JASCO

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COMPANY ANNUAL FINANCIAL STATEMENTS 2014

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COMPANY 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 annual financial statements and related financial information included in this report. It is their responsibility to ensure that the separate annual financial statements fairly present the state of affairs of the company 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 annual financial statements.

The annual financial statements are prepared in accordance with International Financial Reporting Standards and include the SAICA Financial Reporting Guides as issued by the Accounting Practices Committee and Financial Reporting Pronouncements as issued by Financial Reporting Standards Council. They are based upon appropriate accounting policies consistently applied and supported by reasonable and prudent judgements and estimates.

The directors acknowledge that they are ultimately responsible for the system of internal financial control established by the company 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 company and all employees are required to maintain the highest ethical standards in ensuring the company's business is conducted in a manner that in all reasonable circumstances is above reproach. The focus of risk management in the company is on identifying, assessing, managing and monitoring all known forms of risk across the company. While operating risk cannot be fully eliminated, the company endeavours to minimise this risk by ensuring that appropriate infrastructure, controls, systems and ethical behaviour are applied and managed within predetermined procedures and constraints.

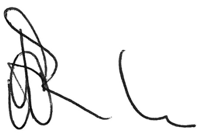
Based on the information and explanations given by management, the directors are of the opinion that the system of internal control provides reasonable assurance that the financial records may be relied on for the preparation of the annual financial statements. However, any system of internal financial 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 annual financial statements. The annual financial statements have been examined by the company's external auditors and their report is presented on page 2.

The annual financial statements set out on pages 3 to 28, 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 annual financial statements of Jasco Electronics Holdings Limited set out on pages 6 to 28, which comprise the statement of financial position as at 30 June 2014, and the statement of comprehensive income, 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 company'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 annual 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 annual 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 annual financial statements are free from material misstatement.

An audit involves performing procedures to obtain audit evidence about the amounts and disclosures in the annual financial statements. The procedures selected depend on the auditor's judgement, including the assessment of the risks of material misstatement of the annual financial statements, whether due to fraud or error. In making those risk assessments, the auditor considers internal control relevant to the company's preparation and fair presentation of the annual 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 company'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 annual 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 annual financial statements present fairly, in all material respects, the financial position of Jasco Electronics Holdings Limited as at 30 June 2014, and its 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 annual financial statements for the year ended 30 June 2014, we have read the directors' report and the company secretary's certification for the purpose of identifying whether there are material inconsistencies between these reports and the audited annual 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 annual 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

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 company for the year ended 30 June 2014.

NATURE OF BUSINESS

The company holds investments in its subsidiary companies and provides financial and management services to them and their trading divisions. The trading activities of the group companies are divided into three main business segments, namely Information and Communications Technology (ICT) Solutions, Industry Solutions and Energy 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, Enterprises 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 directors have reviewed the company's cash flow forecast for the year to 30 June 2014 and, in the light of this review and the current financial position, they are satisfied that the company has or has access to adequate resources to continue in operational existence for the foreseeable future.

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 1 January 2014 following a rights issue at 80 cents per share.

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
Sir 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
Dr 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

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.

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.

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

PRESCRIBED OFFICER'S 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 11.1 to the annual 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 the website.

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 Malebye has not offered herself for re-election. 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 28.

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 company.

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.

STATEMENT OF COMPREHENSIVE INCOME

FOR THE FINANCIAL YEAR ENDED 30 JUNE 2014

	Note	Company 2014 R'000	2013 R'000
Revenue	3	4 197	3 833
Other income		8 654	12 588
Administrative expenses		(8 253)	(6 908)
Other expenses		(156 890)	(2 464)
Operating (loss)/profit		(156 489)	3 216
Finance income	4	4 197	3 833
Finance costs	4	(4 345)	(7 037)
(Loss)/profit before taxation	4	(156 637)	12
Taxation	5	(17)	(703)
Loss for the year		(156 654)	(691)
Other comprehensive income		–	–
Total comprehensive loss for the year		(156 654)	(691)
Loss and total comprehensive loss for the year attributable to:			
– non-controlling interests		–	–
– ordinary shareholders of the parent		(156 654)	(691)
		(156 654)	(691)

STATEMENT OF FINANCIAL POSITION

AT 30 JUNE 2014

	Note	Company 2014 R'000	Company 2013 R'000
ASSETS			
Non-current assets		98 481	436 105
Investment in subsidiaries	6	95 591	433 118
Deferred income tax	7	–	11
Other non-current assets	8	2 890	2 976
Current assets		97 544	32 511
Trade and other receivables	9	114	204
Amounts owing by subsidiaries	6	97 430	32 307
Total assets		196 025	468 616
EQUITY AND LIABILITIES			
Shareholders' equity		132 619	234 173
Share capital	10	275 335	220 235
Non-distributable reserves	11	2 893	2 893
Retained (loss)/earnings		(145 609)	11 045
Non-current liabilities		6	109 533
Amounts owing to subsidiaries	6	–	109 533
Deferred income tax	7	6	–
Current liabilities		63 400	124 910
Trade and other payables	12	1 321	2 665
Provisions	13	506	594
Amounts owing to subsidiaries	6	350	13 005
Short-term borrowings	14	61 223	108 646
Total equity and liabilities		196 025	468 616

STATEMENT OF CHANGES IN EQUITY

FOR THE FINANCIAL YEAR ENDED 30 JUNE 2014

	Note	Share capital R'000	Non-distri-butable reserves R'000	Retained earnings/ (loss) R'000	Total equity R'000
Company					
Balance as at 30 June 2012		220 235	2 893	16 128	239 256
Dividends paid	15	–	–	(4 392)	(4 392)
Total comprehensive income		–	–	(691)	(691)
Loss for the year		–	–	(691)	(691)
Other comprehensive income		–	–	–	–
Balance as at 30 June 2013		220 235	2 893	11 045	234 173
Issue of new shares	10.2	55 100	–	–	55 100
Total comprehensive income		–	–	(156 654)	(156 654)
Loss for the year		–	–	(156 654)	(156 654)
Other comprehensive income		–	–	–	–
Balance as at 30 June 2014		275 335	2 893	(145 609)	132 619

STATEMENT OF CASH FLOWS

FOR THE FINANCIAL YEAR ENDED 30 JUNE 2014

		Company	
	Note	2014 R'000	2013 R'000
Cash flows from operating activities		(104 294)	(22 926)
Cash receipts from customers		8 743	5 749
Cash paid to suppliers and employees		(112 889)	(21 516)
Cash utilised in operations	16.1	(104 146)	(15 767)
Finance income		3 437	3 833
Finance costs		(4 345)	(7 037)
Taxation refund received	16.2	–	437
Dividends received/(paid)		760	(4 392)
Cash flows from investing activities		94 263	(14 785)
Non-current debtor loans repaid		–	73
Decrease/(increase) in subsidiary loan accounts		94 263	(14 858)
Cash flows from financing activities		25 224	37 677
New shares issued	10.2	55 100	–
Loans (repaid)/raised		(32 230)	32 230
Increase in amounts owing to subsidiaries		2 354	5 447
Net increase/(decrease) in cash and cash equivalents		15 193	(34)
Cash and cash equivalents at beginning of year		(76 416)	(76 382)
Net cash and cash equivalents at end of year		(61 223)	(76 416)
Bank overdrafts	14	(61 223)	(76 416)
Net cash and cash equivalents at end of year		(61 223)	(76 416)

NOTES TO THE ANNUAL FINANCIAL STATEMENTS

FOR THE FINANCIAL YEAR ENDED 30 JUNE 2014

1. Corporate information

The 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 annual financial statements are set out below:

2.1 Basis of preparation

The annual financial statements set out on pages 3 to 28 have been prepared on a historical cost basis, unless otherwise stated. The annual financial statements are presented in Rand, which is also the company's functional currency, and are rounded to the nearest thousand, except where otherwise indicated.

2.2 Statement of compliance

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

2.3 Investments in subsidiaries

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

Control is achieved when the company 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 company controls an investee if and only if the company 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 company has less than a majority of the voting or similar rights of an investee, the company 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 company's voting rights and potential voting rights

The company re-assesses 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.

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

Any contingent consideration to be transferred will be recognised at fair value at the acquisition date. Subsequent changes to the fair value of the contingent consideration which is deemed to be an asset or liability will be recognised in 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 re-measured until it is finally settled within equity.

2.4 Significant accounting judgement and estimates

The preparation of the company's 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 company's accounting policies, management has made the following judgements, estimates and assumptions, which have the most significant effect on the amounts recognised in the annual financial statements:

2.4.1 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.

Where impairment indicators exist, the determination of the recoverable amount requires management to make assumptions to determine the fair value less costs to dispose 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.

NOTES TO THE ANNUAL FINANCIAL STATEMENTS

FOR THE FINANCIAL YEAR ENDED 30 JUNE 2014 (continued)

2.4.2 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.

2.4.3 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.

2.4.4 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.

2.4.5 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 11.1. 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 company 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:

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

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

2.6 Taxation
2.6.1 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.

2.6.2 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.

2.6.3 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

NOTES TO THE ANNUAL FINANCIAL STATEMENTS (continued)

FOR THE FINANCIAL YEAR ENDED 30 JUNE 2014

2. Accounting policies (continued)

2.6.3 Deferred tax assets and liabilities (continued)

- In respect of taxable deductible differences relating to investments in subsidiaries, associates or joint ventures, where the timing of the reversal of the temporary difference can be controlled and it is probable that the temporary difference will reverse in the foreseeable future and taxable profit will be available against which the temporary differences can be utilised.

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

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

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

2.6.4 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.

2.7 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.

2.8 Employee benefits

2.8.1 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 company 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.

2.8.2 Share-based compensation

The company operates an equity-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 company'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.

2.9 Provisions, contingent liabilities and commitments

Provisions are recognised when the company 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

Transactions arising from past events are classified as contingent liabilities where the company 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 company, or the company 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 company commits itself to future transactions or if the items will result in the acquisition of assets.

2.10 Impairment of assets

The company 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 company 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 company bases its impairment calculation on detailed budgets and forecast calculations which are prepared separately for each of the company'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 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 company estimates the asset's or cash-generating unit's recoverable amount. A previously recognised impairment loss is reversed only if there has been a change in the assumptions used to determine the asset's recoverable amount since the last impairment loss was recognised.

The reversal is limited so that the carrying amount of the asset does not exceed its recoverable amount, nor exceed the carrying amount that would have been determined, net of depreciation, had no impairment loss been recognised for the asset in prior years. Such reversal is recognised in profit or loss.

2.11 Financial instruments

2.11.1 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 company 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 company commits to purchase or sell the asset.

The company'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 and quoted and unquoted financial instruments.

2.11.2 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.

NOTES TO THE ANNUAL FINANCIAL STATEMENTS (continued)

FOR THE FINANCIAL YEAR ENDED 30 JUNE 2014

2. Accounting policies (continued)

2.11.2 Subsequent measurement (continued)

Cash and cash equivalents are carried at amortised cost.

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. 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.

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 company 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.

2.11.3 Derecognition

The derecognition of a financial instrument occurs when the company 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.

2.12 Standards and interpretations issued and not yet effective

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

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

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

NOTES TO THE ANNUAL FINANCIAL STATEMENTS (continued)

FOR THE FINANCIAL YEAR ENDED 30 JUNE 2014

Number	Name	Details of amendment	Effective date**
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, IAS 38, IAS 24 and IAS 40	1 July 2014
	Annual improvements projects	Clarification of certain sections in IFRS 13	December 2013

2.13 Accounting policies implemented this year

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

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

	2014 R'000	2013 R'000
3. Revenue		
Finance income	4 197	3 833
Total revenue	4 197	3 833
4. (Loss)/profit before taxation		
The operating (loss)/profit is stated after allowing for the following:		
Income		
Administration, managerial and secretarial fees received from subsidiaries	8 654	12 588
Finance income	4 197	3 833
Finance income from loans and receivables	3 437	3 833
– amounts owing by subsidiaries	3 437	3 827
– other	–	6
Finance income from investments – dividends received	760	–
Expenditure		
Administration, managerial and secretarial fees paid to subsidiaries	3 083	1 867
Auditor's remuneration – audit fees (current year)	635	594
Finance costs of other financial liabilities	4 345	7 037
• Interest paid	4 345	7 037
– bank loans and overdrafts	4 345	6 972
– other loans	–	49
– other	–	16
Impairment of investment in Jasco Cables Investments (Pty) Limited (refer note 6)	131 378	–
Impairment of current amount advanced to Jasco Cables Investments (Pty) Limited (refer note 6)	24 712	–
Impairment of loan to the Jasco share incentive trust	86	1 460
Staff costs	1 833	1 708
• Short-term benefits	1 833	1 708
– non-executive directors	1 804	1 681
– other staff (including other benefits)	29	27
5. Taxation		
South African normal taxation		
Deferred – relating to origination and reversal of temporary differences	17	703
Total taxation	17	703
Estimated taxation losses available for set off against future taxable profits	10	166
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
Non-deductible expenses	(28,1)	5 774,7
Non-taxable income	0,1	–
Effective taxation rate	(0,0)	5 802,7

NOTES TO THE ANNUAL FINANCIAL STATEMENTS (continued)

FOR THE FINANCIAL YEAR ENDED 30 JUNE 2014

	2014 R'000	2013 R'000
6. Investment in subsidiaries		
Unlisted shares at cost less impairments	95 591	226 970
Amounts owing by subsidiaries on loan account	–	206 148
	95 591	433 118
Amounts owing by subsidiaries on current account	97 430	32 307
Amounts owing to subsidiaries on loan account	–	(109 533)
Amounts owing to subsidiaries on current account	(350)	(13 005)

The loans to subsidiaries attract interest at a rate which is agreed upon between both parties on an annual basis. In 2013, repayment of the non-current accounts has been deferred until at least 30 June 2015.

The investment in Jasco Cables Investment (Pty) Limited of R131 378 382 and the current amount advanced to them of R50 553 174, was impaired as per note 4 to write off the carrying amount to its recoverable amount, which is based on a value in use calculation.

For details of subsidiaries refer to page 28.

	2014 R'000	2013 R'000
7. Deferred income tax asset/(liability)		
Beginning of year	11	714
Movement	(17)	(703)
End of year	(6)	11
Made up as follows		
– taxation losses	3	46
– prepayments	(9)	(35)
	(6)	11
8. Other non-current assets		
Loan to the Jasco Employee Share Incentive Trust	2 890	2 976
Loan	9 048	9 048
Allowance for impairment	(6 158)	(6 072)

The loan attracts interest at a rate which is agreed upon between the parties on an annual basis and has no fixed terms of repayment.

The directors are of the opinion that after the allowance for impairment, the loan is fairly stated. The impairment provision is calculated as the difference between the fair value of the Trust's net assets and the loan. The increase of R86 237 (2013: R1 459 480) relates to an increase in the provision required.

	2014 R'000	2013 R'000
Total	2 890	2 976
9. Trade and other receivables		
Trade receivables	–	63
– trade receivables	–	63
– impairment	–	–
Prepayments	114	126
Other	–	15
	114	204

Trade receivables are non-interest-bearing and generally between 30 – 90 day terms. Trade receivables have been ceded as security for the group's bank overdraft facilities. None of the trade receivables were past due but not impaired.

NOTES TO THE ANNUAL FINANCIAL STATEMENTS (continued)

FOR THE FINANCIAL YEAR ENDED 30 JUNE 2014

	2014 R'000	2013 R'000
10. Share capital		
10.1 Authorised		
750 000 000 ordinary shares with no par value		
29 884 633 redeemable preference shares with no par value		
10.2 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.

During the year, Jasco issued 71 999 919 new shares through a rights issue at 80c per share.

	2014 R'000	2013 R'000
11. Non-distributable reserves		
Equity-settled share-based payment reserve (note 11.1)	2 893	2 893
	2 893	2 893

11.1 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

NOTES TO THE ANNUAL FINANCIAL STATEMENTS (continued)

FOR THE FINANCIAL YEAR ENDED 30 JUNE 2014

11. Non-distributable reserves (continued)

11.1 Equity-settled share-based reserves (continued)

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

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 options 2014	Number of unvested 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	–	–

NOTES TO THE ANNUAL FINANCIAL STATEMENTS (continued)

FOR THE FINANCIAL YEAR ENDED 30 JUNE 2014

11. Non-distributable reserves (continued)

11.1 Equity-settled share-based payments (continued)

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

	2014 000	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	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:

	2014 R'000	2013 R'000
Equity-settled share-based payment	–	–

NOTES TO THE ANNUAL FINANCIAL STATEMENTS (continued)

FOR THE FINANCIAL YEAR ENDED 30 JUNE 2014

	2014 R'000	2013 R'000
12. Trade and other payables		
Trade payables	45	–
Other payables	1 276	2 665
	1 321	2 665
Trade payables are non-interest-bearing and are normally settled on 30 to 90 day terms.		
13. Provisions		
Audit fees		
Beginning of year	594	351
Arising during year	635	594
Utilised during year	(723)	(351)
End of year	506	594
The utilisation of these provisions are expected to occur within a year.		
14. Short-term borrowings		
Short-term borrowings comprise:		
– short term loan: Grindrod Bank Limited	–	32 230
– bank overdrafts	61 223	76 416
	61 223	108 646
The bank overdrafts are secured by a cession over trade receivables of the group.		
15. Dividend per ordinary share		
Final dividend number 21 of 3 cents per ordinary share declared and paid*.	–	4 392
16. Notes to the statements of cash flows		
16.1 Reconciliation of (loss)/profit before taxation to cash utilised in operations		
(Loss)/profit before taxation	(156 637)	12
Adjustments for:		
– impairment of Jasco Cables Investment and loan	156 090	–
– impairment of loan to share incentive trust	86	1 460
– dividend received	(760)	–
– net interest paid	908	3 204
Cash flows from operations before working capital changes	(313)	4 676
Working capital changes	(103 833)	(20 443)
– decrease in trade and other receivables	89	4
– increase in amounts owing by subsidiaries	(89 835)	(6 845)
– (decrease)/increase in trade and other payables and provisions	(1 432)	187
– decrease in amounts owing to subsidiaries	(12 655)	(13 789)
Cash utilised in operations	(104 146)	(15 767)
16.2 Taxation refund received		
Net taxation refundable at beginning of year	–	437
Amounts charged per statement of comprehensive income, excluding deferred taxation	–	–
Net taxation refundable at end of year	–	–
Cash amounts received	–	437

* *During the previous year.*

NOTES TO THE ANNUAL FINANCIAL STATEMENTS (continued)

FOR THE FINANCIAL YEAR ENDED 30 JUNE 2014

	2014 R'000	2013 R'000
17. Contingent liabilities		
17.1 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
Total overdraft facility	70 050	70 050
Other general banking facilities	46 993	46 993
– Standard Bank	23 393	23 393
– First National Bank	23 600	23 600
Total general banking facilities	117 043	117 043
In 2013, the company had provided suretyship of R2 500 000 for the WebbLeBLANC general banking facility of R13,5 million. At the June 2013 year end the subsidiary had utilised R2 506 924 of the facility.		
17.2 Guarantees		
Jasco issues guarantees and suretyships for strategic and business purposes to facilitate other business transactions.		
– Guarantee for loan to New Telco South Africa (Pty) Limited from Cisco Capital	54 446	67 544
– Guarantee received from New Telco GmbH for New Telco South Africa (Pty) Limited loan from Cisco Capital	(18 148)	–
– Guarantee for standalone facility for Ferro Resonant Technologies (Pty) Limited to Nedbank	7 500	6 000
– Surety for standalone facility for WebbLeBLANC Communications (Pty) Limited to First National Bank*	–	2 500
– Guarantee for loan to Telesto Communications (Pty) Limited to Nedbank	3 642	–
– Guarantees provided to group companies	61 882	–
	109 322	76 044

* *Following the disposal of this subsidiary on 1 July 2014, the suretyship was cancelled.*

NOTES TO THE ANNUAL FINANCIAL STATEMENTS (continued)

FOR THE FINANCIAL YEAR ENDED 30 JUNE 2014

18. 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	Contri-butions under any other benefit scheme 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

NOTES TO THE ANNUAL FINANCIAL STATEMENTS (continued)

FOR THE FINANCIAL YEAR ENDED 30 JUNE 2014

18. Directors' and prescribed officers' emoluments (continued)

	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	Contributions under any other benefit scheme R	Total short-term benefits R	Contributions to defined contribution funds R	Share-based payments R	Total R
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

19. Borrowings

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

20. Related parties

The subsidiaries of the group are identified on page 28.

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 4 on page 16.

Amounts owing between subsidiaries are set out on page 28.

Administration, managerial and secretarial fees between related parties are disclosed in note 4 on page 16. No other transactions were entered into between the holding company and its subsidiaries.

Directors' emoluments are disclosed in note 18 on pages 23 to 24.

Key management personnel comprises directors and prescribed officers. Refer to notes 4 and 18 for the required disclosures.

21. Financial instruments

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

The main risks arising from the company's financial instruments are interest rate risk, liquidity 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.

21.1 Capital management

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

The company'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.

21.2 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, has been calculated by discounting the expected future cash flows at prevailing interest rates.

The company 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, the company only had financial assets in level 3.

NOTES TO THE ANNUAL FINANCIAL STATEMENTS (continued)

FOR THE FINANCIAL YEAR ENDED 30 JUNE 2014

21. Financial instruments (continued)

21.3 Interest rate risk

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

The company 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 company'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
2014					
Variable rate					
Amounts owing by subsidiaries	97 430	97 430	–	–	–
Loan to Jasco Employee Share Incentive Trust	2 890	–	2 890	–	–
Amounts owing to subsidiaries	(350)	(350)	–	–	–
Net cash and cash equivalents	(61 223)	(61 223)	–	–	–
2013					
Variable rate					
Amounts owing by subsidiaries	238 455	32 307	206 148	–	–
Loan to Jasco Employee Share Incentive Trust	2 976	2 976	–	–	–
Amounts owing to subsidiaries	(122 538)	(13 005)	(109 533)	–	–
Short-term loan	(32 230)	(32 230)	–	–	–
Net cash and cash equivalents	(76 416)	(76 416)	–	–	–

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

	Increase/(decrease) in basis points	2014 R'000	2013 R'000
(Loss)/profit before tax	+0,5%	194	45
	–0,5%	(194)	(45)

21.4 Credit risk management

The company's main exposure to credit risk arises from the company's financing activities.

The company has a credit risk policy in place and the exposure to credit risk is monitored on an ongoing basis.

In addition, receivable balances are monitored on an ongoing basis with the result that the company'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 the Share Incentive Trust, as well as the loan to and investment in Jasco Cables Investments (Pty) Limited, no financial assets are past due, but not impaired.

NOTES TO THE ANNUAL FINANCIAL STATEMENTS (continued)

FOR THE FINANCIAL YEAR ENDED 30 JUNE 2014

21. Financial instruments (continued)

21.5 Liquidity management

The company 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 company manages this risk through the management of working capital and cash flows.

The cash flows from current receivables and 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 company'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
2014							
Amounts owing by subsidiaries	97 430	–	97 430	–	97 430	–	–
Loans receivable	2 890	(180)	3 070	–	–	–	3 070
Bank overdraft	(61 223)	–	(61 223)	(61 223)	–	–	–
Trade and other payables	(1 321)	–	(1 321)	(317)	(1 004)	–	–
Amounts owing to subsidiaries	(350)	–	(350)	–	(350)	–	–
Net guarantees given	(109 322)	5 415	(114 737)	–	(3 083)	(78 632)	(33 022)
	(71 876)	5 235	(77 131)	(61 540)	92 993	(78 632)	(29 952)
2013							
Amounts owing by subsidiaries	238 455	(10 307)	248 762	–	32 307	–	216 455
Loans receivable	2 976	–	2 976	–	–	–	2 976
Trade and other receivables	78	–	78	–	–	78	–
Bank overdraft	(76 416)	–	(76 416)	(76 416)	–	–	–
Interest bearing loans and borrowings	(32 230)	–	(32 230)	(32 230)	–	–	–
Trade and other payables	(2 664)	–	(2 664)	–	–	(2 664)	–
Amounts owing to subsidiaries	(122 538)	5 477	(128 015)	–	(13 005)	–	(115 010)
Guarantees given	(76 044)	12 483	(88 527)	–	(4 365)	(21 595)	(62 567)
	(68 383)	7 652	(76 035)	(108 646)	14 937	(24 181)	41 855

SUBSIDIARY COMPANIES

AT 30 JUNE 2014

Information in respect of interest in subsidiary companies

	Issued share capital (Number of shares)	Effective percentage 2014 %	2013 %	Carrying value of shares 2014 R'000	2013 R'000	Indebtedness by/(to) subsidiaries 2014 R'000	2013 R'000
Trading companies							
Direct							
Jasco Trading (Pty) Limited	4 180	100	100	877	877	67 865	60 559
Jasco Cables Investments (Pty) Limited	543 780	100	100	–	131 378	25 842	32 307
Jasco Carrier Solutions (Pty) Limited	4 000	100	100	38 892	38 892	818	2 133
Jasco Energy and Industry Solutions (Pty) Limited (formerly Jasco Industry Solutions (Pty) Limited)	78 768 056	100	100	55 823	55 823	–	–
Indirect							
Ferro Resonant Technologies (Pty) Limited	1 000	100	100			343	425
Jasco Converged Solutions (Pty) Limited[$]	1 001	100	100			–	–
Jasco Enterprise (Pty) Limited[$]	100	100	100			1 946	–
Jasco Networks (Pty) Limited[$]	13 400	100	100			–	3 121
Jasco Properties (Pty) Limited[$]	100	100	100			–	–
Jasco Systems (Pty) Limited[$]	100	100	100			616	877
Jasco Telecommunications (Pty) Limited[$]	1 380 120	100	100			–	–
Maringo Communications (Pty) Ltd[#]	228	100	100			–	13 409
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)[$]	100	82	100			(350)	3 233
Telesto Communications (Pty) Limited	1 000	100	–			–	–
WebbLeBLANC Communications (Pty) Limited*[@]	100	–	50,5			–	–
Spescom Share Incentive Trust	–	–	–			–	(147)
Dormant							
Jasco ICT – DataFusion (Pty) Limited[$&]	100	10	100			–	–
Special Cables (Pty) Limited	500	100	100			–	–
Spescom Electronics Holdings (Pty) Limited[$]	20 000	100	100			–	–
Spescom Limited UK[$]		100	100			–	–
Spescom Uganda[$%]		N/A	100			–	–
Webb Industries (Pty) Limited[$]	1 000	100	100			–	–
Webb Masts and Towers (Pty) Limited[$]	400	100	100			–	–
				95 592	226 970	97 080	115 917
Aggregate amounts owing to subsidiaries – loans						–	(109 533)
Aggregate amounts owing to subsidiaries – current accounts						(350)	(13 005)
Aggregate amounts owing by subsidiaries – loans						–	206 148
Aggregate amounts owing by subsidiaries – current accounts						97 430	32 307
						97 080	115 917

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.

CORPORATE PARTNERS

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Jasco Electronics Holdings Limited
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(PO Box 860, Wendywood, 2144)
Telephone: +27 11 266 1500

Auditors
Ernst & Young Inc.
Registered Auditor
102 Rivonia Road
Sandton, 2196

Commercial bankers
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Corporate and Investment Banking
3 Simmonds Street
Johannesburg, 2001

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

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

Sponsor
Grindrod Bank Limited
Third Floor Grindrod Towers
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