R'000
Profit before tax	+0,5%	(553)	(238)
	–0,5%	553	238

33.5 Credit risk management

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

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

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

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

Apart from the loan to Leseding Electronic Investments and LeBLANC Jasco (Pty) Limited (note 12) and certain trade receivables (note 15), no financial assets are past due, but not impaired.

NOTES TO THE ANNUAL FINANCIAL STATEMENTS (continued)

FOR THE FINANCIAL YEAR ENDED 30 JUNE 2014

33. Financial instruments (continued)

33.6 Liquidity management

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

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

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

	Net payment R'000	Future interest R'000	Total payment R'000	On demand R'000	Less than 3 months R'000	3 to 12 months R'000	Thereafter R'000
Group							
2014							
Loans receivable	53 265	(12 217)	65 482	–	4 341	13 024	48 117
Trade and other receivables	249 229	–	249 229	81 909	167 320	–	–
Net cash and cash equivalents	(8 110)	–	(8 110)	(8 291)	181	–	–
Interest bearing loans and borrowings	(86 980)	11 197	(98 177)	(263)	(5 509)	(19 268)	(73 137)
Redeemable preference shares	(90 000)	3 266	(93 266)	–	(1 633)	(91 633)	–
Trade and other payables	(189 155)	–	(189 155)	–	(189 155)	–	–
Derivative financial instruments	(75)	–	(75)	–	(75)	–	–
	(71 826)	2 246	(74 072)	73 355	(24 530)	(97 877)	(25 020)
2013							
Loans receivable	62 994	(18 944)	81 938	–	4 341	13 024	64 573
Trade and other receivables	375 495	(1 161)	376 656	11 396	321 528	28 916	14 816
Net cash and cash equivalents	(56 024)	–	(56 024)	(56 810)	2 963	(2 177)	–
Interest bearing loans and borrowings	(238 979)	12 451	(251 430)	(32 230)	(32 642)	(116 801)	(69 757)
Redeemable preference shares	(100 000)	10 228	(110 228)	–	(1 714)	(5 086)	(103 428)
Trade and other payables	(246 464)	–	(246 464)	(10 342)	(230 488)	(5 634)	–
Derivative financial instruments	872	–	872	(108)	980	–	–
Guarantees	(2 000)	–	(2 000)	–	(2 000)	–	–
	(204 106)	2 574	(206 680)	(88 094)	62 968	(87 758)	(93 796)

SEGMENTAL REPORT

AT 30 JUNE 2014

Introduction

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

Kindly refer to the directors' report for more information on the segments.

	Income and expenses					Financial position		
	Revenue							
	External R'000	Inter-group R'000	Total R'000	Operating profit/ (loss)† R'000	Share of loss from associate R'000	Assets R'000	Liabilities R'000	Capital expenditure R'000
2014 (new structure)								
Carriers	370 644	1 012	371 656	46 123	–	149 833	53 322	2 761
Enterprise	347 978	4 191	352 169	(1 602)	–	149 208	96 826	9 171
Intelligent Technologies	130 421	4 317	134 738	3 481	–	109 569	79 772	2 997
Electrical Manufacturers	193 194	1 259	194 453	19 188	–	85 453	20 244	2 495
Subtotal operating division	1 042 237	10 779	1 053 016	67 190	–	494 063	250 164	17 424
Other non-operating divisions	948	–	948	(51 145)	–	164 697	208 272	4 266
Adjustments	–	(10 779)	(10 779)	1 549	–	87 381	123	(263)
Total	1 043 185	–	1 043 185	17 594	–	746 141	458 559	21 427
2014								
ICT – Carrier	435 350	1 135	436 485	46 934	–	166 342	65 063	4 963
ICT – Networks	63 318	5 604	68 922	(11 076)	–	96 214	73 743	844
ICT – Enterprise	206 739	3 048	209 787	10 124	–	75 309	73 397	7 921
E&I – Industry	143 636	2 186	145 822	2 020	–	70 745	17 717	1 201
E&I – Energy	193 194	1 259	194 453	19 188	–	85 453	20 244	2 495
Subtotal operating division	1 042 237	13 232	1 055 469	67 190	–	494 063	250 164	17 424
Other non-operating divisions	948	–	948	(51 145)	–	164 697	208 272	4 266
Adjustments	–	(13 232)	(13 232)	1 549	–	87 381	123	(263)
Total	1 043 185	–	1 043 185	17 594	–	746 141	458 559	21 427
2013								
ICT – Carrier	497 396	1 415	498 811	56 468	–	241 123	138 904	1 445
ICT – Networks	110 187	4 383	114 570	(3 442)	–	100 907	84 286	1 165
ICT – Enterprise	211 814	7 174	218 988	13 824	–	78 744	69 832	592
E&I – Industry	147 587	1 155	148 742	5 760	–	82 123	24 487	513
E&I – Energy	181 876	2 382	184 258	11 802	(1 586)	110 490	45 496	11 584
Subtotal operating division	1 148 860	16 509	1 165 369	84 412	(1 586)	613 387	363 005	15 299
Other non-operating divisions	2 175	7 642	9 817	(61 267)	–	386 243	401 821	10 694
Adjustments	–	(24 151)	(24 151)	(116 631)	–	(122 425)	(125 689)	(364)
Total	1 151 035	–	1 151 035	(93 486)	(1 586)	877 205	639 137	25 629

† 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.

ORDINARY SHARE PERFORMANCE AND SHAREHOLDING

STATISTICAL HIGHLIGHTS FOR THE SIX YEARS ENDED 30 JUNE 2014

	2014	2013	2012	2011	2010	2009
Jasco share price						
Lowest share price (cents)	58	85	90	70	115	113
Highest share price (cents)	114	175	150	155	210	360
Closing share price (cents)	90	99	150	101	126	168
Analysis of Jasco share transactions						
Total number of transactions recorded on JSE	1 684	3 151	2 390	1 533	1 054	2 226
Total number of shares traded (000)	20 246	24 594	24 365	21 219	7 965	21 008
Total number of shares traded as a percentage of issued shares (%)	11,6	16,8	16,6	14,5	7,0	18,4
Total value of shares traded (R'000)	16 564	35 213	27 870	24 956	13 045	47 601

Analysis of Jasco shareholding at 30 June 2014

	Number of shareholders	% of total	Number of shares	% of total
Size of shareholding				
1 – 1 000	1 467	46,52	477 282	0,22
1 001 – 5 000	720	22,84	1 978 390	0,91
5 001 – 10 000	289	9,17	2 306 097	1,06
10 001 – 100 000	544	17,25	16 368 368	7,49
100 001 and over	133	4,22	197 269 093	90,32
	3 153	100,00	218 399 230	100,00
Analysis of shareholders				
Class				
– individuals	2 808	89,06	39 922 930	18,28
– financial institutions and corporate bodies	345	10,94	178 476 300	81,72
	3 153	100,00	218 399 230	100,00
Major shareholders (5% or more of shares in issue)				
– Goldsol II (Pty) Limited			50 000 000	22,89
– AfroCentric Investment Corporation Limited			44 263 793	20,27
– Community Investment Holdings (Pty) Limited (CIH)*			27 376 750	12,54
Jasco ordinary shareholders' spread at 30 June 2014				
Non-public				
– BEE partners	8	0,25	136 038 218	62,29
– Jasco directors†	3	0,10	2 242 026	1,03
– Associates of Jasco directors	1	0,03	23 000	0,01
– Jasco Employee Share Incentive Trust	1	0,03	3 157 338	1,45
– Spescom Limited Share Trust	1	0,03	2 164 837	0,99
	14	0,44	143 625 419	65,77
Public	3 139	99,56	74 773 811	34,23
	3 153	100,00	218 399 230	100,00

†Refer to the directors' report on page 7 for detailed information of the directors' interest in share capital.

**CIH's shares are held by Malesela Holdings No 1 (Pty) Limited and the Inkonkoni Trust.*

CORPORATE PARTNERS

Group company secretary and registered office
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Jasco Electronics Holdings Limited
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Registered Auditor
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Sandton, 2196

Commercial bankers
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Corporate and Investment Banking
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Johannesburg, 2001

First National Bank of Southern Africa Limited
RMB Corporate
Corner Pritchard and Simmonds Streets
Johannesburg, 2001

Transfer secretaries
Link Market Services South Africa (Pty) Limited
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Sponsor
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