ALARIS HOLDINGS

Integrated Annual Report 2018

10 YEAR EDITION

2018
mWave Industries acquisition - 1 October 2018

2017
AUCOM Management buy-out
- 31 May 2017

2016
COJOT Finland acquisition
- 1 May 2016

2015
Name change to and start trading as Alaris
- official date 26 March 2015

2014
Poynting and Aucom merger
- 28 February 2014

Move to larger factory premises in Samrand
- October 2014

2012
Radiant Antennas Acquisition
- 1 July 2012

2008
Listed on the JSE

Acquires SAAB Grintek Antennas commercial section

2007
Strategic focus on Commercial and Specialise Defence Antennas

2005
Poynting Direct (South Africa) and Poynting GmbH (Europe) launched

2000
Poynting Innovations (Pty) Ltd
- Manufacturing starts

1997
Poynting Innovations (Pty) Ltd Founded
- specialised antenna design

1990
Small consultancy from Wits University
- design and simulations

CONTENTS

ABOUT THIS REPORT

Alaris Holdings Limited's 2018 integrated annual report provides relevant information relating to the economic, environmental, social activities and financial issues of the Group for the year ended 30 June 2018. The content and structure of this report conforms to the recommendations and the principles laidoutintheKingReportonCorporateGovernance2016 ("King-IV"), and complies with the South African Companies Act (Act 71 of 2008), as amended ("the Companies Act"), the Listings Requirements of JSE Limited ("the JSE Listings Requirements") and the International Financial Reporting Standards ("IFRS").

It provides an account of the Group's progress to date and offers a forward-looking perspective in terms of future goals, targets and strategies. It aims to provide a transparent, balanced and holistic view of the Group's performance.

The report summarises key aspects of the Group and provides a strategic overview of the activities within the Group. The underlying strength of the report is the commitment to corporate governance and ethical behaviour.

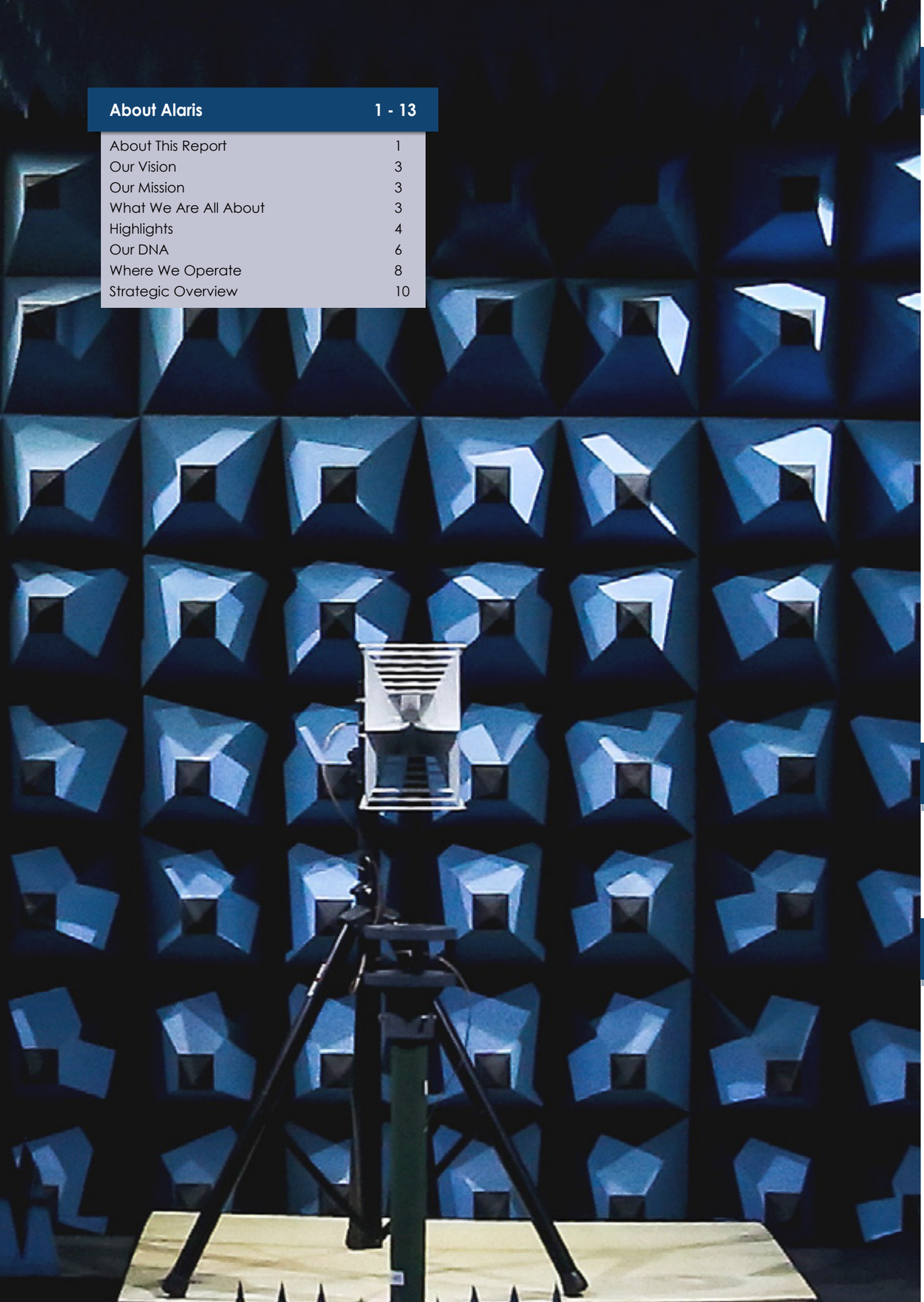
Board responsibility for integrated annual report

The board of directors of Alaris Holdings Limited ("The Board") acknowledges responsibility for the integrity of the integrated annual report. The directors have applied their minds to the report and believe that it covers material issues and fairly presents the consolidated performance of the Group.

The Board approved the release of the 2018 integrated annual report.

An electronic version of this integrated annual report is available on the Alaris website:

www.alarisholdings.com



OUR VISION

Be a leading global radio frequency (RF) technology holding Group by investing in RF related technology companies.

Extracting the core aspects from Alaris' vision statement best describes the nature and **VALUES** of the Group:

ALARIS VALUES

OUR MISSION

The mission of Alaris Holdings Limited ("Alaris" or "the Group") is to invest in global RF technology companies with similar business models that inter-operate as innovative bespoke product and solution design factories for their partners.

WHAT WE ARE ALL ABOUT

Alaris is a Radio Frequency ("RF") technology holding company listed on the AltX of the JSE since July 2008.

The Alaris Group consists of:

Alaris Antennas, with its head office in Centurion, South Africa, designs, manufactures and sells specialised broadband antennas as well as other related RF products. Its products are used in the communication, frequency spectrum monitoring, test and measurement, electronic warfare and other specialised markets. Clients are located across the globe, mostly outside of South Africa (the Americas, Europe and Asia). Its clients are system integrators, frequency spectrum regulators and players in the homeland security space.

COJOT was founded in 1986 and is located in Espoo, Finland. The company has 30 years of experience in the design, development and manufacture of innovative antenna products, serving military and public safety markets globally. The Company develops innovative wideband antennas to improve connectivity, coverage and competitiveness of radio equipment which is deployed to save lives and protect property.

HIGHLIGHTS

ALARIS HOLDINGS LIMITED AND ITS SUBSIDIARIES 5 YEAR FINANCIAL REVIEW TOTAL OPERATIONS

The below historical numbers are affected by the following transactions during these five years:

- African Union Communications ("Aucom") acquisition was consolidated into the Group from February 2014. The acquisition included an earnout mechanism that resulted in complex accounting treatment with non-recurring adjustments to profits over the three year earn-out period.
- Compart disposal transaction was effective December 2014.
- COJOT acquisition was consolidated into the Group from May 2016.
- Aucom disposal was effective May 2017.
- Continuing operations as reported in the financial statements should be used as the baseline for the future.

	June 2018	June 2017	June 2016	June 2015	June 2014
Revenue (R'000)	**187 075**	228 658	248 499	218 223	132 126
Operating EBITDA (R'000)	**47 895**	42 154	75 349	25 007	3 553
Trading Operating Profit / Loss (R'000)	**42 722**	36 070	67 557	10 431	(6 935)
Profit / Loss after tax (R'000)	**32 919**	31 822	21 491	(5 124)	(97 754)
Total Assets (R'000)	**155 626**	**155 752**	**277 837**	**205 018**	**239 513**
Cash holdings (R'000)	**51 679**	65 083	94 481	74 386	85 871
HEPS (cents)	**28.35**	14.61	13.47	15.22	(1.83)
EPS (cents)	**28.35**	20.66	13.47	(2.91)	(66.24)
NAV per share (cents)	**100.18**	67.03	84.52	71.97	89.55
Tangible NAV per share (cents)	**66.28**	34.92	43.68	35.94	43.50
Actual number of shares in issue (less treasury shares)	**116 116 771**	116 116 771	158 116 771	160 241 950	174 087 720
Number of employees at year end	**119**	116	136	105	140

EBITDA: Earnings before interest, taxation, depreciation and amortisation
HEPS: Headline earnings per share
EPS: Earnings per share
NAV: Net asset value

CURRENT FINANCIAL YEAR HIGHLIGHTS

17%

Revenue from continuing operations* **increased by 17% from R159.4 million to R187.1 million.**

43%

Profit after tax from continuing operations **increased by 43% from R23 million to R32.9 million.**

100%

Normalised earnings per share from continuing operations **increased by 100% from 15.2 cents to 30.5 cents.**

229%

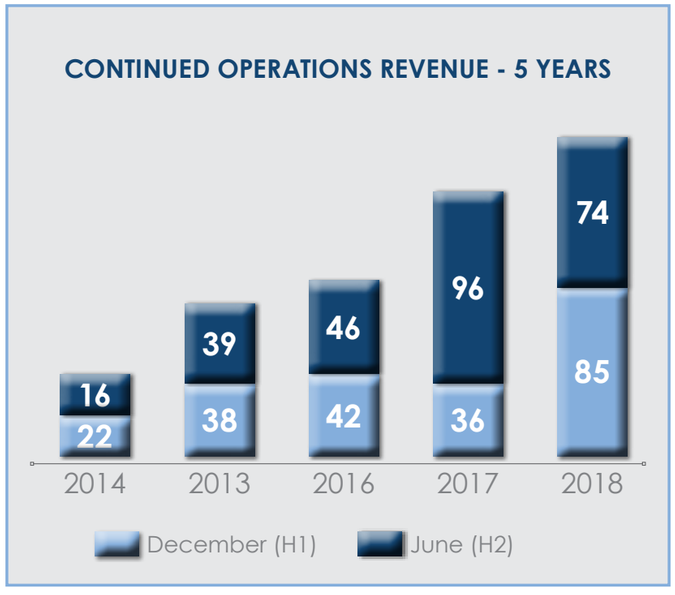
Net cash flow from operating activities **increased by 229% from R13.3 million to R43.8 million.**

* Aucom was disposed end of April 2017 and classified as a discontinued operation in the comparative period.

HIGHLIGHTS (CONTINUED)

CONSOLIDATED VALUE-ADDED STATEMENT

R'000	June 2018	June 2017	June 2016	June 2015	June 2014
Revenue	187 075	228 658	248 499	218 223	132 126
Net cost of raw materials, goods and services	(53 589)	(90 853)	(111 395)	(118 171)	(61 989)
Wealth created by trading operations	133 486	137 805	137 104	100 052	70 137
Other income	738	295	18 131	898	1 061
Finance income	380	1 320	1 532	3 413	1 014
Total value created	**134 604**	**139 420**	**156 767**	**104 362**	**72 212**
Distributed as follows					
Employees					
Salaries and other employee benefits	76 502	**65 140**	**54 039**	**54 643**	**43 706**
Providers of capital					
Finance cost	392	**4 940**	**5 211**	**4 851**	**162**
Providers of services					
General operating expenses	9 827	**30 806**	**25 850**	**20 769**	**23 938**
Government					
South African current tax	9 791	**9 822**	**20 181**	**7 258**	**(3 375)**
Retained for growth	38 092	**28 712**	**51 486**	**16 842**	**7 781**
Amortisation of intangible assets	2 731	3 081	5 190	8 931	8 818
Depreciation on property, plant and equipment	2 442	3 003	2 601	1 898	1 671
Net profit after dividend	32 919	22 628	43 695	6 013	(2 708)
	134 604	**139 420**	**156 767**	**104 362**	**72 212**



OUR DNA

BUSINESS PROCESSES

WHAT WE DO

Alaris Holdings Limited is a leading global radio frequency (RF) technology holding Group that invests in RF related technology companies and is listed on the JSE AltX since July 2008. The Group's strategy is to invest in global RF technology companies with similar business models that inter-operate as innovative bespoke product and solution design factories for their partners.

The Group's three strategic pillars provide a solid foundation and unique position for growth to both Alaris Antennas and COJOT. These key areas are extensive expertise in RF products, owning and continuously developing intellectual property and the global footprint of its products.

Sustainable organic growth and strategic acquisitions are gaining momentum and will remain a strategic driving force for the Group.

The Alaris value proposition of continuously evolving its intellectual property base to design products for specific customer needs is a key differentiator. By diversifying into different territories and entering into new market segments, the management team is of the view that profitable organic growth for both Alaris Antennas and COJOT can be achieved.

The continuing operations are divided into three operating segments, namely Alaris Antennas, COJOT, and "Corporate and consolidation"

ALARIS HOLDINGS	COJOT	ALARIS ANTENNAS
• Technology holding company that invests horizontally to exploit its knowledge in terms of: – Offering products (sometimes with services) – Focus on system houses and operators – Focus on client intimacy – Technology innovation to stay ahead of market and support clients (give our clients a competitive edge)	• Provide customer solutions through innovative product design • Provide competent technical advice by understanding our clients' needs • High quality of products designed for outsource manufacturing • Excellent service through rapid response	• Provide customer solutions through innovative bespoke product design. • Provide competent technical advice by understanding our clients' needs • Excellent service through rapid response • Wide product offering with flexibility to customer needs

Companies and Brands	Markets	Major Regions	Products and Services	Business Model	Increase in Product Portfolio	Opportunities
Alaris Holdings, Alaris UK and Alaris Antennas – Corporate division	Global Technology Investment Holding. Corporate head office costs allocated to this division	RSA, UK	Regulatory fees, non-exec and head office structure cost, net foreign exchange gains/ losses, legal and consulting fees for acquisitions	Manage cost against value added by services	Idetification of new markets and cross-selling opportunities	Acquiring new intellectual capital through strategic business activities

Alaris Antennas	COJOT
Defence system integrators, homeland security, spectrum monitoring, test & measurement equipment	Defence system integrators, homeland security, spectrum monitoring
Europe, Middle East and Asia ("MEA"), USA and RSA	Europe, MEA and USA
Wideband direction finding, monitoring, jamming, communication antennas and test- and measurement services	Wideband antennas with improved connectivity, coverage and competitive performance, for the RCIED and communications market
Design, development, manufacture and sales of specialised antenna products for clients, either from existing designs or by customisation, high value with low volume	Design, development and sales of antenna products by taking cognisance of customers' needs and adjusting product features accordingly. The manufacture of products is outsourced through partnering with contract manufacturers and a professional service provider network, higher volume with lower price
Developed 48 new products	Developed 31 new products
Drive growth in various territories including the USA, MEA and Europe Expand on existing key application areas with new products and new production processes and/or materials Access to a larger sales and R&D resource pool across Alaris and COJOT should improve growth opportunities	Access to a larger sales and R&D resource pool across Alaris and COJOT should improve growth opportunities Drive growth in various territories including the USA, MEA and Europe. Smart antenna technology indicates good opportunity for sales

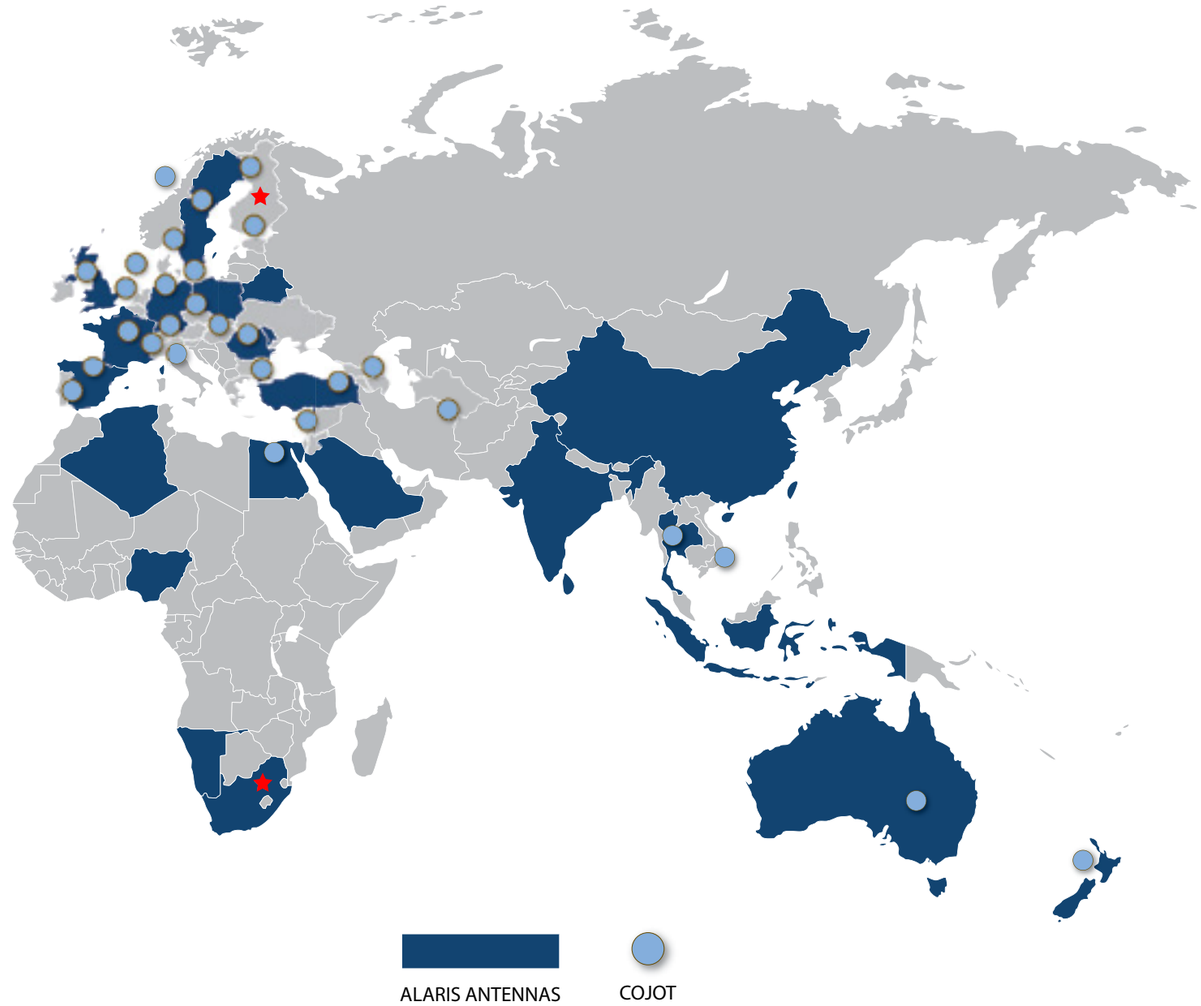
WHERE WE OPERATE

Alaris' corporate offices are currently in the Gauteng province of South Africa and the COJOT offices are located in Espoo, Finland.

The Alaris Antennas and COJOT businesses have numerous partners based around the world. We supply system houses with specialised antennas. This is primarily through systems integrators and manufacturers who use custom-designed antennas as part of their product offering, and these constitute a valuable and sustainable sales channel.

COJOT outsources its manufacturing to companies in Finland and Estonia, while Alaris Antennas manufactures at their premises in Gauteng, South Africa.

WHERE WE OPERATE (CONTINUED)



MAJOR OPERATIONS

Alaris Antennas	COJOT
1 Travertine Avenue N1 Business Park Centurion, 0157 South Africa	PL 59 02271 Espoo Finland

UNDERSTANDING OUR STAKEHOLDERS' INTERESTS

Stakeholder	Requirements	Engagement	Challenges	Status
Investors and shareholders	Generate sustainable returns for investors	Investor relations	Continuously delivering profitable growth	Consistent growth in earnings and increase in global footprint which should enable future growth opportunities
		Financial results reporting and discussions	Historical accounting complexities make financial results difficult to understand	Simplified reporting after disposal of Aucom
		Annual general meeting		
		Individual engagements		
		Clear strategy		
Clients	Our clients expect a speedy response to requests by offering technical knowhow of innovative system solutions and system components, giving them the competitive edge	Understand client requirements by regular engagement with the client and offering applicable technical solutions that address the needs of the customer through product / solution development	Providing top quality innovative antennas at a market related price and within reasonable timeframes at the desired quality	Focused sales strategy with more frequent travel to improve proximity to clients globally. Appointed a sales resource in the USA to provide support
			Gaining market share in the USA	Seen sales growth in the USA and successfully acquired mWave Industries, effective date 1 October 2018.
Partners	The agents promoting our products require innovative solutions and technical support	High level communications and active day-to-day support	Ensuring that our partners remain the leaders in the market place and expanding our global footprint	The Group has shown a steady increase in agents and partners who actively promote our products
Employees	Ensuring personal growth	Strong emotional support and leadership interaction	Retaining key employees and scarcity of engineering skills in South Africa	Actions addressing areas of concern identified from staff surveys
	Inspiring and innovative platform for individuals to grow	Schedule training programs and social interaction		Scheduled internal and external training programs including management and product training across the global teams
	Being the employer of choice in our industry	Offer employee benefits, job security and internal career advancement		Closer co-operation between the organisations with possible global career opportunities

Stakeholder	Requirements	Engagement	Challenges	Status
Industry players	Being the RF technology solutions provider of choice	Attending worldwide trade shows, offering effective and innovative antenna designs and system solutions	Ensuring that we are the leaders in the market	Attending worldwide trade shows and adding various products to both companies' portfolio
Suppliers	Ensuring accurate orders and timely payments	Experienced and specialised staff visiting supplier premises and engaging in discussions when new materials are required	Ensuring that suppliers deliver quality products at reasonable prices timeously	Quality team performs supplier audits to ensure quality products are delivered on time. Expand supplier database to create redundancy in options to procure
Community	Uplifting the community with social development programs	Staying abreast of community concerns and providing a platform for education	Ensuring that the community experiences our company as a responsible citizen; adding value to the community and environment	**Season of Sharing** - spreading joy to kids in the medical care division at Lambano **Winter Warmer project** - distributing blankets to the elderly **Mandela Day project** – collection of essential items, dropped off at a school in our community.
Government and regulators	Complying with regulations	Meeting with relevant officials and regulators on a regular basis and actively staying involved in discussions regarding changes in regulations	Ensuring compliance as well as keeping abreast of developments	In addition to the Board taking accountability for compliance, the Group is audited on a regular basis by independent third parties to ensure the required levels of compliance are maintained

Alaris Holdings Limited celebrates its 10-year anniversary as a listed entity on the Johannesburg Stock Exchange. This memorable event serves as witness to the stability and reliability of the organisations in the Group, as well as their commitment towards customer satisfaction.

Led by its vision to be the global world-class leader for radio frequency technology solutions, **Alaris Antennas** works closely with its customers to understand their needs and thereby developing innovative technological products to deliver cutting-edge solutions. The products are designed to the customer's specifications, which are often integrated into systems offered by leading international system houses, and as such offer long-term annuity revenue opportunities. Innovative, customised, high quality antenna and related RF product solutions are delivered speedily through technical and service excellence.

COJOT is a well-respected and long-established Finnish company that designs and develops omnidirectional VHF/UHF/SHF wideband antennas and accessories for mobile tactical communication, electronic warfare and spectrum monitoring applications. COJOT's years of design, development and manufacturing experience has enabled the company to offer reliable and durable antenna equipment to some of the most demanding environments throughout the world.

COJOT has established a first-class reputation for delivering field proven quality equipment on time. It is the expertise and experience in wideband antennas that has made COJOT a recognised and trusted source for supplying reliable and durable antenna equipment. With communication needs intensifying, the requirement for wider bandwidth in both military and civilian RF systems is increasing. This trend created new opportunities for the development and design of smart antennas and the company is working closely with its customers to address this need. The Group's engineers are well-positioned to respond to this trend, creating products that allow functions like automatic frequency tuning, switched beam antennas and multiple port antennas.

The Group's three strategic pillars provide a solid foundation and unique position for growth to both Alaris Antennas and COJOT. These key pillars are extensive expertise in radio frequency technology products, owning and developing intellectual property and the global reach of its products.

Sustainable organic growth and strategic acquisitions are gaining momentum and will remain a strategic driving force for the Group.

The Group and its employees are committed to act honestly, fairly, ethically and with integrity and to conduct themselves in a professional, courteous and respectful manner, as well as to create an environment of responsibility and accountability.

International acceptance and demand for our products is growing and we are developing a broader customer and product base.

Revenue from continuing operations increased by 17% from R159.4 million to R187.1 million during the past financial year. Profit from continuing operations was R32.9 million, compared to a profit of R23.0 million in the comparative period. Alaris Antennas contributed revenue of R122.0 million and profit after tax of R32.5 million. COJOT revenue increased by 79% from R36.3 million to R65.1 million and profit after tax increased by 288% from R3.9 million to R14.9 million.

By diversifying into different territories and entering new market segments, the management team's key objective is profitable organic growth for both Alaris Antennas and COJOT. Both companies are strongly focused on research and development and hold exploitable patented technologies that can be monetised into the future.

The US administration has for the first time in a few years, voted for and approved an increased defense budget to the amount of $716 billion for 2019. This reflects an increase of $82 billion from 2017. The sales team has managed to unlock opportunities with new and existing customers in this market providing an opportunity for the Group to deliver against its client centric model into the future.

The Board remains optimistic that growth can be achieved through the investment in new products, mergers and acquisitions and the expansion of international market access and/or product areas.

The following strengths and opportunities will give us an advantage over our competitors and will give us the opportunity to grow:

STRENGTH Need to capitalise on	**WEAKNESS** Need to shore	**OPPORTUNITY** Need to invest in	**THREAT** Need to identify
JSE AltX listed since 2008 resulting in a steadily maturing organisation	Not sufficient interaction with stakeholders	Territorial growth with focus on US, Middle East and Asia	Illiquid share
Strong Balance sheet and simplified financial reporting	No gearing on balance sheet	Improve proximity to clients	Disruptive technologies that could make our products obsolete
In-house specialised technical expertise, product customisation and own IP		Untapped application areas where expertise can be leveraged and expanded to higher frequency ranges	Company valuation reducing could impact on acquisition deal structures
Profit growth of Alaris Holdings Limited		Innovative and new production processes and materials to be exploited	Economically unstable environment e.g. currency fluctuations, downgrade in credit ratings and infrastructure breakdown in SA, e.g. supply chain, electricity and labour
International clients and territorial diversification		Cross selling and integration of COJOT, especially with new technologies like the MIDAS products	Skills shortage in the engineering field
Focus on strong client relationships and outward looking awareness		Communications market offers good opportunities	
Diverse product types servicing global RF system integrators		Improved access to international supply chain and outsource partners	

MODERATING OUR BEHAVIOUR

ETHICS

Alaris has always employed a multi-cultural employee team and engaged with customers and suppliers from a variety of cultures. Alaris considers racism, sexism and other forms of discrimination entirely unacceptable. This is communicated via our Company policies and culture. Management ensures prompt reaction to eliminate any contradictory behaviour.

The Board constantly considers the short and long-term impacts of the Group's strategy on the economy, society and the environment. Where possible our products are designed to ensure that the natural environment is not compromised.

All employees of the Group are required to maintain the highest ethical standards in ensuring that the Group's business practices are conducted in a manner, which in all circumstances, is above reproach. The responsibility of the Social and Ethics Committee is to ensure that Alaris and its employees act in a responsible manner to be a good corporate citizen. Strict codes of conduct are in place to ensure that an honest and credible working environment is created and sustained.

Executive directors of the Group and its subsidiaries are required to make an annual written declaration that they are not aware of any corruption or bribery that transpired in the day-to-day operations of the Group.

Employees are regularly reminded that any suspicions of fraud or unethical behaviour can be reported on an anonymous basis if required to the chairperson of the Board or the Audit & Risk Committee chairperson. Such concerns can also be reported to the Group CEO and Group CFO.

The impact of Alaris' decisions on internal and external stakeholders is monitored on a constant basis and feedback is investigated and resolved where possible.

RISK

The Board is ultimately responsible for the system of internal financial control established by the Group and place considerable importance on maintaining a strong control environment. To enable the Board to meet these responsibilities, it has delegated various functions to the Audit & Risk committee which amongst other things sets standards for internal control aimed at reducing the risk of error or loss in a cost-effective manner.

Risks are assessed on an on-going basis by management and any significant changes are discussed. Pre-emptive decisions are taken when risks are identified to minimise the impact of these risk factors on the economic, social and environmental responsibilities of Alaris.

REMUNERATION

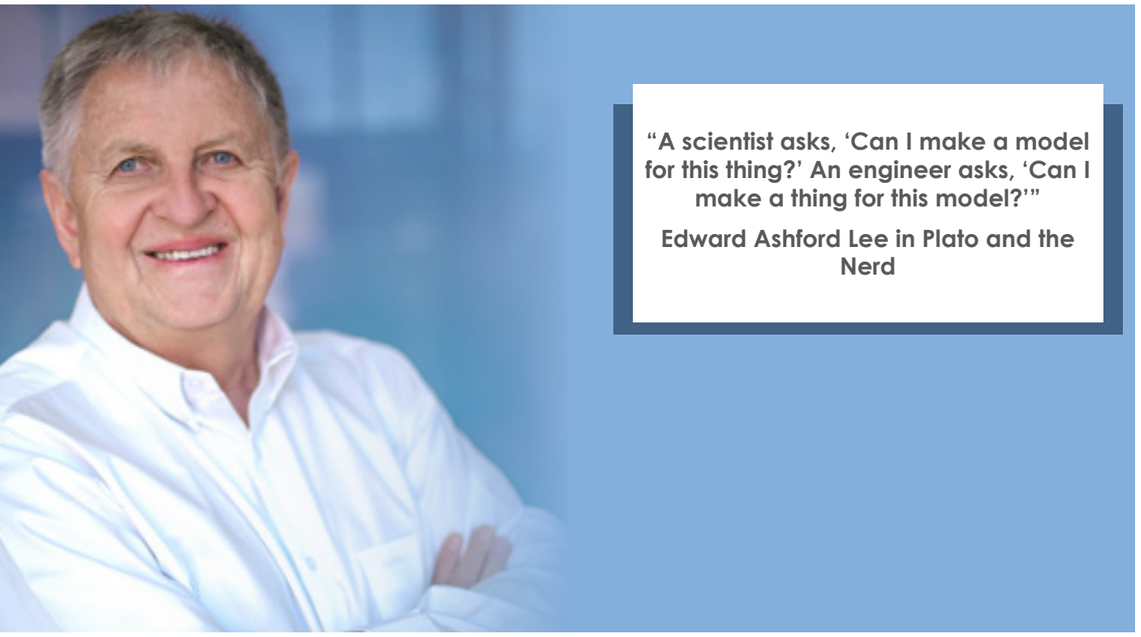
The Group's remuneration policy is in-line with Alaris' values and objectives. Target incentives, which are recommended by the Remuneration and Nomination Committee to the Board for approval, are in place to ensure that exceptional employees are rewarded for their efforts in a controlled and authorised manner.

The long-term portion of the remuneration policy is addressed via the Share Incentive Trust where share options were allocated to certain senior employees as a mechanism to align their interests with shareholders whilst retaining their services.

GOVERNANCE

The Group is committed to on-going and effective communication with stakeholders. It subscribes to a policy of sound corporate governance and open and timeous communication in line with JSE Listings Requirements.

CHAIRPERSON'S REVIEW



"A scientist asks, 'Can I make a model for this thing?' An engineer asks, 'Can I make a thing for this model?'"

Edward Ashford Lee in Plato and the Nerd

Alaris is an engineering company true to this statement by Edward Lee. It excels at "making things" based on its own intellectual capital – a strategy that bared wonderful returns in the past year and which is confirmed by the fact that close to 90% of its revenue was earned in the international marketplace. This is exceptional performance for a relatively small enterprise. Although luck plays an inventible role in any business, it is evident that more than luck is at play at Alaris. The performance of Alaris is underpinned by a clear vision of building a global company based on a portfolio of world-class products for a well-chosen market niche. The leadership and employees are relentlessly focused on crafting a value proposition that remains relevant by living close to clients and by integrating product development and production in an efficient value chain. I invite stakeholders to carefully scrutinize this report for more details about new additions to its product portfolio, efficiency improvements in its operations and confirmation of the drive and commitment to establish a formal company footprint in the United States.

Alaris Antennas remains the backbone of the business and performed well, whilst Finland-based subsidiary COJOT had a tremendous year and certainly deserves a special word of congratulations. Internal operations improved group-wide with the introduction of state-of-the-art ERP and CRM systems.

Recruiting and retaining talent is core to a company like Alaris. The board has placed much emphasis on addressing this challenge and new initiatives in this regard will follow early in the new financial year. In addition, specific initiatives have been launched to improve and ensure employee engagement.

It's a wonderful privilege to work with the Alaris Holdings Board. We have achieved a constructive balance between good governance and entrepreneurial thinking. We engage in open, direct and honest debate, and always focus on the best interests of the Group. Nico de Waal retired as non-executive director during the year and was replaced by Dries Mellet, who served in the capacity of alternate director to Nico during his tenure. We thank Nico for his valued contribution. Dries has previously served on the board and it is great to have his expertise back in the fold. Towards the last month of the financial year, Carel van Der Merwe joined the board as non-executive director. Carel is a classical engineer who progressed from development engineer to Managing Director of an esteemed South African electronic warfare system house. Carel brings with him loads of industry and leadership experience and is a great asset to the board and the company.

It is an absolute privilege to present the annual Integrated Report to the stakeholders of Alaris.

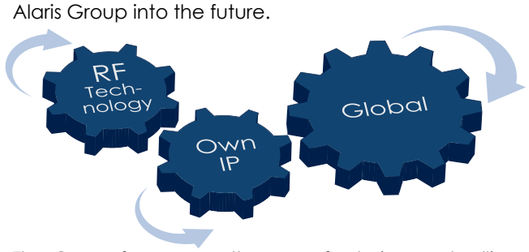
Coen Bester
Alaris Chairperson

CEO'S REVIEW

Over the last 12 months we observed a significant increase in economical tension and conflict around the world. Countries increased their import tariffs in order to take economical advantage of each other. Many say that the economy is the new way of warfare. However, this behaviour also results in an increase of worldwide defence and homeland security spending. Recently the US approved their defence budget for 2019 at US$ 716 billion. All NATO countries are striving to spend 2% of GDP on national defence as most of them have fallen behind their targets. China is the second largest defence spender in the world and even so China's defence spending is less transparent, there are many rumours that China wishes to close the gap on the US. All the increases in these countries' budgets will grow the markets in which the Alaris Group of companies operates in.

The Alaris Holdings performance for FY 2018 can be described as excellent. The Group managed to grow revenue by 17% from R159.4 million to R 187.1 million. Profit after tax grew by 43% from R23 million to R32.9 million and our normalised Earnings Per Share (EPS) grew by 100% from 15.2 cents per share to 30.5 cents per share. More than 90% of the Group revenue is generated outside of South Africa and predominantly out of the northern hemisphere. Significant growth was recorded in the USA.

The focused strategy which we established last year is bearing results. The following are the 3 core strategic building blocks, which remain valid for advancing the Alaris Group into the future.



The Group focuses on the manufacturing and selling of RF related products which are based on our own IP, meaning the products are designed and developed in-house. The organisation operates a client centric model and we are fanatical about servicing our clients and partners on a global scale. In order to service our clients to the best of our ability, it will remain paramount to seek an increased global footprint through acquisitions.

Alaris Antennas closed the year with approximately the same revenue (R122 million) as the previous financial year. There were three projects which took significantly longer than anticipated and hence the income for these projects was delayed. It was decided to install a project management office at Alaris Antennas to shore up and implement additional focus on the management of projects. This office will manage all the projects in the organisation which mostly entail new product developments. Managing new product development will revolve around closely measuring the BOM (Bill of Material) target, the product development Non-recurring Expenses (NREs), the number of hours allocated to the development and its deadline. This new function will unlock efficiencies. The project office will further ensure that we deal with commercial risks more appropriately.

The drive in mitigating project risks will start with our sales department where all projects will be vetted prior to acceptance. We decided to move more senior staff members into the business development process and spend more time in front of the client.

With this commitment in mind, we hired a senior sales resource in the US in order to be able to serve this market more effectively. We further implemented a Customer Relationship Management (CRM) package for the company's sales activities.

COJOT, our Finnish based company in the Group, did exceptionally well this year. COJOT achieved significant revenue growth of 79% from R36.3 million to R65.1 million. PAT increased by 288% from R3.9 million to R14.9 million. Management is pleased with the profits contributed to the Group from acquisition date (May 2016) to the end of the present financial year. The cumulative profits since acquisition equates to approximately 68% of the initial purchase price.

Despite a very formidable financial performance, COJOT managed in addition to implement an ERP system and insourced its financial reporting and management function which now reports directly into the Group's head office.

COJOT is in the process of adjusting its business model to align to the Alaris Antennas strategy by becoming more client centric. A new website was created which has a similar look and feel to the Alaris Antennas' website to ensure uniformity within the Group.

A new strategic product focus around smart antennas was established. We will endeavour to develop products which include technology like automatic frequency tuning, switched beam antennas and multiple port antennas.

THE GROUP MOVING FORWARD

The cross-selling within the Group was increased from R2 million to R2.7 million. This is an increase of 35% off a low base. We had several larger cross-selling opportunities in this financial year which unfortunately did not materialise. However, we remain optimistic that we will unlock some more substantial opportunities in the future.

Several joint developments and engineering projects are proposed to various clients. Winning one of these opportunities would allow us to combine engineering know-how and will raise the barrier to entry for our competition.

Alaris is located in Africa. Africa unfortunately only provides 2% of the market Alaris operates in, whilst the US is the biggest market with close to 60%. For this reason, we acquired mWave Industries, located in Windham, Maine (US). The company will allow us to operate in the US, which is otherwise difficult for foreigners. We received unconditional CFIUS (Committee on Foreign Investment in the United States) approval and all conditions precedent were met, resulting in the effective date being recorded as 1 October 2018.

The focus remains to ensure profitable growth for all companies in the Alaris Holdings Group.

As indicated earlier in this review, defence and homeland security budgets are on the rise around the world. This means that Alaris operates in a growing market and we hope to see the benefit of this in the coming years.

THANK YOU

A big thank you goes this year to our colleagues at COJOT in Finland. COJOT enabled Group growth this year. In addition, I wish to extend a sincere thank you to all Alaris Group employees for their dedication and contribution. Our strategy and values align us. I further appreciate the support and advice of our long serving and new board members.

I also wish to extend a word of appreciation to our shareholders for your trust and commitment to our company. To our customers worldwide - thank you for your confidence in our company, people, technologies and services.

We are excited and looking forward to the growth and opportunities lying ahead.

Jürgen Dresel
Group CEO

Similar to any entrepreneurial start-up, Alaris started as a dream. From there its vision evolved to be a leading global radio frequency (RF) technology holding group by investing in RF related technology companies.

The Group's three strategic pillars

- extensive expertise in radio frequency technology products,
- owning and developing intellectual property and
- the global reach of its products,

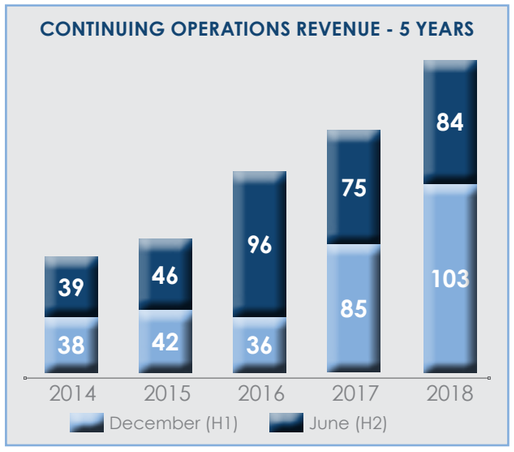
provide a solid foundation and unique position for growth to its operating entities.

With this vision in the forefront of the decisions and actions we take, we are pleased with the profits COJOT contributed to the Group since the acquisition in May 2016, equating to about 68% of the initial purchase price net of cash (€2.4 million).

We are very pleased that the acquisition of mWave Industries, based in Windham, Maine (US) was achieved with unconditional CFIUS (Committee on Foreign Investment in the United States) approval. All conditions precedent were met by 30 September, which established the effective date as 1 October 2018.

OVERVIEW OF THE YEAR

Revenue from continuing operations increased by 17% from R159.4 million to R187.1 million



The continuing operations performed well for the year ended 30 June 2018, resulting in profit growth of 43% from R23.0 million to R32.9 million.

Normalised earnings per share increased by 100% from 15.2 cents to 30.5 cents. The full impact of the reduction of shares in issue late in the 2017 financial year due to the Aucom disposal and repurchase of 20 million shares only reflected in full in the current year. This aided the growth reflected in the normalised earnings per share compared to last year.

Normalised earnings include a net foreign exchange gain of R0.9 million (2017: net loss of R3.8 million). Foreign currency gains and losses are treated as part of normalised earnings given the nature of the Group, consistent with the prior year.

Net cash flow from operating activities increased by 229% from R13.3 million to R43.8 million.

The Group's cash position decreased by R13.4 million to R51.7 million, owing to the repayment of the PSG Alpha preference shares of R51 million on 3 July 2017.

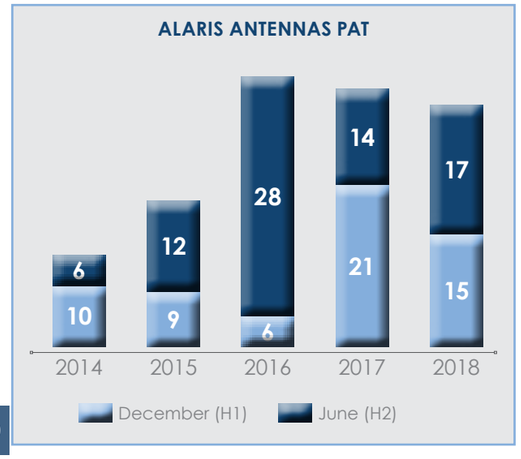
ALARIS ANTENNAS

Revenue decreased slightly by 1% from R123.0 million to R122.0 million and profit after tax ("PAT") decreased by 7% from R34.9 million to R32.5 million.

The product mix sold and delivered in this financial year was more focused on customization and development for our clients, compared to the prior year where a higher percentage of mature products were sold. Delays in one particular project out of Europe to the value of R30 million consumed technical resources resulting in a delay in the delivery of other projects. Alaris managed to deliver about 60% of the order in this financial year and the remainder is expected to be delivered in the next financial year. The project is on track again and no further delays are expected.

The process maturity required to deliver large projects into global blue-chip companies indicated the need to bolster the project management aspects of the business. A central project management office was implemented to support this focused approach.

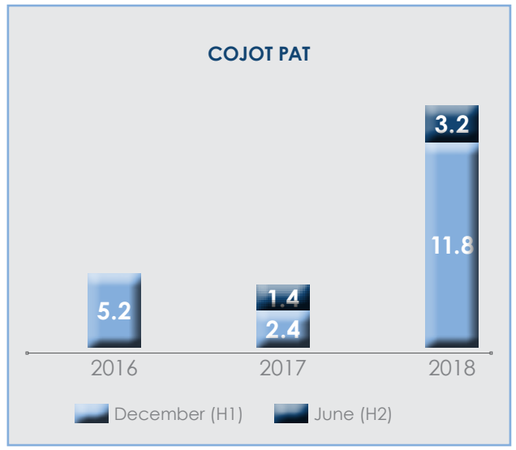
The company has invested in onsite Environmental Stress Screening ("ESS") equipment, which includes a temperature and humidity chamber as well as vibration equipment. This will allow the Group to further improve quality and customer service. The installation is one of few in the southern hemisphere. Antennas can be tested thoroughly to ensure they withstand extreme environmental conditions. This ability adds to the uniqueness of the organisation.



COJOT

COJOT achieved significant revenue growth of 79% from R36.3 million to R65.1 million. Three large orders from Europe and the Middle East contributed to this increase. PAT increased by 288% from R3.9 million to R14.9 million

The net profit margin as a percentage of revenue, more than doubled compared to the comparative period. This indicates the benefits of scaling revenue to cover fixed overhead costs.



CORPORATE AND CONSOLIDATION

This division includes the costs associated with being a listed entity as well as costs of running the shared services. An example is the centralised treasury function, where foreign currency hedging is managed. The following are the main costs before tax included in this segment:

- Net foreign exchange gains of R0.9 million (2017: R3.8 million losses).
- The repayment of the PSG Alpha preference shares on 3 July 2017 resulted in minimal interest being paid compared to the R5.0 million in the comparative period.
- Employee costs, cost of the share incentive option scheme, including ad-hoc equity settled bonus, incentive bonusses for Group executives and board fees of R12 million (2017: R6.8 million).
- Legal and consulting fees including the costs to be listed on the JSE, advisory fees and group audit fees totaling R4 million (2017: R2.0 million). This includes advisory cost associated with the US acquisition.

TAX BENEFITS

During October 2016 Alaris Antennas submitted an application to the Department of Trade and Industry to allow an additional 50% tax deduction on research and development costs incurred on a range of product line developments under the Income Tax Act of South Africa, Section 11 D. Alaris received the approval in November 2017, allowing this additional deduction on research and development expenses incurred on these product lines from October 2016 onwards. An additional tax benefit of R3.2 million was deducted in this financial year, of which R1.0 million related to the 2017 financial year. This reduced the Group tax rate by 7.5%.

GLOBAL SYSTEMS AND PROCESSES

An increased global footprint requires us to look into ways to further improve transparency and availability of information across the entities. The investment in an in-house accounting function and implementation of the Group ERP system at COJOT at the start of this financial year was a success and has simplified the interaction between the various finance teams and allowed for cross functional training of staff to create redundancy. A CRM solution was implemented across the Group, which enhanced cohesive interaction between the various teams, transparency of the business opportunities and value-added information about our customers.

HUMAN RESOURCES

Recruiting into and retaining exceptional skills in the Group is key to our success. A competency framework was implemented to assist with recruiting the right people for our teams to enable us to deliver quality service globally. Based on feedback from the staff survey more training programs and attendance of courses were encouraged. A leadership journey program was launched with selected staff who will attend this training over an 8-month period in the coming year.

As far as practically possible by taking regulatory landscapes and cultural differences into account, the Group harmonised the remuneration structures and incentive schemes of the employees across the Group as far as practically possible.

US ACQUISITION

The US administration has for the first time in a few years, voted for and approved an increased defense budget to the amount of $716 billion for 2019. This reflects an increase of $82 billion from 2017. The sales team has managed to unlock opportunities with new and existing customers in this market providing an opportunity for the Group to deliver against its client centric model into the future.

International expansion is an important part of the Group's global strategy and management will remain on the lookout for further opportunities to increase the global footprint.

GLOBAL REGULATORY FRAMEWORKS

The strategic expansion of the Alaris Group into global territories brings some challenges and risks that need to be overcome and mitigated to be successful as a Group operating globally. Each Company we add to the Group operates in an environment that has slightly different, or in some cases significantly different, regulatory frameworks and cultural landscapes. We identify these risks as part of the acquisition planning process and manage these with the assistance of our advisors throughout the post-acquisition implementation process. The change management, communication and integration of the various employees and processes across these companies in the Group is a vital part to ensure sustainable profit growth.

DIVIDENDS VS GROWTH

One of the growth strategies of the Group is to establish an international footprint through acquisitions. Due to this, Alaris is conserving its cash resources and therefore the Board has decided against declaring a dividend for the financial year ended 30 June 2018.

By living our vision and taking actions accordingly, we look forward to an exciting future in a global Alaris.

Gisela Heyman
Group CFO

OUR GOVERNANCE TEAM

Coenraad Petrus Bester ("Coen")
Age 62
Independent Non-Executive Director and Chairperson

Appointed to the Board on 21 January 2004
BSc Eng (Elec) (UP) BSc Eng (Elec) Hons (Potch)
MBA (UP), OPM (Harvard Business School)
PGDip (Futures Studies)

Coen initially lectured in the faculty of Electronic Engineering at Potchefstroom University. From there he went on to become the founder and CEO of two companies. Following the sale of the second company to a listed entity, he founded a management consultancy in 1999. Amongst his responsibilities, he acts as mentor to a number of high-technology companies in the information, communications and electronics markets and serves on the boards of a number of such companies. Coen earned an Electronic Engineering Degree from the University of Pretoria and an Honours Degree in Electronic Engineering at the University of Potchefstroom. He completed an MBA at Pretoria University and an OPM course at Harvard Business School. He recently completed a postgraduate diploma in Futures Studies at the University of Stellenbosch.

Juergen Dresel
Age 51
Chief Executive Officer

Appointed to the Board on 21 February 2000
Dipl.Ing. (TU Munich) MSc Eng (Elec) (Wits)

Jurgen completed his IT and Telecommunication studies with a Dipl. Ing degree at the Technical University of Munich, Germany in 1993. In 2000 he completed an MSc in electrical engineering at Wits University. Juergen started his engineering career with work that comprised antenna design and development in the frequency range from 10 kHz up to 6 GHz, antenna placement simulations, and project management. In 2005, Juergen took over the management of the defence section of Alaris Antennas where he concentrated his efforts on management and sales of large Defence-related projects. In 2000 Juergen was appointed to the Poynting board of directors. He was part of taking the company public in 2008 and became group CEO of Alaris Holdings in 2015.

Gisela Therese Heyman ("Gisela")
Age 39
Executive Director: Finance

Appointed to the Board on 1 June 2015
CA (SA)

Gisela qualified as a Chartered Accountant in 2005 after completing her articles with Deloitte. She started her corporate career as Group accountant with Datacentrix, a complete ICT systems integrator, listed on the JSE. She spent the last three of the seven years with Datacentrix as the Group Financial Manager in charge of the full financial function. Subsequently, she was appointed as Financial Director of G4S Secure Solutions, a multinational UK listed organisation in the security industry. Her responsibility spanned from finance with strict working capital management to IT – and ERP systems, legal, company secretarial, procurement and logistics. She has been involved in foreign and local acquisitions including valuations, contract negotiations and post acuiqisiton implementations processes.

OUR GOVERNANCE TEAM (CONTINUED)

Andries Mellet ("Dries")
Age 35
Non-Executive Director

Appointed to the Board on 17 October 2017 after being an alternate director since 8 October 2015
CA (SA)

Andries qualified as a chartered accountant in 2010 after completing his articles with PWC and has been working for the PSG Group since 2010. Andries was Financial Director of mCubed Holdings Limited from October 2010 to February 2011 and Capevin Holdings Limited from April 2012 to November 2013. Andries is part of the PSG Alpha team that invested in Alaris in December 2013.

Richard Charles Willis
("Richard")
Age 49
Independent Non-Executive Director

Appointed to the Board on 1 February 2015
CA (SA)

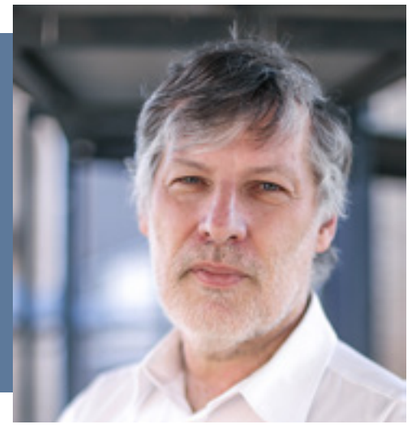
Richard qualified as a Chartered Accountant in 1994 after having completed his articles at Deloitte. Since then Richard has occupied various positions, both locally and internationally, including chief operating officer of Standard Private Bank and Melville Douglas and financial director of Virgin Money South Africa. Currently Richard is chief operating officer at Clive Douglas Investments Proprietary Limited.

Carel van der Merwe
Age 62
Independent Non-Executive Director

Appointed to the Board on 1 June 2018
B. Eng (Electronics) (Stellenbosch),

Carel started his career as a radio frequency development engineer and gained his first international experience by working in Germany from 1984 to 1986.

In 1996 he was appointed as Managing Director of GEW Technologies who is active in the field of providing radio communication system solutions to international customers. He has held this position until his retirement in April 2018.



The Board has led the Company in an ethical and responsible manner and remains committed to the principles of strategic direction, policy approval, oversight and accountability as detailed in the King IV Report. This process is overseen and reviewed by the Chairperson on an ongoing basis to ensure the outcome of an ethical culture, good performance, effective control and, furthermore, that legitimacy with stakeholders is achieved by the organisation.

FINANCIAL STATEMENTS

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

To enable the Board to fulfil its responsibilities, management sets standards and implements systems of internal control designed to provide certainty that assets are safeguarded, and that transactions are performed and recorded in accordance with the Company's policies and procedures. These standards and controls include proper delegation of responsibilities within a clearly defined framework, effective accounting procedures and adequate segregation of duties.

BOARD OF DIRECTORS

The Board of directors are appointed by means of a transparent and formal procedure, governed by the Remuneration and Nomination Committee's terms of reference. The board consists of majority independent, non-executive directors. All directors are subject to re-election by shareholders at the first opportunity after their initial appointment. In this regard, Carel van der Merwe was appointed on 1 June 2018 and it is recommended that shareholders confirm his appointment at the Annual General Meeting to be held on 30 January 2018. A brief biography of Carel van der Merwe is available on page 23 of this report. All new directors are engaged in a formal orientation procedure.

A Race and Gender Diversity Policy was adopted in line with the JSE Listings Requirements. Diversity includes, but is not limited to, gender, age, ethnicity and cultural background. The Nomination Committee will continue to monitor Alaris' progress and Implementation of the said policy.

The chairperson is an independent non-executive director who, together with the CEO, provides leadership and guidance to the Board and encourages proper deliberation on all matters requiring the Board's attention, while obtaining input from the other directors.

The roles of the Chairperson and the Chief Executive Officer ("CEO") remained separate with a clear division of responsibilities to ensure a balance of power and authority between them. The Board is of the opinion that this structure as illustrated above is effective with an appropriate policy to ensure that a balance of power and authority exists amongst directors, so that no one director has unfettered powers of decision-making

The Board has a formal charter setting out, *inter alia*, its composition, meeting frequency, and powers and responsibilities, particularly with regards to financial, statutory, administrative, regulatory and human resource matters. The charter sets out a clear division of responsibilities at Board level to ensure a balance of power and authority. The Board Charter includes a formal schedule of the matters it oversees, including reviewing and guiding corporate strategy, risk policies, annual budgets and business plans and monitoring corporate performance. The Board is satisfied that it has fulfilled its responsibilities in terms of the Charter for the period under review. The Charter is reviewed annually.

The directors are supplied with the information necessary to discharge their responsibilities, individually and as a Board and in certain instances as Board committee members. Directors are entitled to seek independent and professional advice relating to the affairs of the Group.

The board evaluated its effectiveness and performance and remained satisfied with it. The Board further remained satisfied with the functioning of the board committees.

Alaris is listed on the Alternative Exchange of the JSE Limited and is subject to the requirements of the JSE Limited. The Board issued a certificate of compliance for the year under review confirming adherence to all listing requirements applicable to Alaris.

The Board is satisfied that those principles contained in King IV and best practice recommendations which are applicable to the Group, have been complied with and will ensure continuous implementation and compliance in the new financial year, whilst considering the practicalities of the environment in which the Group operates, the financial cost of compliance and the need to take action as appropriate. A statement of the application of the principles of King IV is available on our website: www.alarisholdings.com

Non-Executive Directors and Terms of Appointment

The non-executive directors are not involved in the day-to-day business of the Company nor are they full-time salaried employees of the Company and/or any of its subsidiaries. All non-executive directors' appointments are formalised through letters of appointment. The non-executive directors enjoy no benefits from the Group for their services as directors, other than their fees and potential capital gains and dividends on their interests in ordinary shares.

In terms of paragraph 24.7 of the Company's Memorandum of Incorporation, a third of the directors are subject to retiring by rotation. The directors so to retire at the upcoming Annual General Meeting is Richard Willis and Andries Mellet. The Board was satisfied with the recommendation of the Nomination Committee to recommend their re-election after being satisfied with past performance and experience.

Brief biographies of both are available on page 23 of this report.

INDEPENDENCE OF NON-EXECUTIVE DIRECTORS

The board applies criteria aligned with the Companies Act of South Africa, the requirements of the JSE Limited and King IV to evaluate the independence of Non-Executive Directors. The Board remained satisfied that Coen Bester, Richard Willis and Carel van der Merwe are independent non-executive directors.

Executive directors

The CEO's performance is evaluated annually by the Chairperson. The executive directors are individually mandated and are held accountable for:

- The implementation of the strategies and key policies determined by the Board;
- Managing and monitoring the business and affairs of the Company in accordance with approved business plans and budgets;
- Prioritising the allocation of capital and other resources; and
- Establishing the best management and operating practices.

Chief Executive Officer And Delegation of Authority

The CEO is tasked with the running of the business and the implementation of policies and strategies approved and adopted by the Board. The governance and management function of the CEO is aligned with that of the Board. In the delegation of responsibilities, the CEO confers authority on management and is accountable for doing so. In this sense, the accountability of management is a direct reflection of the CEO's authority. Appropriate measures are in place and are communicated to management. Monitoring levels of authority are applied within the Group, particularly with regards to human resources, capital expenditure, procurement and contracts.

COMPANY SECRETARY

The Board appointed Fusion Corporate Secretarial Services Proprietary Limited ("Fusion") as the Company Secretary on 1 December 2017.

The Company Secretary plays a pivotal role in the functioning of the Board, by providing guidance to the Board in respect of the discharge of directors' duties and their responsibilities.

All directors have unlimited access to the Company Secretary.

As highlighted in the Board Charter, the Company Secretary assists the Board in meeting its fiduciary obligation to the shareholders. In this regard, the Company Secretary's tasks include: developing and implementing policies and processes regarding corporate governance matters, assessing Board membership needs, ensuring the Board is appropriately constituted and proposing director candidates.

The performance of the Company Secretary is formally assessed by the Board on an annual basis and, following this assessment, the Board is satisfied that the Company Secretary:

- is competent, suitably qualified and experienced;
- has the requisite skills, knowledge and experience to advise the Board on good governance; and
- has discharged its responsibilities for the period under review.

The Board further concluded that the Company Secretary is independent, in that no Fusion employees are directors of the Company, nor are they directly or indirectly related to or connected to any of the directors.

Merchantec Proprietary Limited, the previous company secretary resigned with effect from 1 December 2017.

DEALINGS IN SECURITIES

Dealings in securities of the Company applies to the directors and the Company Secretary. The Chairperson is required to authorise such dealings in securities, prior to deals being executed. An independent non-executive director is required to authorise the Chairperson's dealings in securities, prior to deals being executed. All the directors and the Company Secretary are aware of the legislation regulating insider trading.

A record of dealings by directors and the Company Secretary is retained by the Company Secretary. In accordance with the JSE Listings Requirements, the Company's directors and Company Secretary are prohibited from dealing in securities during closed periods.

ANALYSIS OF SHAREHOLDING

Please see the shareholders analysis report on pages 40 - 41.

COMMITTEE STRUCTURE

The directors have delegated specific functions to committees, to assist the Board in meeting their responsibilities. The Board has established standing committees in this regard. The Board committees are constituted with sufficient non-executive representation. The Board committees are subject to regular evaluation by the Board, to ascertain their level of performance and effectiveness.

The committees act in accordance with approved terms of reference, which are reviewed annually.

GROUP EXECUTIVE COMMITTEE

Members of the Group executive committee	
J Dresel	Managing Director - Alaris Antennas and Group CEO
GT Heyman	Group Financial Director
S Lentonen	Managing Director – COJOT

The responsibilities of the Group executive committee include:

- Monitoring and managing risk;
- Developing and implementing the Group strategic plan;
- Developing human resources policies and practices;
- Developing budgets and monitoring expenditure;
- Monitoring operational performance against agreed targets; and
- Adhering to financial and capital management policies.

OUR BOARD COMMITTEE CONSTITUTION

Audit and Risk Committee	Remuneration Committee	Social and Ethics Committee	Nomination Committee*
Richard Willis (Chairperson)	Andries Mellet (Chairperson)	Richard Willis (Chairperson)	Coen Bester (Chairperson)
Carel van der Merwe (member)***	Carel van der Merwe (member)***	Gisela Heyman (member)	Richard Willis (member)
Coen Bester (member)	Coen Bester (member)	Ruenelle Ramnath (member)	Dries Mellet (member)
Andries Mellet (invitee)			
Juergen Dresel (invitee)	Juergen Dresel (invitee)	Juergen Dressel (invitee)	Juergen Dressel (invitee)
Gisela Heyman (invitee)	Gisela Heyman (invitee)		

Meeting attendances throughout the year are available on page 34 of this report.

*the Board agreed to separate the functions of the Remuneration and Nomination Committee into two separate committees subsequent to year end.

** Invitees to the board committee meetings include, but is not limited to, the chief executive officer, the executive director: finance and other members of the board.

*** appointed as a member on 11 June 2018

AUDIT AND RISK COMMITTEE

The Audit and Risk Committee ("the Committee"), a statutory committee in terms of section of section 94 of the Companies Act, operated in terms of a board approved Terms of Reference. For more details on the Audit and Risk Committee's responsibilities and powers, we refer you to the Audit and Risk Committee's report available on pages 44 - 45 of this report. The Committee is aware of the recommendations of King IV relating to the composition of an audit and risk committee, specifically in that all members of such a committee should be independent non-executive directors and the Chairperson of the Board should not be a member and is striving to comply. The Chairperson of the Board is one of the three independent non-executive directors on the Committee. The Board believes that the current structure of the Committee still provides the required independent views in terms of the responsibilities associated with the Audit and Risk Committee. Carel van der Merwe was appointed to the Committee on 1 June 2018 to further comply with the recommendations of King IV.

REMUNERATION AND NOMINATION COMMITTEE

The Remuneration Committee operated in terms of a board approved Terms of Reference. The committee membership appears on page 26 of this report.

The Committee is satisfied that it executed its responsibilities prescribed by its Terms of Reference.

The Remuneration and Nomination committees were previously merged into one committee, however, the committees' functions and responsibilities were separated subsequent to year end. The Committee is aware of the recommendations of King IV pertaining to its composition and is striving to comply by adding a third independent non-executive member. The Board believes that the current structure of the Committee still provides the required independent views in terms of the responsibilities associated with both the Nomination and the Remuneration Committees.

The Committee acts in accordance with approved terms of reference. The purpose of the Committee is mainly to ensure that appointments to the Board are formal and transparent. Furthermore, the Committee is to provide guidance to the Board to ensure that the Group's directors and senior executives are fairly rewarded for their individual contributions to the Group's overall performance. The Committee has a duty to demonstrate to all stakeholders that the remuneration of senior executive members of the Group is set by a Committee of Board members, who have no personal interest in the outcomes of their decisions and who will give due regard to the interests of all stakeholders and to the financial and commercial health of the Group. Details of the directors' remuneration are set out on note 25 of the financial statements. The Company upholds and supports the objectives of the Employment Equity Act (Act 55 of 1998). Shares in the Group held by the Share Incentive Trust are classified as treasury shares. The Company's employment policies are designed to provide equal opportunities, without discrimination, to every employee.

Remuneration policy and implementation report

Alaris' remuneration strategy aims to create sustainable shareholder value by motivating and retaining competent leaders. We aim to attract knowledgeable engineers to grow the intellectual property value of the Group and to invent new ideas. Primary objectives include the need to have credible remuneration policies that enhance key business goals, address needs across the different cultures and drive performance.

OVERVIEW OF REMUNERATION POLICY FOR THE YEAR ENDED 30 JUNE 2018

Non-executive directors

Non-executive directors receive monthly or quarterly remuneration as opposed to a fee per meeting. This recognises the responsibility of directors for the efficient control of the Company. A premium is payable to the chairperson of the Board, as well as to the chairpersons of the subcommittees. Remuneration is reviewed annually and is not linked to the Company's share price. The Board annually recommends remuneration of non-executive directors for approval by shareholders in advance.

Executive directors

In remunerating executives, the Group aims to motivate and retain competent and committed leaders in its drive to create sustainable shareholder value. Remuneration is linked to key performance indicators and a portion of the remuneration is not guaranteed.

Alaris structures packages on a total cost-to-company basis. The salary structures of the staff can consist of up to three components:

1. Monthly guaranteed basic portion and for sales staff a variable commission portion based on sales invoiced.
2. Annual Incentive bonus - most senior staff qualify for individual and/or team performance incentives. The incentive scheme allows for a bonus based on a scale against which growth performance is measured. An overperformance bonus is applicable if the hurdle rate of 20% growth in normalised earnings is exceeded. 70% of the bonus is based on financial performance and 30% on the key performance indicators of the individuals that are agreed annually.

FY18 Normalised earnings Growth - After Bonus	5%	10%	15%	17%	20%
% of 70% bonus paid out based on Financial Performance	15%	25%	50%	75%	100%

In the instance where the target growth is exceeded, 10% of every additional R1 will be allocated to the participating employees in proportion to their monthly salary and allocated factor.

3. Share Incentive scheme - Alaris Holdings share options are allocated to key executives and senior staff members to incentivise and retain such employees. The options vest over a period of 5 years.

The Group also has an employee benefit scheme which offers pension fund, death and disability and medical aid benefits. This allows individuals to structure their own pension, medical aid and other benefits. Remuneration packages are reviewed annually and are monitored and compared with reported figures for similar positions to ensure they are fair and sensible.

Share-based incentive plans

A share incentive scheme for key executives and senior staff members was approved by the board to incentivise individuals on a share-based plan. The key executives and senior staff members are those involved in creating shareholder value. The intention is to promote the effective participation in the Group of key employees and to incentivise and retain such employees.

Senior management can use their discretion to propose relevant staff members for consideration. Pre-approval is at the Group CEO's discretion and final approval at the Remuneration committee if within approved maximum thresholds.

The board approves the allocation of options on a factor based on the strategic importance of the individual to the Company.

IMPLEMENTATION REPORT

The remuneration policy has been implemented as per remuneration policy. Refer to note 25 for the detailed disclosure of director's emoluments.

During November 2017, share options were granted to certain employees as an incentive. Refer to note 12 of the consolidated financial statements for detail of the movement in authorised and issued ordinary share capital and refer to note 13 for more detail on the share option scheme.

COJOT and the Group achieved normalised earnings growth higher than the target approved by the board. Based on this the staff allocated to these entities qualified for an over performance bonus in line with the above remuneration policy. Below is the total bonus amounts payable for the Group:

	Basic Bonus	Over performance Bonus	Ad-hoc share-based payment bonus
Bonus payment	R3.4 million	R2.4 million	R2.1 million

The Board approved an ad-hoc payment of R2.1 million to executive directors and certain senior management. This payment is a discretionary once-off bonus payable in cash to enable such directors and management to purchase shares in the Company. The merits of this payment include the fact that a large portion of the options in issue since 2015 lapsed in 2018 and could not be exercised due to the strike price exceeding the market price, despite good performance and growth in the operating entities over the past three years. The objective of providing a retention scheme and creating an ownership culture through shareholding was not achieved. The net after tax amount will be paid into the staff's broker accounts with an instruction to buy Alaris Holdings shares in the market. Due to the limitation that the cash bonus can only be utilised to buy Alaris shares, the bonus is classified as equity settled.

The Board will interact with shareholders subsequent to the annual general meeting, in the event that either the remuneration policy or the implementation report, or both, are voted against by 25% or more of the votes exercised.

OVERVIEW OF REMUNERATION POLICY EFFECTIVE 1 JULY 2019

Alaris' remuneration strategy aims to create sustainable shareholder value by motivating and retaining competent leaders and talent. We aim to attract knowledgeable staff to allow the Group to achieve its strategic goals. It is imperative for the Group to attract top-class talent to grow the intellectual property value of the Group and to develop new ideas. Primary objectives include the need to have credible remuneration policies that enhance key business goals, address needs across the different cultures and drive performance.

Remuneration packages are reviewed annually and are monitored and compared with reported figures for similar positions to ensure they are fair and sensible.

Overview of remuneration

Non-executive directors

Non-executive directors receive monthly or quarterly remuneration as opposed to a fee per meeting. This recognises the responsibility of directors for the efficient control of the Company. A premium is payable to the chairperson of the Board, as well as to the chairpersons of the subcommittees. Remuneration is reviewed annually and is not linked to the Company's share price. The Board annually recommends remuneration of non-executive directors for approval by shareholders in advance.

Executive directors

In remunerating executives, the Group aims to motivate and retain competent and committed leaders in its drive to create sustainable shareholder value. Remuneration is linked to key performance indicators and a portion of the remuneration is not guaranteed.

Alaris structures packages on a total cost-to-company basis. The salary structures of the staff can consist of up to four sub-components:

1. **Monthly, guaranteed, market related basic salaries**

   The Group also has an employee benefit scheme which offers pension fund, death and disability and medical aid benefits. This allows individuals to structure their own pension, medical aid and other benefits.

2. **Short term (annual) incentive plan (STIP)**

   Bonus

   Certain staff qualify for individual and/or team annual performance incentives. The plan seeks to have a set of value drivers which funds a total STIP pool such that it aligns with stakeholder value creation and a set of drivers which distributes the pools such that it aligns with employee engagement and performance.

   Commission

   Sales staff are eligible to receive a variable commission portion based on sales invoiced.

3. **Long term incentive plan (LTIP)**

   Key executives and senior staff members are nominated by the executive management and approved at the discretion of the board to participate in the long-term incentive scheme with the objective to retain such employees and to align with stakeholder value creation.

The pay mix of the executives is as per the below:

	On Achieving Target performance			Maximum		
Roles	Salary	STIP	LTIP [A]	Salary	STIP	LTIP [B]
Group Executive Directors and MD's	100%	50% (6 months)	100% (12 months)	100%	100% (12 months)	100% (12 months)

A. LTIP is assessed after three years depending on performance vesting criteria.

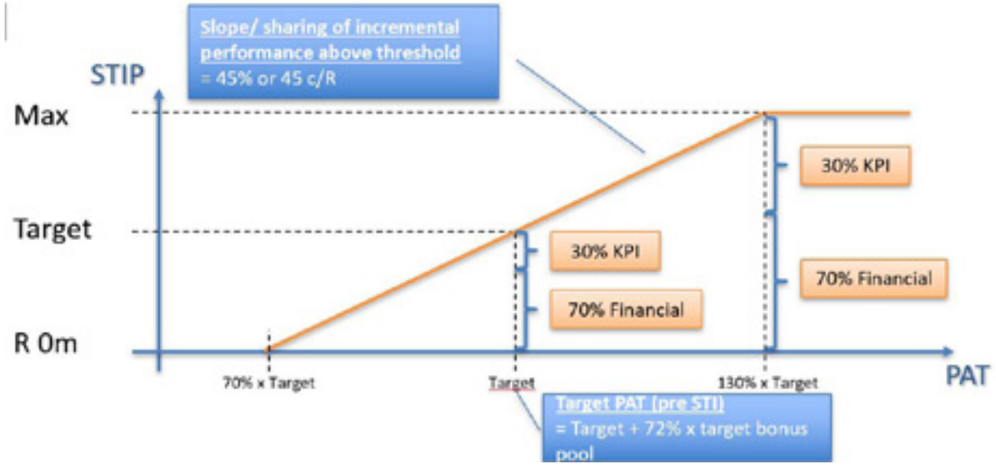
B. Any STIP payment more than the target STIP amount (ie. for executives more than 6 months' worth of salary) is deferred by one year, with the only vesting condition being that the person is still employed;

Short term (annual) incentive scheme (STIP)

The incentive scheme allows for a bonus based on a scale against which growth performance is measured. The target normalised earnings per share for the year and the corresponding scale is considered and approved by the Remco on an annual basis, for each subsidiary and for the Group respectively. A 30% portion of the bonus is based on the key performance indicators of the individuals that are agreed annually by the relevant line managers.

An overperformance bonus is applicable if the hurdle rate of growth in normalised earnings per share is exceeded. In such a case an overperformance pool is created in which participants will share a percentage of the overperformance profits. The bonus pool is created from a level below the target for the year to ensure there is a pool available to reward individual performance, even if the business does not grow sufficiently to reach target. However, no executive management shares in the bonus pool unless the business has achieved a certain target threshold amount set yearly by the Remco, typically based on at least inflationary growth on the prior year. Management makes a recommendation on how the bonus pool is to be allocated, for final approval by the Remco.

An illustrative example is provided below, in which participants will share in 45% of the outperformance, capped when the business reaches 130% of the target normalised earnings per share for the year:



SHARE-BASED LONG-TERM INCENTIVE PLANS (LTIP)

A share incentive scheme for key executives and senior staff members was approved by the board in 2015 to incentivise individuals on a share-based plan. The key executives and senior staff members are those involved in creating shareholder value. The intention was to promote the effective participation in the Group of key employees to retain such employees and to align with stakeholder value creation.

The Group has decided to implement a new share-based incentive scheme owing to the following two reasons:

1. the accounting treatment of equity settled incentive schemes with market conditions, in accordance with IFRS2, does not always align the actual benefit the employee obtains with the cost incurred by the company. I.e. when the strike price of the option is higher than the market value, the option is under water and has no value and therefore the employee will in all likelihood not exercise the option, however the company will not show the benefit of not incurring this cost in the profits, since the share-based equity reserve remains in equity and does not recycle into the profits of the company.
2. the objective of retention of key staff was not achieved in the existing scheme. Even though profits materialised year on year for the past three years, the share price did not track such performance, resulting in issued options being under water.

EXISTING SHARE OPTION SCHEME, IN RUN-OFF

This scheme required participants to pay a certain strike price determined at a point in time and the number of options allocated was based on a multiple factor of the salary and the 30day VWAP at that time of issue.

The vesting conditions depended on the staff member still being in employ (non-market condition) and the option would, by its nature, only be exercised if the options are in the money (market condition).

The options already issued under the current option scheme will run its course with the last options vesting in November 2022.

No further top-ups are done under the current scheme. This scheme will terminate in November 2022.

NEW NIL-COST SHARE-BASED LONG-TERM INCENTIVE PLANS

The new long term incentive plan, to be implemented effective from 1 July 2018, will be based on the following principles:

- Annual LTIP awards will be subject to a combination of performance - and time vesting conditions.
- An annual allocation of nil cost options will be made, calculated as a factor of annual salary.
- The options will carry a nil strike price with the number of share options determined based on the 30 day volume weighted share price on the date of issue.
- The full amount of options are allocated on day 1, but performance vesting criteria will determine after 3 years how many options actually vest.
- The options will vest after three years, if the participant is still employed and to the extent that the following performance vesting criteria are met:
  - Metric: 3 year cumulative growth in normalised earnings per share from year-end preceding the award to the year-end preceding vesting
  - The options will vest in full if the normalised earnings per share increase by a cumulative 72% over the period (72% being calculated as 20% per year, compounded for 3 years).
  - No options will vest if the normalised earnings per share did not increase over the period by at least a cumulative minimum threshold, typically the average South African inflation rate over the period.

Executive management use their discretion to nominate relevant key staff members for consideration. Pre-approval is at the Group CEO's discretion and final approval at the Remuneration committee if within approved maximum thresholds, as defined by the trust deed.

The board approves the annual allocation of the nil-cost share options, at its discretion, based on the below guidelines:

Roles	LTIP Fair Value of Award (Max Value) 100% vesting
Group Executive Directors and MD's	100% x Salary
Other C-members	50% x Salary
Senior Managers	25% x Salary

A general meeting will be held in January 2019 where the new Trust Deed for the above scheme will be presented for approval by shareholders.

SOCIAL AND ETHICS COMMITTEE

The Social and Ethics Committee ("the Committee") operated in terms of a board approved Terms of Reference.

The responsibilities of the Social and Ethics Committee include monitoring the Company's activities, with regards to any relevant legislation, other legal requirements or prevailing codes of best practices, regarding matters relating to:

- Social and economic development, The Employment Equity Act; and the Broad-Based Black Economic Empowerment Act;
- Good corporate citizenship; and
- Promotion of equality, prevention of unfair discrimination and reduction of corruption.

The Committee is satisfied that it executed its responsibilities prescribed by its Terms of Reference

The Committee is aware of the King IV recommendation that there should be a minimum of three members, and that the majority of members should be non-executive directors and is striving to comply. The Committee's composition complies with the requirements of the Companies Act No 71 of 2008, as amended ("the Companies Act"), more specifically regulation 43 thereof.

The committee membership appears on page 26 of this report. This report of the Committee, will serve as the Committee's report to the Company's shareholders on the matters within its mandate, at the upcoming Annual General Meeting.

Any specific questions to the said Committee may be sent to the Company Secretary prior to the Annual General Meeting at melinda@fusioncorp.co.za or andrea@fusioncorp.co.za

Below follows a summary of the Social and Ethics Committee's activities and decisions taken through the year:

Organisational ethics: Legislation, Codes of Best Practise and Ethics	The applicable principles set out in the United Nations Global Compact, as well as the recommendations of the Organisation for Economic Co-operation and Development ("OECD") regarding corruption have been addressed in the scorecard which is reported at the committee meetings.
Labour and Human Rights	The Group endeavours to treat all employees with fairness and dignity with respect to their rights and have respect for their dignity.
Transformation	Alaris continues to operate under B-BBEE plan as previously communicated. It has split its operating divisions to better service its customers by geographic location, i.e. South African customers and export customers. Alaris will undertake the BEE verification process once the defence charter has been approved. Alaris Holdings Limited is classified as non-compliant. *Corporate Social Investment* Refer below for more detail on this topic
Skills	According to research, engineers are in short supply, not only in South Africa, but also in Europe and the USA. The Government of South Africa has listed engineering skills as part of the scarce skills in the country and requested priority attention to developing these skills. STEM skills are a necessity for every engineer, and we therefore will drive our efforts mainly towards addressing the needs of these skills in South Africa and Finland. Learnerships/Internships are part of ongoing skills development initiatives In the Group.
Health and Safety	A Quality Control Manager was appointed in May 2017 to address and progress all health and safety issues. Several enhanced quality processes have been implemented and Alaris was successfully certified ISO 9001-2015 compliant.
Environment	The Company participates in various recycling initiatives such as recycling of paper and aluminium. An Environmental Management Plan has been implemented within Alaris Antennas to ensure compliance with the Reach and Rohs requirements by the end of the year.
Anti-corruption	A Whistleblowing Policy was implemented, and no fraud or ethic related matters were reported for the period under review.
Investor relations and communication with stakeholders	The Group communicates with shareholders, investors, analysts and regulators on a constant basis and public presentations are held when needed. Alaris believes that such communication is essential and endeavours to keep an open-door policy with relevant stakeholders. Alaris has contracted the services of an investment analyst and a PR specialist to assist the internal investor relations function of the Group to further improve stakeholder communications.

ETHICS AND VALUES

All employees of the Company are required to maintain the highest ethical standards in ensuring that the Company's business practices are conducted in a manner, which in all circumstances are above reproach. All executive directors of the Group and its subsidiaries are required to sign an anti-bribery declaration on an annual basis confirming that they are not aware of any circumstances which the Group participated in that would bring our ethics and values in dispute.

EMPLOYEES

Alaris' employment policies allow for individuals, including individuals from historically disadvantaged backgrounds, to apply for bursaries. Employees are encouraged to improve their personal qualifications and several previously disadvantaged employees are currently on study courses financed by Alaris. We also promote a healthy, secure, participative social and working environment for our staff and business associates.

Photo by: Johan Fuhri (Senior Electronic Engineer)

SUMMARY OF MEETINGS HELD

	Board meeting	Audit and Risk Committee	Remuneration & Nomination Committee	Social and Ethics Committee
CP Bester	5/5	5/5	3/4	
RC Willis	5/5	5/5	4/4	3/3
A Mellet	5/5	5/5	4/4	
PN de Waal*	2/2	2/2	1/1	
C van der Merwe**	1/1	1/1		
J Dresel	5/5	5/5	4/4	3/3
GT Heyman	5/5	5/5	4/4	3/3
R Ramnath				3/3

** resigned 17 October 2017*
*** appointed on 1 June 2018*

DESIGNATED ADVISORS

PSG Capital was appointed as the Designated Advisors of the Company on 1 December 2017.

Merchantec Capital resigned on 1 December 2017.

TRANSFER SECRETARIES

Computershare Investor Services Proprietary Limited remained the Transfer Secretary of the Company. Shareholders can address shareholding related queries to: PO Box 61051 Marshalltown, South Africa, 2107.

CHANGES DURING THE YEAR:

Pieter Nicolaas de Waal ("Nico") resigned as a non-executive director of Alaris with effect from 17 October 2017.

Andries Mellet, who was an alternate director to Nico, has been appointed as a non-executive director, in his place and stead with effect from 17 October 2017.

Carel van der Merwe has been appointed as independent non-executive Director with effect from 1 June 2018.

EVALUATION OF THE BOARD

Every year, Alaris evaluates the effectiveness and performance of the Board, its committees and individual directors. During 2018, Fusion conducted the assessment. No major concerns were raised by any director in respect of the functioning of the Board or any of its committees. The 2018 assessment monitored the Board's effectiveness as a team, how well the committees' function and discharge their duties as stated in the respective charters/terms of reference, the commitment and performance of individuals and trends in responses to questions.

The results identified that the Board was effective and performed well. Sufficient evidence of effectiveness exists, while some aspects meet the Board's expectations and others may require development.

The Board specifically considers the independence of directors and their commitments when appointed, and also annually. This evaluation is done to determine whether a director has sufficient time to discharge his or her duties effectively and is free from conflicts that cannot be managed satisfactorily.

RISK MANAGEMENT REPORT

Our ability to deliver on Alaris' business strategy depends on us being able to take calculated risks in a manner that does not jeopardise the interests of our stakeholders. Alaris has established a culture of managing existing, emerging or unpredictable risks. Various embedded processes and structures are in place to address our risk management needs. We have adopted an enterprise-wide approach to risk management, with every identified material risk included in a structured and systematic process of risk management.

The Board is responsible for the governance of risk by ensuring that an appropriate system and process of risk management is implemented and maintained. The Board has appointed and is assisted by the Audit & Risk Committee which operates in terms of a formal charter. Its duties and activities include considering the risk management policy and plan, reviewing the effectiveness of the risk management activities, identifying the key risks facing the Group and ensuring appropriate responses to address these key risks.

- Events that may lead to risks materialising are identified within the generic risk framework.
- Events are then assessed to quantify probability and potential financial impact on the business if they materialise.
- Preventative actions (probability) and contingent actions (impact) are identified to mitigate these, as well as critical action plans (to be managed at the executive committee level).
- The overall assessment of risk is compared against the level of risk deemed acceptable by the Group.

The executive committee reports to the Audit and Risk Committee on overall risk processes, identified events and mitigation action plans. The Audit and Risk Committee, in turn, presents to the Board an overview of these potential risks, processes and critical actions.

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 it by ensuring that appropriate infrastructure, controls, systems and ethical behaviour are applied and managed within predetermined procedures and constraints.

"There can be no greater gift than that of giving one's time and energy to helping others without expecting anything in return."

– Nelson Mandela

The Group believes that each citizen has a responsibility towards society and the environment. The Group therefore encourages employee participation through involvement by either giving in time or by donating towards social development issues.

During the year, Alaris Antennas committed to making a difference in the lives of those less fortunate and initiated several projects.

Towards the end of 2017 Alaris staff contributed to the **Season of Sharing** initiative, when they decided to assist in spreading some joy to the kids in the medical care division at Lambano. This non-profit organisation was selected, due to the absolutely inspiring work they do and providing hope to those kids with no hope of living.

Lambano Sanctuary was founded in 2001 to help HIV positive children with no hope of living. Today they provide full-time care for children who live with life-limiting and life-threatening illnesses (including cancer patients) at their four Forever Homes.

The **Winter Warmer** project was launched during the first days of winter, when there was no doubt that it will be a very cold and long season. The employees at Alaris decided to collect blankets and distribute them to the elderly in a community close to our offices.

We collected 75 blankets and were able to provide each and every elderly person at the Supa Dimama Senior Citizens Centre in Ivory Park, Gauteng (South Africa), with a blanket.

The theme for the participation in **Mandela Day 2018**, was "action against poverty". Based on a huge need in a community, in the vicinity of the Alaris Antennas office, for basic and essential items, the company decided to do a collection of non-perishable foods and sporting equipment for one of the high schools, namely Olievenhoutbosch Secondary School.

The school is a "no fee" and public school, based in Olievenhoutbosch, a township in Gauteng (South Africa). The concept of a "no fee" school is that the parents do not pay school fees, since the school is in a very poor community. They are dependent on grants from the Department of Education and the involvement of the business community.

Employees contributed to our **Mandela Day** project, by donating non-perishable food, sporting equipment and school uniform. In addition, a number of them spend time to sort and pack the goods, which were delivered to the school by a couple of Alaris staff.

POLITICAL DONATIONS AND AFFILIATIONS

As a proudly South African entity, the Alaris Group supports the democratic system in South Africa and does not donate or contribute to individual political parties.

FOCUS AREAS FOR FY2019

- improving the Group's overall B-BBEEE rating; and
- review and implementation of policies in relation to the committee's social and ethics responsibilities.

CONCLUSION

The Committee was satisfied that in all material respects, the committee has achieved its objectives for the financial year ended 30 June 2018.

The Committee had no reason to suspect or report that there was non-compliance to the requirements of the social and ethics committee as set out in Regulation 43 of the Companies Act.

Annual Financial Statements 38 - 96

ASSURANCE

INTRODUCTION

In respect of the level of assurance on information included in the integrated annual report and annual financial statements as set out below, the Audit and Risk committee ensures that a combined assurance model is applied to and provides a co-ordinated approach to all assurance activities. The level of assurance obtained in the integrated annual report was approved by the Audit and Risk Committee and the Audit and Risk Committee will continue to evaluate the level of assurance obtained taking into account the factors and risks identified that may impact on the integrity of the integrated annual report and regulatory requirements.

FINANCIAL INFORMATION

Our consolidated financial statements were audited by our external auditor, KPMG Inc.

NON-FINANCIAL INFORMATION: SUSTAINABILITY

No assurance was obtained on our sustainability measures. The Audit and Risk committee reviewed the disclosure of sustainability issues that may be commented on in the integrated annual report to ensure that it is reliable and does not conflict with the financial information and concluded that no additional external assurance is required on material sustainability issues.

NON-FINANCIAL INFORMATION: B-BBEE

Alaris Holdings and its South African subsidiaries ("Alaris") support the promotion and implementation of a scorecard approach for achieving the objectives of B-BBEE. We firmly believe that investments in skills development and social initiatives will have a long-term positive impact on the South African economy and community. Some of the key initiatives undertaken during the current financial year were: ongoing assistance to students to achieve their practical requirements in connection with their respective engineering degrees as well as bursaries for some employees. We have also embarked on some social initiatives which aided the following beneficiaries: Lambano Sanctuary, Supa Dimama Senior Citizens Centre and Olievenhoutbosch Secondary School.

Alaris is mindful of our obligation and responsibility to improve our B-BBEE status and we are making a conscious effort to make progress in this regard.

Alaris has been in discussion with Empowerdex and the BEE commission over the past few months to debate whether it should fall under the generic charter and not the ICT charter whilst the new defence charter is finalised. Our request was based on the fact that other similar companies in our industry are rated under the generic code whilst they wait for the finalisation of the defence charter. The BEE commission is steadfast that we should be rated under the ICT charter until the defence charter has been gazetted and therefore our request has been declined by the BEE commission. Due to the declined request, Alaris is non - compliant with the B-BBEE code for the financial year ending 30 June 2018, in that no BEE verification process was undertaken.

Alaris continues to operate under the B-BBEE plan as previously communicated. It has split its operating divisions to better service its customers by geographic location, i.e. South African customers and export customers. Alaris will undertake the BEE verification process once the defence charter has been approved.

	Number of shareholders	%	Number of shares	%
Shareholder spread				
1 – 1 000 shares	415	36.92%	169 455	0.14%
1 001 – 10 000 shares	316	28.11%	1 458 953	1.21%
10 001 – 50 000 shares	282	25.09%	6 539 669	5.43%
50 001 – 100 000 shares	52	4.63%	3 733 473	3.10%
100 001 – 1 000 000 shares	47	4.18%	12 635 400	10.49%
1 000 001 shares and over	12	1.07%	95 967 780	79.64%
Totals	**1 124**	**100.00%**	**120 504 730**	**100.00%**
Public/non-public shareholders				
Non-public shareholders				
Directors and associates	5	0.44%	39 141 163	32.48%
Share trust	1	0.09%	4 387 959	3.64%
Public shareholders	1 118	99.47%	76 975 608	63.88%
Totals	**1 124**	**100.00%**	**120 504 730**	**100.00%**

Directors and associates				2018		2017	
PSG Alpha Investments (Pty) Ltd	*	Associated Holding (A MELLET)	Indirect	30 815 237	25.57%	30 815 237	25.57%
J DRESEL	**	Executive Director	Direct	8 171 151	6.78%	8 171 151	6.78%
CP BESTER	**	Non-Executive Director	Direct	100 000	0.08%	100 000	0.08%
THE WILLIS FAMILY TRUST	*	Non-Executive Director (R WILLIS)	Indirect	50 000	0.04%	-	-
GT HEYMAN	**	Executive Director	Direct	4 775	0.00%	4 775	0.00%
E VALKEASUO (Resigned August 2017, however still holds shares)	**	Director Subsidiary COJOT	Direct	-	-	732 000	0.61%
				39 141 163	**32.48%**	**39 823 163**	**33.05%**
		* Non-Beneficial	** Beneficial				

Beneficial shareholders holding 5% or more							
PSG Alpha Investments (Pty) Ltd	*	Associated Holding (PSG)		30 815 237	25.57%	30 815 237	25.57%
ANDRIES PETRUS CRONJE FOURIE TRUST	*	Previous CEO (APC Fourie)		18 285 580	15.17%	18 285 580	15.17%
THE MAS TRUST (Resigned May 2017)	*	Executive Director (JSV JOUBERT)		12 599 923	10.46%	13 363 226	11.09%
DR DC NITCH	**	Founder investor		9 721 631	8.07%	9 741 631	8.08%
J DRESEL	**	Executive Director		8 171 151	6.78%	8 171 151	6.78%
				79 593 522	**66.05%**	**80 376 825**	**66.70%**
		* Non-Beneficial	** Beneficial				

DIRECTORS' INTERESTS IN SECURITIES

No securities have been furnished by Alaris or its subsidiaries for the benefit of any director (other than above) or any other associate of any director.

Share options have been allocated to certain directors of the Company under the rules of the share incentive scheme. 50% of the shares issued in May 2015 have lapsed in this financial year and will vest equally in the next two years. The remaining options will vest equally in year 2,3,4 and 5 following the allocation:

		Number of shares May 2015 Issue	Number of shares Sep 2016 issue	Number of shares Nov 2017	Number of shares Total
J DRESEL	Executive Director – Group CEO	1 900 000	-	570 000	2 470 000
GT HEYMAN	Executive Director – Group CFO	250 000	500 000	1 020 000	2 020 000
S LENTONEN	Executive Director – COJOT	-	600 000	440 000	1 040 000

Refer to note 13 - Share based payments of the financial statements, for details of the scheme.

No changes have occurred in the directors' interests between 30 June 2018 and the date of approval of this integrated annual report.

GENERAL INFORMATION

Country of incorporation and domicile

South Africa

Nature of business and principal activities

The Group is engaged in the manufacturing and selling of specialised broadband antennas as well as other related radio frequency products.

Directors

CP Bester*@ (Chairperson)

J Dresel # (CEO)

A Mellet@

RC Willis*@

C van der Merwe*@^

GT Heyman (Financial Director)

*Independent
@ Non-executive
#German
^ Appointed on 1 June 2018

Registered office

1 Travertine Avenue
N1 Business Park
Centurion
0157

Postal address

Private Bag X4
The Reeds
Pretoria
0061

Bankers

Standard Bank

Auditor

KPMG Inc.

Company secretary

Fusion Corporate Secretarial Services

Company registration number

1997/011142/06

Level of assurance

These consolidated financial statements have been audited in compliance with Section 30 of the Companies Act 71 of 2008.

Preparer

The consolidated annual financial statements were prepared under the supervision of Gisela Heyman, Group CFO, CA(SA).

Published

11 September 2018

INDEX

The reports and statements set out below comprise the consolidated annual financial statements presented to the shareholders:

*These comprise of the financial statements

Members of the Audit and Risk Committee

RC Willis (Chairman)
CP Bester
C van der Merwe (appointed 1 June 2018)

This report, of the Audit and Risk Committee (the "Committee"), is presented to shareholders in compliance with the requirements of the Companies Act as amended. The independent external auditors and the designated advisors attend the meetings as and when required and J Dresel, Group CEO, and G Heyman, Group Financial Director, attend the meetings by invitation.

In terms of the Companies Act 2008, (Act 71 of 2008) as amended, shareholders are required to elect the members of this Committee at each annual general meeting. At the annual general meeting in November 2017, RC Willis, CP Bester and D Mellet were re-elected as members of this Committee. C van der Merwe was appointed as independent non-executive director and member to the Committee on 1 June 2018. Subsequent to the appointment of C van der Merwe, D Mellet will attend the meetings as an invitee.

Meetings held by the Committee

The Committee performs the duties laid upon it by Section 94(7) of the Companies Act as amended by holding meetings with the key role players on a regular basis and by the unrestricted access granted to the external auditors and the designated advisors. The chairman of the Committee reports to the board after every meeting that has been held.

The role of the Committee

The Committee was established as a statutory committee as outlined by the Companies Act and the recommendations set out in King IV with additional functions allocated to it by the board of directors. Its role is to assist the board in discharging its duties relating to the safe guarding of assets, reviewing the operating systems and control processes and the preparation of accurate financial reporting and statements in compliance with all legal requirements and accounting standards. The Committee does not assume any management functions or assume any management responsibilities. The Committee has an independent role and is accountable to the Board and Shareholders.

External auditor independence

The Committee, under Section 90 of the Companies Act, has to consider the independence of the external auditors, as well as nominate a registered auditor for appointment by the Company. The Committee is mandated to ensure that the appointment of the auditor complies with the provisions of the Companies Act, and any other legislation relating to the appointment of auditors.

The Committee determines and approves the level of fees paid to the auditor as well as the terms of engagement. During the external audit evaluation process, the Committee considered various criteria including audit planning, technical abilities, audit processes, quality control, business insight, independence and other relevant factors.

KPMG Inc. ("KPMG") has been the Company's auditor since 2007. When the negative news emerged in the public arena surrounding KPMG, management together with the guidance of the Committee felt it appropriate to initiate a request for proposal ("RFP") process for the audit of the Group for the year ending 30 June 2019. Seven audit firms responded to the RFP. The RFP required all interested audit firms to have the ability to audit the entire Group which has numerous foreign subsidiaries in geographies outside of South Africa. The Committee assessed each presentation of the short listed audit firms and concluded that it was satisfied to recommend the reappointment of KPMG as the Group auditors for the year ending 30 June 2019. The individual registered auditor is NH Southon. It was confirmed that KPMG and the designated auditor are accredited as appearing on the JSE list of accredited auditors.

The Committee notes the outcome of the Independent Regulatory Board for Auditors' ("IRBA")subsequent investigation. KPMG has committed to a number of remedial steps which are being monitored by IRBA. The Committee as well as the board were comforted by the discussions with KPMG.

Non-Audit Services

The Committee determines the nature and extent of any non-audit services that the auditor may provide to the Company. The non-audit related services provided were a SENS review. The KPMG Tax division also assisted with the Section 11D application to the Department of Trade and Industry for tax incentives for research and development.

Evaluation of the consolidated annual financial statements

As part of its report to the board, the Committee commented on the consolidated annual financial statements, the accounting practices and the internal financial controls of the Company. The Committee stays abreast of current and emerging trends in accounting standards.

The Committee confirms that they have reviewed and discussed the consolidated annual financial statements with the independent external auditors and financial director. The external auditor has unrestricted access to the Company and its subsidiaries' records and management. The auditor furnishes a written report to the Committee on significant findings arising from the annual audit and is able to raise matters of concern directly with the chairman of the Committee. There were no limitations imposed on the scope of the external audit.

The Committee has reviewed the consolidated and separate annual financial statements of the Company and is satisfied that they comply with International Financial Reporting Standards and the Companies Act of South Africa.

The Committee did not receive any concerns or complaints, within or outside the Company, relating to the accounting practices of the Company, the content or auditing of the Company's financial statements, the internal financial controls of the Company, or any related matter.

The Committee considered the 2017 JSE Report on Pro-active Monitoring dated 20 February 2018 and took the necessary action to apply the findings.

Expertise and experience of the financial director and finance function

The Committee has executed its responsibility in terms of paragraph 3.84(h) of the JSE Listings Requirements and confirms that it is satisfied with the expertise and experience of the financial director. The Committee is satisfied with the overall expertise and adequacy of resources in the finance function, as well as the experience of the senior members of management responsible for it.

Internal audit

The internal audit function is an integral part of the corporate governance regime. The primary goal of the internal audit is to evaluate the company's risk management, internal control and corporate governance processes, and to ensure that they are adequate and functioning correctly.

The position of the Committee was that the internal audit function would be performed by the Group finance department. The board, as a whole, also considers internal controls. While considering the information and explanations given by management, as well as discussions held with the external auditor on audit results, the Committee is of the opinion that the system of internal financial controls is effective and forms a basis for the preparation of reliable financial statements.

Risk management

The board is responsible for the risk management process, whilst management is accountable to the board for designing, implementing and monitoring the process of risk management in the day-to-day activities of the Group.

Responsibility of the Committee

- Review risk management policies and processes
- Review risk philosophy, strategies and policies
- Ensure risk management is integrated into business operations
- Ensure management considers and implements appropriate risk responses
- Evaluate the basis and adequacy of insurance cover
- Ensure internal audit is aligned with risk management processes
- Identify emerging areas of risk
- Ensure compliance with legislation, regulation and governance codes, including King IV, and
- Identify areas of governance non-compliance and propose remedial action after considering the risk matrix, the Committee has nothing material to report.

Consolidated annual financial statements

Following the review of the consolidated annual financial statements the audit committee recommends board approval thereof.

Approval of the report

The Committee confirms that it has functioned in accordance with its terms of reference for the 2018 financial year, and that its report to shareholders has been approved by the Board.

RC Willis
Chairman
11 September 2018

CERTIFICATE BY COMPANY SECRETARY

In our capacity as Company Secretary, we hereby confirm, in terms of Section 88(2)(e) of the Companies Act, 2008 (Act No.71 of 2008), as amended ("the Act"), that for the year ended 30 June 2018, the company has lodged with the Companies and Intellectual Property Commission all such returns as are required of a company in terms of the Companies Act and that all such returns are true, correct and up to date.

Fusion Corporate Secretarial Services
Company secretary
11 September 2018

The directors submit their report on the consolidated annual financial statements of Alaris Holdings Limited and its subsidiaries for the year ended 30 June 2018.

1. Incorporation

The Company was incorporated on 11 July 1997 and obtained its certificate to commence business on the same day.

2. Nature of business and principal activities

The Group designs and manufactures specialised antennas and other related radio frequency (RF) products.

3. Review of financial results and activities

The consolidated annual financial statements have been prepared in accordance with International Financial Reporting Standards (IFRS), the SAICA Financial Reporting Guides as issued by the Accounting Practices Committee and Financial Reporting Pronouncements as issued by the Financial Reporting Standards Council, the requirements of the Companies Act of South Africa and the Listings Requirements of the JSE Limited ("JSE Listings Requirements"). The accounting policies have been applied consistently compared to the prior year except where new Standards were adopted.

Full details of the financial position, results of operations and cash flows of the Group are set out in these consolidated financial statements. The operating results and state of affairs of the Group are fully set out and in our opinion do not require any further comment.

4. Share capital

	2018 R'000	2017 R'000	2018 Number of shares	2017 Number of shares
Issued shares - ordinary shares (pre-treasury shares)	6	6	120 504 730	120 504 730
Issued shares - preference shares	-	-	-	20 400 000

Refer to note 12 of the consolidated annual financial statements for detail of the movement in authorised and issued ordinary share capital.

5. Dividends

The Company's dividend policy is to consider an interim and a final dividend in respect of each financial year. At its discretion, the Board may consider a special dividend, where appropriate. Depending on the perceived need to retain funds for expansion or operating purposes, the Board may decide not to declare dividends.

Given the current strategy regarding mergers and acquisitions, the Board believes that it would be more appropriate for the Group to conserve cash to ensure that the Group is best placed to implement its growth strategy. Therefore, the Board has resolved not to declare a dividend for the financial year ended 30 June 2018 (2017: R0).

6. Directorate

The directors of the Company during the year and in office at the date of this report are as follows:

Directors	Office	Designation	Changes
CP Bester	Chairperson	Independent non-executive	
J Dresel (German)	Group CEO	Executive	
A Mellet	Non-independent	Non-executive	Appointed 17 October 2017, previously alternate director to PN de Waal
GT Heyman	Group CFO and Financial Director	Executive	
RC Willis	Independent	Non-executive	
C van der Merwe	Independent	Non-executive	Appointed 1 June 2018
PN de Waal	Non-independent	Non-executive	Resigned 17 October 2017

7. Interests in subsidiaries and trusts

Name of subsidiary/trust	2018 %	2017 %
Alaris Holdings Limited Share Incentive Trust	100	100
Alaris Antennas Proprietary Limited	100	100
Alaris Investment Holdings UK Limited	100	100
COJOT Oy	100	100
Alaris US Inc. (dormant)	100	100

8. Borrowing powers

In terms of the Memorandum of Incorporation of the Company, the borrowing powers of the Company are unlimited and the directors may exercise all powers to borrow money as they consider appropriate. However all borrowings by the Group are subject to board approval as required by the board delegation of authority.

9. Events after the reporting period

Shareholders are referred to the SENS announcement dated 21 May 2018 regarding the acquisition of a US based company through its subsidiary Alaris Investment Holdings UK Limited ("Alaris UK").

The purchase consideration for the Acquisition shall be US$2,750,000 ("Purchase Consideration") of which an amount of US$2,062,500 shall be paid in cash ("Cash Consideration") and the balance of US$687,500 shall be settled by way of issuing shares in the share capital of the Company to the Sellers, subject to a net working capital adjustment that will be settled in cash, which is not anticipated to be material. The maximum consideration shares that may be issued in terms of the purchase consideration is capped at 5,000,000 Alaris shares. The cash will be financed through excess cash available in the Group as well as a term loan of approximately R15 million.

Closing of the Acquisition shall occur on the third business day following the date on which all the Closing Conditions have been satisfied ("Closing Date") and shall be deemed effective on the first calendar day of the month after the Closing Date.

The value of the net assets that are the subject of the transaction and the profits attributable to the net assets that are the subject of the transaction will be announced in due course.

Other than the above, the directors are not aware of any material event which occurred after the reporting date and up to the date of this report.

10. Going concern

The consolidated 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.

11. Auditors

KPMG Inc. continued in office as auditors of the Group for 2018 in accordance with Section 90 of the Companies Act of South Africa.

12. Company secretary

The secretary of the Company is Fusion Corporate Secretarial Services.

Postal address: PO Box 68528, Highveld, 0169

Business address: Southdowns Office Park Block C Unit 7 Karee Street Irene Centurion, Pretoria

The Company has lodged with the Companies and Intellectual Property Commission all such returns as are required of a public company in terms of the Companies Act and such returns are true, correct and up to date.

13. Director's responsibility statement

The directors accept full responsibility for the accuracy of the information given and certify that, to the best of their knowledge and belief, there are no facts that have been omitted which would make any statement false or misleading, and that all reasonable enquiries to ascertain such facts have been made, and that this statement contains all information required by law and the Listing Requirements of the JSE Limited.

The directors acknowledge that their responsibility includes:

- ensuring that internal controls relevant to the preparation and fair presentation of these financial statements that are free from material misstatements, whether due to fraud or error, are appropriately designed, implemented and maintained;
- selecting and applying appropriate accounting policies; and
- making accounting estimates that are reasonable under the circumstances.

The directors' responsibility also includes ensuring that adequate accounting records and an effective system of risk management is maintained.

14. Approval of consolidated annual financial statements

The consolidated annual financial statements of Alaris Holdings Limited for the year ended 30 June 2018 were approved by the Board on 11 September 2018 and signed by:

J Dresel
Authorised Director

GT Heyman
Authorised Director

INDEPENDENT AUDITOR'S REPORT

To the shareholders of Alaris Holdings Limited

Report on the audit of the consolidated financial statements

Opinion

We have audited the consolidated financial statements of Alaris Holdings Limited ("the Group") set out on pages 10 to 59, which comprise the consolidated statement of financial position at 30 June 2018, the consolidated statement of profit or loss and other comprehensive income, the consolidated statement of changes in equity and the consolidated statement of cash flows for the year then ended, accounting policies and notes to the consolidated financial statements.

In our opinion, the consolidated financial statements present fairly, in all material respects, the consolidated financial position of Alaris Holdings Limited at 30 June 2018, and its consolidated financial performance and consolidated cash flows for the year then ended in accordance with International Financial Reporting Standards and the requirements of the Companies Act of South Africa.

Basis for opinion

We conducted our audit in accordance with International Standards on Auditing ("ISAs"). Our responsibilities under those standards are further described in the Auditor's responsibilities for the audit of the consolidated financial statements section of our report. We are independent of the Group in accordance with the Independent Regulatory Board for Auditors Code of Professional Conduct for Registered Auditors ("IRBA Code") and other independence requirements applicable to performing audits of financial statements in South Africa. We have fulfilled our other ethical responsibilities in accordance with the IRBA Code and in accordance with other ethical requirements applicable to performing audits in South Africa. The IRBA Code is consistent with the International Ethics Standards Board for Accountants Code of Ethics for Professional Accountants (Parts A and B). We believe that the audit evidence we have obtained is sufficient and appropriate to provide a basis for our opinion.

Key audit matters

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

Impairment assessments of goodwill.

Refer to note 1.1, 1.9 and 5 in the financial statements.

Key audit matter	How our audit addressed the key audit matter

As required by IAS 36 – Impairment of Assets, the directors conduct annual impairment assessments to test the recoverability of the carrying amounts of goodwill.
 	
Impairment assessments of goodwill are performed using a discounted cash flow model. As disclosed in note 5, there are a number of key judgements made in determining the inputs into the discounted cash flow model which include:
 	
• Forecast profits;
  • the pre-tax discount rates applied to the projected future cash flows; and
  • terminal growth rates.
 	
Given the significance of goodwill to the consolidated financial statements and the judgements involved in determining the key assumptions used in the discounted cash flow model, this was considered to be a key audit matter.
	We focused our testing on the directors' annual assessment of the impairment of goodwill and the key assumptions applied.
	
	Our audit procedures included:
	
	• critically evaluated whether the discounted cash flow model used by the directors to calculate the value in use of each cash-generating unit complies with the requirements of IAS 36;
	
	• challenged the assumptions used by the directors in their value in use calculations by:
	
	  - assessing the reasonableness of assumptions relating to profit growth in relation to our knowledge of the Group and the industries in which it operates;
	  - assessing the reasonableness of the terminal growth rates in relation to external market data;
	  - assessing the reasonableness of the pre-tax discount rates applied by independently calculating the rates and comparing the rates to those used by management.
	
	• Evaluated the future projected cash flows for each cash-generating unit to determine whether they are reasonable and supportable given the current macro-economic climate and expected future performance of each cash-generating unit;
	
	• Compared the projected cash flows, including assumptions relating to profit growth and terminal growth rates, against historical performance to test the accuracy of the directors' projections;
	
	• Performed sensitivity analyses on key assumptions to assess the impact on the value-in-use calculations; and
	
	• Evaluated the adequacy of the disclosures made by the directors in the consolidated financial statements.

Other information

The Directors are responsible for the other information. The other information comprises the Audit Committee Report, the Directors' Report, and the Certificate by Company Secretary as required by the Companies Act of South Africa, and the General Information which we obtained prior to the date of this report, and the Integrated Annual Report, which is expected to be made available to us after that date. Other information does not include the consolidated financial statements and our auditor's report thereon.

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

In connection with our audit of the consolidated financial statements, our responsibility is to read the other information and, in doing so, consider whether the other information is materially inconsistent with the consolidated financial statements or our knowledge obtained in the audit, or otherwise appears to be materially misstated. If, based on the work we have performed on the other information obtained prior to the date of this auditor's report, we conclude that there is a material misstatement of this other information, we are required to report that fact. We have nothing to report in this regard.

Responsibilities of the directors for the consolidated financial statements

The directors are responsible for the preparation and fair presentation of the 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.

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

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

Our objectives are to obtain reasonable assurance about whether the consolidated financial statements as a whole are free from material misstatement, whether due to fraud or error, and to issue an auditor's report that includes our opinion. Reasonable assurance is a high level of assurance, but is not a guarantee that an audit conducted in accordance with ISAs will always detect a material misstatement when it exists. Misstatements can arise from fraud or error and are considered material if, individually or in the aggregate, they could reasonably be expected to influence the economic decisions of users taken on the basis of these consolidated financial statements.

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

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

We communicate with the directors regarding, among other matters, the planned scope and timing of the audit and significant audit findings, including any significant deficiencies in internal control that we identify during our audit.

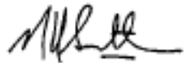
We also provide the directors with a statement that we have complied with relevant ethical requirements regarding independence, and to communicate with them all relationships and other matters that may reasonably be thought to bear on our independence and, where applicable, related safeguards.

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

Report on other legal and regulatory requirements

In terms of the IRBA Rule published in Government Gazette Number 39475 of 4 December 2015, we report that KPMG Inc. has been the auditor of Alaris Holdings Limited for 12 years.

KPMG Inc.
Registered Auditor



Per NH Southon
Chartered Accountant (SA)
Registered Auditor
Director
11 September 2018
KPMG Crescent
85 Empire Road
Parktown
Johannesburg
2193

CONSOLIDATED STATEMENT OF FINANCIAL POSITION
AT 30 JUNE 2018

R'000	Note	2018	2017
Assets			
Non-Current Assets			
Plant and equipment	4	6 619	5 793
Goodwill	5	26 582	24 902
Intangible assets	6	12 782	12 381
Deferred tax assets	7	2 539	3 252
		48 522	**46 328**
Current Assets			
Inventories	9	19 080	13 592
Tax receivable		1 194	2 967
Trade and other receivables	10	35 151	27 782
Cash and cash equivalents	11	51 679	65 083
		107 104	**109 424**
Total Assets		**155 626**	**155 752**
Equity and Liabilities			
Equity			
Equity attributable to owners of the Company			
Share capital	12	6	6
Share premium	12	202 051	202 051
Share-based payment reserve	13	7 428	4 721
Foreign currency translation reserve		(2 149)	(5 021)
Accumulated loss		(91 008)	(123 927)
Total equity		**116 328**	**77 830**
Liabilities			
Non-Current Liabilities			
Deferred tax liabilities	7	962	1 073
Loans and borrowings	14	1 141	361
		2 103	**1 434**
Current Liabilities			
Loans and borrowings	14	535	93
Preference share liability	15	-	51 000
Trade and other payables	16	36 631	25 395
Tax payable		29	-
		37 195	**76 488**
Total Liabilities		**39 298**	**77 922**
Total Equity and Liabilities		**155 626**	**155 752**

CONSOLIDATED STATEMENT OF PROFIT OR LOSS AND OTHER COMPREHENSIVE INCOME FOR THE YEAR ENDED 30 JUNE 2018

R'000	Note	2018	2017
Continuing Operations			
Revenue	18	187 075	159 350
Cost of sales		(53 589)	(44 042)
Gross profit		**133 486**	**115 308**
Other income		738	212
Operating expenses		(91 502)	(78 204)
Trading operating profit	19	**42 722**	**37 316**
Finance income	20	380	740
Finance costs	21	(392)	(4 907)
Profit before taxation		**42 710**	**33 149**
Taxation	23	(9 791)	(10 147)
Profit from continuing operations		**32 919**	**23 002**
Discontinued Operations			
Revenue	18	-	69 308
Cost of sales		-	(46 811)
Gross profit		**-**	**22 497**
Other income		-	83
Operating expenses		-	(23 826)
Trading operating loss	19	**-**	**(1 246)**
Finance income	20	-	580
Profit on disposal of discontinued operation	22	-	9 194
Finance costs	21	-	(33)
Profit before taxation		**-**	**8 495**
Taxation	23	-	325
Profit from discontinued operations		**-**	**8 820**
Profit for the year		**32 919**	**31 822**
Other comprehensive income:			
Items that may be reclassified subsequently to profit or loss:			
Foreign currency translation reserve		**2 872**	**(4 722)**
Gross amount		3 652	(6 560)
Taxation		(780)	1 838
Total comprehensive income		**35 791**	**27 100**
Weighted average number of ordinary shares in issue		116 116 771	153 985 264
Weighted average number of diluted ordinary shares in issue		116 116 771	174 385 264
Total operations - Basic earnings per ordinary share (cents)	24	28.35	20.66
Total operations - Diluted basic earnings per ordinary share (cents)	24	28.35	21.09
Total operations - Headline earnings per ordinary share (cents)	24	28.35	14.61
Total operations - Diluted headline earnings per ordinary share (cents)	24	28.35	15.75
Continuing operations - Basic earnings per ordinary share (cents)	24	28.35	14.94
Continuing operations - Diluted basic earnings per ordinary share (cents)	24	28.35	16.03
Continuing operations - Headline earnings per ordinary share (cents)	24	28.35	14.94
Continuing operations - Diluted headline earnings per ordinary share (cents)	24	28.35	16.03

CONSOLIDATED STATEMENT OF CHANGES IN EQUITY

FOR THE YEAR ENDED 30 JUNE 2018

R'000	Note	Share capital and preference shares	Share premium	Share based payment reserve	Accumu-lated loss	Foreign currency translation reserve	Total equity
Balance at 30 June 2016		**897**	**226 369**	**2 430**	**(95 751)**	**(299)**	**133 646**
Total comprehensive income for the year:		-	-	-	31 822	(4 722)	27 100
- Profit for the year		-	-	-	31 822	-	31 822
- Foreign currency translation reserve		-	-	-	-	(4 722)	(4 722)
Reallocation of preference shares in anticipation of settlement	15	(889)	-	-	-	-	(889)
Share-based payment - option charge	13	-	-	2 291	-	-	2 291
Share repurchased-Aucom disposal		(1)	-	-	(59 998)	-	(59 999)
Specific repurchase	12	(1)	(20 000)	-	-	-	(20 001)
Movement in treasury shares	12	-	(4 318)	-	-	-	(4 318)
Balance at 30 June 2017		**6**	**202 051**	**4 721**	**(123 927)**	**(5 021)**	**77 830**
Total comprehensive income for the year:		-	-	-	32 919	2 872	35 791
- Profit for the year		-	-	-	32 919	-	32 919
- Foreign currency translation reserve		-	-	-	-	2 872	2 872
Share-based payment - option charge	13	-	-	2 707	-	-	2 707
Ad-hoc share-based payment charge	25	-	-	2 100	-	-	2 100
Settlement of ad-hoc share-based payment	25	-	-	(2 100)	-	-	(2 100)
Balance at 30 June 2018		**6**	**202 051**	**7 428**	**(91 008)**	**(2 149)**	**116 328**

CONSOLIDATED STATEMENT OF CASH FLOWS

FOR THE YEAR ENDED 30 JUNE 2018

R'000	Note	2018	2017
Cash flows from operating activities			
Cash generated from operations	26	51 998	32 381
Finance income on cash and cash equivalents	20	309	1 115
Finance cost	21	(392)	(4 940)
Tax paid	27	(8 140)	(15 265)
Net cash flow from operating activities		**43 775**	**13 291**
Cash flows from investing activities			
Additions to plant and equipment	4	(3 188)	(2 523)
Proceeds on disposal of plant and equipment		11	40
Movement in treasury shares – Share Incentive Scheme		-	(4 318)
Additions to intangible assets	6	(2 780)	(3 145)
Disposal/acquisition of a subsidiary	22	-	(13 016)
Net cash flow used in investing activities		**(5 957)**	**(22 962)**
Cash flows from financing activities			
Repurchase and cancellation of shares in issue - Aucom transaction		-	(20 000)
Movement in loans and borrowings		1 222	305
Repayment of preference shares	15	(51 000)	-
Net cash flow used in financing activities		**(49 778)**	**(19 695)**
Net decrease in cash and cash equivalents for the year		(11 960)	(29 366)
Cash and cash equivalents at beginning of the year		65 083	94 481
Effect of exchange rate movement on cash balances		(1 444)	(32)
Total cash and cash equivalents at end of the year	11	**51 679**	**65 083**

1. **Presentation of consolidated financial statements**

The consolidated financial statements have been prepared in accordance with International Financial Reporting Standards (IFRS), the SAICA Financial Reporting Guides as issued by the Accounting Practices Committee and Financial Reporting Pronouncements as issued by the Financial Reporting Standards Council, the requirements of the Companies Act of South Africa and the Listing Requirements of the JSE Limited. The financial statements have been prepared on the historical cost basis, except for the measurement of certain financial instruments at fair value, and incorporate the principal accounting policies set out below.

The financial statements of the Company are presented separately from the consolidated financial statements and have been approved by the directors. The separate company financial statements are available on request at the registered office of the Company.

These accounting policies are consistent with the previous period, except for a change in estimate of the useful life of software as presented note 1.3 and new standards and interpretations, effective and adopted in the current year as presented in note 2.1.

The consolidated financial statements were authorised for issue by the Board on 11 September 2018.

Reporting entity

Alaris Holdings Limited ("the Company") is a company domiciled in South Africa. The address of the Company's registered office is 1 Travertine Avenue, N1 Business Park, Centurion, 0157. The consolidated financial statements for the year ended 30 June 2018 comprise the company and all its subsidiaries (together referred to as "the Group" and individually as "Group entities").

All information has been presented in South African Rand which is the Group's presentation currency. Amounts have been rounded to the nearest R1 000.

1.1. Significant judgements and sources of estimation uncertainty

The preparation of the financial statements requires management to make estimates and judgements and form assumptions that affect the reported amounts of the assets, liabilities, reported revenue and costs during the periods presented therein, and the disclosure of contingent assets and liabilities at the reporting date. Estimates and judgements are continually evaluated and are based on historical experience and other factors, including expectations of future events that are believed to be reasonable under the circumstances.

The Group makes estimates and assumptions concerning the future and the resulting accounting estimates will by definition, seldom equal the related actual results. The estimates and assumptions that have a significant risk of causing a material adjustment to the financial results of the financial position reported in the future periods are discussed below.

Fair value estimation

The gross carrying value less impairment allowance of trade receivables and payables are assumed to approximate their fair values. The fair value of financial liabilities for disclosure purposes is estimated by discounting the future contractual cash flows at the current market interest rate that is available to the Group for similar financial instruments.

Impairments

An asset is impaired when its carrying amount exceeds its recoverable amount. Goodwill and intangible assets with indefinite useful lives are tested for impairment annually while other assets are tested if there is an indication that they may be impaired. The assessment of recoverable amounts involves the application of judgement relating to the calculation of value-in-use, which is based on cash flow projections, variations in the amount and timing of these cash flows and the discount rate used to determine the present value of those future cash flows.

These are assessed for each cash-generating unit to which goodwill is attributed or for the cash-generating unit or asset where indicators of impairment have been assessed. See note 5 for significant assumptions on value-in-use for goodwill.

1. **Presentation of consolidated financial statements (continued)**

1.1. Significant judgements and sources of estimation uncertainty (continued)

Taxation

Judgement is required in determining the provision for income taxes due to the complexity of legislation. There are many transactions and calculations for which the ultimate tax determination is uncertain during the ordinary course of business. The Group recognises liabilities for anticipated tax issues based on estimates of whether additional taxes will be due. Where the final tax outcome of these matters is different from the amounts that were initially recorded, such differences will impact the income tax and deferred tax provisions in the period in which such determination is made.

The company recognises the net future tax benefit related to deferred income tax assets to the extent that it is probable that the deductible temporary differences will reverse in the foreseeable future. Assessing the recoverability of deferred income tax assets requires the Group to make significant estimates related to expectations of future taxable income. Estimates of future taxable income are based on forecast cash flows from operations and the application of existing tax laws in each jurisdiction. To the extent that future cash flows and taxable income differ significantly from estimates, the ability of the company to realise the net deferred tax assets recorded at the end of the reporting period could be impacted.

1.2. Business combinations

The Group accounts for business combinations using the acquisition method of accounting. The cost of the business combination is measured as the aggregate of the fair values of assets acquired, liabilities incurred or assumed and equity instruments issued. Costs directly attributable to the business combination are expensed as incurred, except the costs to issue debt which are amortised as part of the effective interest and costs to issue equity which are included in equity.

Contingent consideration is included in the cost of the combination at fair value as at the date of acquisition. If the contingent consideration is classified as equity, it is not re-measured and settlement is accounted for within equity. Otherwise, subsequent changes to the fair value of assets or liabilities which arise as a result of the contingent consideration are recognised in profit or loss and are not affected against goodwill.

The acquiree's identifiable assets, liabilities and contingent liabilities which meet the recognition conditions of IFRS 3 Business Combinations are recognised at their fair values at acquisition date, except for non-current assets (or disposal group) that are classified as held-for-sale in accordance with IFRS 5 Non-current assets held-for-sale and discontinued operations, which are recognised at fair value less costs to sell.

Contingent liabilities are only included in the identifiable assets and liabilities of the acquiree where there is a present obligation at acquisition date.

On acquisition, the Group assesses the classification of the acquiree's assets and liabilities and reclassifies them where the classification is inappropriate for Group purposes. This excludes lease agreements, whose classification remains as per their inception date.

In cases where the Group held a non-controlling shareholding in the acquiree prior to obtaining control, that interest is measured to fair value as at acquisition date. The measurement to fair value is included in profit or loss for the year. Where the existing shareholding was classified as an available-for-sale financial asset, the cumulative fair value adjustments recognised previously in other comprehensive income or equity and accumulated in equity are recognised in profit or loss as a reclassification adjustment.

Goodwill is determined as the consideration paid, plus the fair value of any shareholding held prior to obtaining control, plus non-controlling interest at fair value and less the fair value of the identifiable assets and liabilities of the acquiree.

Goodwill is not amortised but is assessed for impairment on an annual basis.

Changes in the Group's interest in a subsidiary that do not result in a loss of control are accounted for as transactions with owners in their capacity as owners. Adjustments to non-controlling interests are based on a proportionate amount of the net assets of the subsidiary. No adjustments are made to goodwill and no gain or loss is recognised in profit or loss.

1. **Presentation of consolidated financial statements (continued)**

1.2. **Business combinations (continued)**

Any gain on a bargain purchase is recognised in profit or loss immediately. Transaction costs are expensed as incurred, except if related to the issue of debt or equity securities

The consideration transferred does not include amounts related to the settlement of pre-existing relationships. Such amounts are generally recognised in profit or loss. When the Group loses control over a subsidiary, it derecognises the assets and liabilities of the subsidiary, and any related non-controlling interest and other components of equity. Any resulting gain or loss is recognised in profit or loss. Any interest retained in the former subsidiary is measured at fair value when control is lost.

Basis of consolidation

Subsidiaries

Subsidiaries are all entities over which the Group has control. The Group controls an entity when the Group is exposed to, or has rights to, variable returns from its involvement with the entity and has the ability to affect those returns through its power over the entity. Subsidiaries are fully consolidated from the date on which control is transferred to the Group. Subsidiaries are consolidated until the date that control over the subsidiary ceases.

On acquisition of an entity which is controlled by the Group, the Group recognises the subsidiary's identifiable assets, liabilities and contingent liabilities at fair value, except for assets classified as held-for-sale, which are recognised at fair value less costs to sell.

On disposal of a subsidiary, the attributable amount of goodwill is included in the determination of the profit or loss on disposal.

Inter-company transactions, balances and unrealised gains on transactions between group companies are eliminated.

Unrealised losses are also eliminated. When necessary, amounts reported by subsidiaries have been adjusted to conform to the Group's accounting policies.

Foreign operations

When a foreign operation is disposed of in its entirety or partially such that control, significant influence or joint control is lost, the cumulative amount in the foreign currency translation reserve related to that foreign operation is reclassified to profit or loss as part of the gain or loss on disposal. If the Group disposes of part of its interest in a subsidiary but retains control, then the relevant proportion of the cumulative amount is reattributed to non-controlling interest. When the Group disposes of only part of an associate or joint venture while retaining significant influence or joint control, the relevant proportion of the cumulative amount is reclassified to profit or loss.

Net investment in foreign subsidiaries

Loans receivable from a foreign subsidiary for which settlement is neither planned nor likely to occur in the foreseeable future forms parts of the Company's net investment in that foreign subsidiary.

Loans receivable that forms part of the net investment in a foreign subsidiary is included as part of investment in the statement of financial position.

1.3. **Plant and equipment**

Cost of plant and equipment

Items of plant and equipment are measured at cost less accumulated depreciation and accumulated impairment losses. The cost of an item of plant and equipment is recognised as an asset 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.

Costs include costs incurred initially to acquire or construct an item of plant and equipment and costs incurred subsequently to add or replace a part of it. If a replacement cost is recognised in the carrying amount of an item of plant and equipment, the carrying amount of the replaced part is derecognised. Subsequent expenditure is capitalised only if it is probable that the future economic benefits associated with the expenditure will flow to the entity.

1. **Presentation of consolidated financial statements (continued)**

1.3. **Plant and equipment (continued)**

Costs include expenditure that is directly attributable to the acquisition of the asset. The cost of self-constructed assets includes the cost of materials and direct labour, any other costs directly attributable to bringing the assets to a working condition for their intended use, as well as capitalised borrowing costs. Purchased software that is integral to the functionality of the related equipment is capitalised as part of that equipment.

Day-to-day expenses incurred on plant and equipment are expensed directly in profit or loss for the period.

Depreciation of plant and equipment

Items of plant and equipment are depreciated on the straight-line basis over their expected useful lives to their estimated residual value.

These following useful lives have been applied in the current and prior periods.

Item	Average useful life
Plant and machinery	5 years
Furniture and fixtures	10 years
Motor vehicles	4 years
Office equipment	5 years
IT equipment	5 years
Computer software	5 years
Leasehold improvements	5 years
Production tooling	5 years

The residual value, useful life and depreciation method of each asset are reviewed at the end of each reporting period. In the case where the expectations differ from previous estimates, the change is accounted for as a change in accounting estimate.

Each part of an item of plant and equipment with a cost that is significant in relation to the total cost of the item is depreciated separately.

The depreciation for each period is recognised in profit or loss unless it is included in the carrying amount of another asset.

Depreciation commences when an asset is available for use. Depreciation is charged so as to write off the depreciable amount of items to their residual values, over the estimated useful lives using a method that reflects the pattern in which the asset's future economic benefit is expected to be consumed by the Group. Depreciation ceases at the earlier of the date the asset is classified as held for sale or the date it is derecognised.

Derecognition of plant and equipment

Derecognition occurs when an item of plant and equipment is disposed of, or when it is no longer expected to generate any further economic benefits.

The gain or loss arising from the derecognition of an item of plant and equipment is included in profit or loss when the item is derecognised. The gain or loss arising from the derecognition of an item of plant and equipment is determined as the difference between the net disposal proceeds, if any, and the carrying amount of the item.

When a decision is made by the directors that an item of property, plant and equipment will be disposed of, and the requirements of IFRS 5 Non-Current Assets Held for Sale and Discontinued Operations are met, then those specific assets will be presented separately in the statement of financial position. The assets are measured at the lower of carrying amount and fair value less costs to sell, and depreciation on such assets ceases.

1. **Presentation of consolidated financial statements (continued)**

1.4. Intangible assets

An intangible asset is recognised when all of the following are met:

- it is probable that the expected future economic benefits that are attributable to the asset will flow to the entity; and
- the cost of the asset can be measured reliably.

Intangible assets are measured at cost less accumulated amortization or impairment.

Expenditure on research (or on the research phase of an internal project) is recognised as an expense when it is incurred.

An intangible asset arising from development (or from the development phase of an internal project) is recognised when all the following are met:

- it is technically feasible to complete the asset so that it will be available for use or sale;
- there is an intention to complete and use or sell it;
- there is an ability to use or sell it;
- it will generate probable future economic benefits;
- there are technical, financial and other resources available in order to complete the development and to use or sell the asset; and
- the expenditure attributable to the asset during its development can be measured reliably.

The intangible assets consist of the customer relationships, patents and development expenditure incurred for models, designs and prototypes that are considered to possess the ability to ensure a future economic benefit, on a long-term basis in the future. This development expenditure could be measured reliably.

Development costs, mainly consisting of staff remuneration, are capitalised as incurred. Amortisation of intangible assets commences once the close out of the projects is completed.

The amortisation period and the amortisation method for an intangible asset is reviewed at each reporting date.

Amortisation is recognised in profit or loss on a straight-line basis for both the current and comparative year, as follows:

Item	Average useful life
Models, designs and prototypes	5 years
Customer relationships – COJOT	7 years

The amortisation charge is included under operating expenses in the statement of profit or loss and other comprehensive income.

1.5. Financial instruments

Classification

Non-derivative financial instruments comprise trade and other receivables, cash and cash equivalents, loans and borrowings and trade and other payables.

Non-derivative financial instruments are initially measured at fair value plus, for instruments not at fair value through profit or loss, any directly attributable transaction costs.

Subsequent to initial recognition non-derivative financial instruments are measured as described below.

Derivative financial instruments comprise foreign exchange contracts and are designated as held for trading.

1. **Presentation of consolidated financial statements (continued)**

1.5. Financial instruments (continued)

Financial assets at fair value through profit and loss

An instrument is classified at fair value through profit or loss if it is held for trading or is designated as such upon initial recognition. Financial instruments are designated at fair value through profit and loss if the Group manages such investments and makes purchase and sale decisions based on their fair value in accordance with the Group's documented risk management or investment strategy. Upon initial recognition attributable transaction costs are recognised in profit or loss when incurred. Financial instruments at fair value through profit or loss are measured at fair value, and changes thereof are recognised in profit or loss.

Non-derivative financial instruments

All non-derivative financial instruments are measured at amortised cost using the effective interest method, less any impairment losses, except for those at fair value through profit or loss.

Initial recognition and measurement

Financial instruments are recognised initially when the Group becomes a party to the contractual provisions of the instruments.

On initial recognition the Group classifies financial instruments, or their component parts, as a financial asset, a financial liability or an equity instrument in accordance with the substance of the contractual arrangement.

Financial instruments are measured initially at fair value, except for equity investments for which a fair value is not determinable, which are measured at cost and are classified as available-for-sale financial assets.

For financial instruments which are not recognised at fair value through profit or loss, transaction costs are included in the initial measurement of the instrument.

Subsequent measurement

After initial recognition financial assets are measured as follows:

- Loans and receivables are measured at amortised cost using the effective interest method less any impairment losses.

After initial recognition financial liabilities are measured as follows:

- Other financial liabilities are measured at amortised cost using the effective interest method.

Gains and losses

A gain or loss arising from a change in a financial asset or financial liability is recognised as follows:

- Where financial assets and financial liabilities are carried at amortised cost, a gain or loss is recognised in profit or loss through the amortisation process, as well as when the financial asset or financial liability is derecognised or impaired.
- A gain or loss on a financial asset or financial liability classified as at fair value through profit or loss is recognised in profit or loss.

Offsetting

Financial assets and financial liabilities are offset and the net amount presented in the statement of financial position when, and only when, the Group has a legal right to offset the amounts and intends to either settle them on a net basis or to realise the assets and settle the liability simultaneously.

Derecognition of financial instruments

The Group derecognises financial assets only when the contractual rights to the cash flows from the asset expire; or it transfers the right to receive contractual cash flows in a transaction in which substantially all the risk and rewards of the ownership of the financial asset are transferred.

The Group derecognises financial liabilities when, and only when, the Group's obligations are discharged, cancelled or they expire.

1. **Presentation of consolidated financial statements (continued)**

1.5. **Financial instruments (continued)**

Impairment of financial assets

Financial assets, other than those at fair value through profit and loss, are assessed for indicators of impairment at each reporting date. Financial assets are impaired where there is objective evidence that, as a result of one or more events that occurred after the initial recognition of the financial asset, the estimated future cash flows of the investment have been impacted.

For amounts due to the Group, significant financial difficulties of the debtor, probability that the debtor will enter bankruptcy and default of payments are all considered objective indicators of impairment.

The carrying amount of the financial asset is reduced by the impairment loss directly for all financial assets with the exception of trade receivables, where the carrying amount is reduced through the use of an allowance account. When a trade receivable is considered uncollectible, it is written off against the allowance account. Subsequent recoveries of amounts previously written off are credited against the allowance account. Changes in the carrying amount of the allowance account are recognised in profit or loss. Impairment losses are calculated as the difference between the carrying amount and the present value of the estimated future cash flows discounted at the asset's original effective interest rate.

Trade and other receivables

Trade and other receivables are classified as loans and receivables.

Trade receivables are measured at initial recognition at fair value, and are subsequently measured at amortised cost using the effective interest method, less any impairment losses. Appropriate allowances for estimated irrecoverable amounts are recognised in profit or loss when there is objective evidence that the asset is impaired.

Trade and other payables

Trade and other payables are classified as other financial liabilities and are initially measured at fair value, and are subsequently measured at amortised cost, using the effective interest rate method.

Cash and cash equivalents

Cash and cash equivalents comprise cash balances and call deposits. Bank overdrafts that are repayable on demand and form an integral part of the Group's cash management are included as a component of cash and cash equivalents for the purpose of the statement of cash flows. Cash and cash equivalents are measured at amortised cost which approximates their fair value.

Bank overdraft and borrowings

Bank overdraft and borrowings are classified as financial liabilities and are initially measured at fair value, and are subsequently measured at amortised cost, using the effective interest rate method. Any difference between the proceeds (net of transaction costs) and the settlement or redemption of borrowings is recognised over the term of the borrowings in accordance with the Group's accounting policy for borrowing costs.

1.6. **Tax**

Current tax assets and liabilities

Current tax for current and prior periods is, to the extent unpaid, recognised as a liability. If the amount already paid in respect of current and prior periods exceeds the amount due for those periods, the excess is recognised as an asset.

Current tax liabilities (assets) for the current and prior periods 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 by the end of the reporting period.

1. **Presentation of consolidated financial statements (continued)**

1.6. **Tax (continued)**

Deferred tax assets and liabilities

Deferred tax is recognised in respect of temporary differences between the carrying amounts of assets and liabilities for financial reporting purposes and the amounts used for taxation purposes. Deferred tax is not recognised for:

- temporary differences on the initial recognition of assets or liabilities in a transaction that is not a business combination and that affects neither accounting nor taxable profit or loss;
- temporary differences related to investments in subsidiaries to the extent that it is probable that they will not reverse in the foreseeable future; and
- taxable temporary differences arising on the initial recognition of goodwill.

Deferred tax is measured at the tax rates that are expected to be applied to temporary differences when they reverse, based on the laws that have been enacted or substantively enacted by the reporting date.

A deferred tax asset is recognised for unused tax losses, tax credits and deductible temporary differences, to the extent that it is probable that future taxable profits will be available against which they can be utilised. Deferred tax assets are reviewed at each reporting date and are reduced to the extent that it is no longer probable that the related tax benefit will be realised.

Dividend withholding tax

Dividends withholding tax is a tax on shareholders receiving dividends and is applicable to all dividends declared.

The Group withholds dividends tax on behalf of its shareholders at a rate of 20% on dividends declared. Amounts withheld are not recognised as part of the Group's tax charge but rather as part of the dividend paid recognised directly in equity.

Where withholding tax is withheld on dividends received, the dividend is recognised at the gross amount with the related withholdings tax recognised as part of tax expense unless it is otherwise reimbursable in which case it is recognised as an asset.

Tax expenses

Current and deferred taxes are recognised as income or an expense and included in profit or loss for the period, except to the extent that the tax arises, from a transaction or event, which is recognised in the same or a different period, in other comprehensive income or equity.

Current tax and deferred taxes are charged or credited to other comprehensive income if the tax relates to items that are credited or charged, in the same or a different period, to other comprehensive income.

Current tax and deferred taxes are charged or credited directly to equity if the tax relates to items that are credited or charged, in the same or a different period, directly in equity.

1.7. **Leases**

A lease is classified as a finance lease if it transfers substantially all the risks and rewards incidental to ownership. A lease is classified as an operating lease if it does not transfer substantially all the risks and rewards incidental to ownership.

Finance leases – lessee

Finance leases are recognised as assets in the statement of financial position at amounts equal to the fair value of the leased property or, if lower, the present value of the minimum lease payments. The corresponding liability to the lessor is included in the statement of financial position as a finance lease obligation.

The discount rate used in calculating the present value of the minimum lease payments is the interest rate implicit in the lease.

1. **Presentation of consolidated financial statements (continued)**

1.7. Leases (continued)

The lease payments are apportioned between the finance charge and reduction of the outstanding liability. The finance charge is allocated to each period during the lease term so as to produce a constant periodic rate on the remaining balance of the liability.

Operating leases – lessee

Operating lease payments are recognised as an expense on a straight-line basis over the lease term. The difference between the amounts recognised as an expense and the contractual payments are recognised as an operating lease liability.

Any contingent lease payments are expensed in the period they are incurred.

1.8. Inventories

Inventories are measured at the lower of cost and net realisable value.

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

The cost of inventories comprises of all costs of purchase, costs of conversion and other costs incurred in bringing the inventories to their present location and condition.

The cost of inventories of items that are not ordinarily interchangeable and goods or services produced and segregated for specific projects is assigned by using specific identification of the individual costs.

The cost of inventories is assigned using the weighted average cost formula. The same cost formula is used for all inventories having a similar nature and use to the entity.

When inventories are sold, the carrying amounts of those inventories are recognised as an expense in the period in which the related revenue is recognised. The amount of any write-down of inventories to net realisable value and all losses of inventories is recognised as an expense in the period the write-down or loss occurs. The amount of any reversal of any write-down of inventories, arising from an increase in net realisable value, is recognised as a reduction in the amount of inventories recognised as an expense in the period in which the reversal occurs.

Work in progress

Work in progress consists of unfinished goods measured at the lower of cost and net realisable value. Once goods are completed they are transferred to finished goods.

Obsolete inventory provision

The allowance for obsolescence represents the inventory that has not been sold or used in manufacturing within the past 24-36 months also considering quantities on hand compared to average usage. The movement in this allowance is based on the sale, usage or lack thereof in case of an increase of items in the manufacturing process.

1.9. Impairment of non-financial assets

The Group assesses at each end of the reporting period whether there is any indication that an asset may be impaired. If any such indication exists, the Group estimates the recoverable amount of the asset.

If it is not possible to estimate the recoverable amount of the individual asset, the recoverable amount of the cash-generating unit to which the asset belongs is determined.

The recoverable amount of an asset or a cash-generating unit is the higher of its fair value less costs to sell and its value in use.

Value in use is estimated taking into account future cash flows and discounting it using an appropriate weighted average cost of capital.

If the recoverable amount of an asset is less than its carrying amount, the carrying amount of the asset is reduced to its recoverable amount. This reduction is recognised as an impairment loss.

An impairment loss of assets carried at cost less any accumulated depreciation and amortisation is recognised immediately in profit or loss.

1. **Presentation of consolidated financial statements (continued)**

1.9. Impairment of non-financial assets (continued)

Irrespective of whether there is any indication of impairment, the Group tests goodwill acquired in a business combination for impairment annually. An impairment loss in respect of goodwill is not reversed.

The Group assesses at each reporting date whether there is any indication that an impairment loss recognised in prior periods may no longer exist or may have decreased. If any such indication exists, the recoverable amounts of those assets are estimated.

The increased carrying amount of an asset attributable to a reversal of an impairment loss does not exceed the carrying amount that would have been determined had no impairment loss been recognised for the asset in prior periods.

A reversal of an impairment loss of assets carried at cost less accumulated depreciation or accumulated amortisation is recognised immediately in profit or loss.

1.10. Share capital and equity

An equity instrument is any contract that evidences a residual interest in the assets of an entity after deducting all of its liabilities. Ordinary shares are classified as equity. Incremental costs directly attributable to the issue of ordinary shares are recognised as a deduction from equity, net of any tax effects.

If the Group reacquires its own equity instruments, those instruments are deducted from equity. No gain or loss is recognised in profit or loss on the purchase, sale, issue or cancellation of the Group's own equity instruments. Consideration paid or received is recognised directly in equity.

Shares in the Group held by the Share Incentive Trust are classified as treasury shares. The cost of these shares is deducted from equity. The number of shares held is deducted from the number of issued shares and the weighted average number of shares in the determination of earnings per share. Dividends received on treasury shares are eliminated on consolidation.

1.11. Share-based payments

Goods or services received or acquired in a share-based payment transaction are recognised when the goods or as the services are received. A corresponding increase in equity is recognised if the goods or services were received in an equity-settled share-based payment transaction or a liability if the goods or services were acquired in a cash-settled share-based payment transaction.

When the goods or services received or acquired in a share-based payment transaction do not qualify for recognition as assets, they are recognised as expenses.

For equity-settled share-based payment transactions the goods or services received and the corresponding increase in equity are measured, directly, at the fair value of the goods or services received provided that the fair value can be estimated reliably.

If the fair value of the goods or services received cannot be estimated reliably, or if the services received are employee services, their value and the corresponding increase in equity, are measured, indirectly, by reference to the fair value of the equity instruments granted.

Vesting conditions which are not market related (i.e. service conditions and non-market related performance conditions) are not taken into consideration when determining the fair value of the equity instruments granted. Instead, vesting conditions which are not market related are taken into account by adjusting the number of equity instruments included in the measurement of the transaction amount so that, ultimately, the amount recognised for goods or services received as consideration for the equity instruments granted are based on the number of equity instruments that eventually vest. Market conditions, such as a target share price, are taken into account when estimating the fair value of the equity instruments granted. The number of equity instruments are not adjusted to reflect equity instruments which are not expected to vest or do not vest because the market condition is not achieved.

1. **Presentation of consolidated financial statements (continued)**

1.11. Share-based payments (continued)

If the share-based payments granted do not vest until the counterparty completes a specified period of service, the Group accounts for those services as they are rendered by the counterparty during the vesting period, (or on a straight-line basis over the vesting period).

If the share based payments vest immediately the services received are recognised in full.

In circumstances where the Group is involved in a share based payment transaction among Group entities, the following is applied in the entity's separate financial statements:

- Where the company is the recipient of the goods or services, the transaction is measured as an equity settled share-based payment transaction only if the awards are granted in its own equity instruments or if the entity has no obligation to settle the transaction. In all other cases, the transaction is measured as a cash-settled share-based payment transaction.
- Where the company settles the share-based payment transaction and another entity in the company receives the goods or services, the entity recognises the transaction as an equity-settled share-based payment transaction only if it is settled in the entity's own equity instruments. In all other circumstances, the transaction is recognised as a cash settled share-based payment transaction.

1.12. Employee benefits

Short-term employee benefits

The cost of short-term employee benefits (those payable within 12 months after the service is rendered, such as paid vacation leave and sick leave, bonuses, and non-monetary benefits such as medical care) are recognised in the period in which the service is rendered and are not discounted.

The expected cost of compensated absences is recognised as an expense as the employees render services that increase their entitlement or, in the case of non-accumulating absences, when the absence occurs.

The expected cost of profit sharing and bonus payments is recognised as an expense when there is a legal or constructive obligation to make such payments as a result of past performance.

Defined contribution plans

Obligations for contributions to defined contribution plans are expensed as the related service is provided. Prepaid contributions are recognised as an asset to the extent that a cash refund or a reduction in future payments is available.

1.13. Provisions and contingencies

Provisions are recognised when:

- the Group has a present 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.

Product warranties

The Group warrants certain repairs on its products for a 12 month period. These warranties are provided for when the initial project is completed. Warranty repairs during the warranty period are monitored and written back against the provision when incurred.

1.14. Revenue

Revenue from the sale of goods is recognised when all the following conditions have been satisfied:

- the Group has transferred to the buyer the significant risks and rewards of ownership of the goods;
- the Group retains neither continuing managerial involvement to the degree usually associated with ownership nor effective control over the goods sold;
- the amount of revenue can be measured reliably;
- it is probable that the economic benefits associated with the transaction will flow to the Group; and
- the costs incurred or to be incurred in respect of the transaction can be measured reliably.

1. **Presentation of consolidated financial statements (continued)**

1.14. Revenue (continued)

When the outcome of a transaction involving the rendering of services can be estimated reliably, revenue associated with the transaction is recognised by reference to the stage of completion of the transaction at the end of the reporting period. The outcome of a transaction can be estimated reliably when all the following conditions are satisfied:

- the amount of revenue can be measured reliably;
- it is probable that the economic benefits associated with the transaction will flow to the Group;
- the stage of completion of the transaction at the end of the reporting period can be measured reliably; and
- the costs incurred for the transaction and the costs to complete the transaction can be measured reliably.

When the outcome of the transaction involving the rendering of services cannot be estimated reliably, revenue shall be recognised only to the extent that costs are incurred.

Revenue is measured at the fair value of the consideration received or receivable and represents the amounts receivable for goods and services provided in the normal course of business, net of trade discounts and volume rebates, and value added tax.

1.15. Other income

Other income is recognised for amounts received or receivable outside the normal course of business when the following conditions have been satisfied:

- the amount of other income can be measured reliably; and
- it is probable that the economic benefits associated with the transaction will flow to the Group.

Other income includes profit on foreign exchange, profit on sale of assets and sundry income.

1.16. Cost of sales

When inventories are sold, the carrying amount of those inventories is recognised as an expense in the period in which the related revenue is recognised. The amount of any write-down of inventories to net realisable value and all losses of inventories are recognised as an expense in the period the write-down or loss occurs. The amount of any reversal of any write-down of inventories, arising from an increase in net realisable value, is recognised as a reduction in the amount of inventories recognised as an expense in the period in which the reversal occurs.

The related cost of providing services recognised as revenue in the current period is included in cost of sales.

1.17. Finance income and finance costs

Finance income comprises interest income on funds invested. Interest income is recognised as it accrues in profit or loss, using the effective interest method.

Finance costs comprise of interest expense on bank overdraft, borrowings, unwinding of the discount on provisions and impairment losses recognised on financial assets. Borrowing costs that are not directly attributable to the acquisition, construction or production of qualifying assets are recognised in profit or loss using the effective interest method.

1.18. Trading operating profit or loss

Trading operating profit or loss comprises sale of goods, rendering of services and directly attributable costs, but excludes finance income, fair value adjustments, impairment of goodwill and finance costs.

1.19. Discontinued operation

A discontinued operation is a component of the group's business, the operations and cash flows of which can be clearly distinguished from the rest of the Group, and which is abandoned or disposed of or is classified as held for sale and which represents a separate major line of business or geographical area of operation.

Classification as a discontinued operation occurs upon the earlier of disposal or when the operation meets the criteria to be classified as held for sale. When an operation is classified as a discontinued operation, the comparative statement of comprehensive income is represented, as if the operation has been discontinued from the start of the comparative period.

1. **Presentation of consolidated financial statements (continued)**

1.20. Translation of foreign currencies

Foreign currency transactions

Transactions in foreign currencies are translated into the respective functional currency of the Group companies at the exchange rates at the dates of transactions.

Monetary assets and liabilities denominated in foreign currencies are translated into the functional currency at the exchange rate at the reporting date. Non-monetary assets and liabilities that are measured at fair value in a foreign currency are translated into the functional currency at the exchange rate when the fair value was determined. Foreign currency differences are generally recognised in profit or loss.

However foreign currency differences arising from the translation of the following items are recognised in other comprehensive income.

Exchange differences arising on the settlement of monetary items or on translating monetary items at rates different from those at which they were translated on initial recognition during the period or in previous consolidated financial statements are recognised in profit or loss in the period in which they arise.

The Group policy to manage foreign exchange risk is to net off foreign debtors and bank balances against foreign creditors, and the remaining exposure is hedged via currency futures or options, with a maximum of R3 million of the total exposure left unhedged.

Foreign operations

The financial statements of foreign operations in the Group are translated into South African rand as follows:

- assets, including goodwill, and liabilities at the rates of exchange ruling at the reporting date;
- income, expenditure and cash flow items at the weighted average rate of exchange during the accounting period; and
- equity at historical rates.

Differences arising on translation are recognised in other comprehensive income and are presented in the foreign currency translation reserve in reserves.

1.21. Deferred revenue

In certain instances, customers are sold extended warranties. These amounts are recognised as deferred revenue since the Group has not rendered the service relating to these warranties. Deferred revenue will be released to revenue at the earliest date of when the services are rendered relating to the warranty or the date of expiry of the warranty.

2. **New Standards and Interpretations**

2.1. Standards and interpretations effective and adopted in the current year

In the current year, the Group has adopted the following standards and interpretations that are effective for the current financial year and that are relevant to its operations:

Amendments to IAS 7: Disclosure initiative

The amendment requires entities to provide additional disclosures for changes in liabilities arising from financing activities. Specifically, entities are now required to provide disclosure of the following changes in liabilities arising from financing activities:

- changes from financing cash flows;
- changes arising from obtaining or losing control of subsidiaries or other businesses;
- the effect of changes in foreign exchanges;
- changes in fair values; and
- other changes.

The effective date of the amendment is for years beginning on or after 01 January 2017. The Group has adopted the amendment for the first time in the 2018 financial statements, however the additional disclosure has not been presented as it is not material to the financial statements. The adoption of this amendment has not had a material impact on the results of the Group.

2. **New Standards and Interpretations (continued)**

2.1. Standards and interpretations effective and adopted in the current year (continued)

Amendments to IAS 12: Recognition of deferred tax assets for unrealised losses

In terms of IAS 12 Income Taxes, deferred tax assets are recognised only when it is probable that taxable profits will be available against which the deductible temporary differences can be utilised. The following amendments have been made, which may have an impact on the company:

- If tax law restricts the utilisation of losses to deductions against income of a specific type, a deductible temporary difference is assessed in combination only with other deductible temporary differences of the appropriate type.

Additional guidelines were prescribed for evaluating whether the company will have sufficient taxable profit in future periods. The company is required to compare the deductible temporary differences with future taxable profit that excludes tax deductions resulting from the reversal of those deductible temporary differences. This comparison shows the extent to which the future taxable profit is sufficient for the entity to deduct the amounts resulting from the reversal of those deductible temporary differences.

The amendment also provides that the estimate of probable future taxable profit may include the recovery of some of an entity's assets for more than their carrying amount if there is sufficient evidence that it is probable that the entity will achieve this.

The effective date of the amendment is for years beginning on or after 01 January 2017. The Group has adopted the amendment for the first time in the 2018 financial statements. The amendment does not have a material impact on the financial statements as the Group does not have material unrealised tax losses.

2.2. Standards and interpretations not yet effective

The Group has chosen not to early adopt the following standards and interpretations, which have been published and are mandatory for the company's accounting periods beginning on or after 01 January 2018 or later periods:

IFRIC 23 - Uncertainty over income tax treatments

The interpretation clarifies how to apply the recognition and measurement requirements in IAS 12 when there is uncertainty over income tax treatments. Specifically, if it is probable that the tax authorities will accept the uncertain tax treatment, then all tax related items are measured according to the planned tax treatment. If it is not probable that the tax authorities will accept the uncertain tax treatment, then the tax related items are measured on the basis of probabilities to reflect the uncertainty. Changes in facts and circumstances are required to be treated as changes in estimates and applied prospectively.

The effective date of the interpretation is for years beginning on or after 01 January 2019 and will adopt the interpretation in the 2020 financial statements. The interpretation is not expected to have a material impact on the financial statements as there are no uncertainties over the income tax treatment.

IFRS 16 Leases

IFRS 16 Leases is a new standard which replaces IAS 17 Leases, IFRIC 4 Determining whether an Arrangement contains a Lease, SIC-15 Operating Leases – Incentives and SIC-27 Evaluating the Substance of Transactions Involving the Legal Form of a Lease. IFRS 16 introduces a single, on-balance sheet lease accounting model for lessees. A lessee recognises a right-of-use asset representing its right to use the underlying asset and a lease liability representing its obligation to make lease payments. There are recognition exemptions for short-term leases and leases of low-value items. Lessor accounting remains similar to the current standard i.e. lessors continue to classify leases as finance or operating lease.

In addition, the nature of expenses related to those leases will now change as IFRS 16 replaces the straight-line operating lease expense with a depreciation charge for right-of-use assets and interest expense on lease liabilities. The company has completed an initial assessment of the potential impact on the financial statements but has not completed a detailed assessment. Currently the company is leasing a property and applying straight-lining.

2. New Standards and Interpretations (continued)

2.2. Standards and interpretations not yet effective (continued)

The Group plans to apply IFRS 16 to all contracts entered into before 1 July 2019 and identified as leases in accordance with IAS17 and IFRIC 4.

As a lessee, the Group will apply the standard using modified retrospective approach with optional practical expedients. The lessee applies the election consistently to all of its leases. The company plans to apply IFRS 16 initially on 1 July 2019, using the retrospective approach. Therefore, the cumulative effect of adopting IFRS 16 will be recognised as an adjustment to the opening balance of retained earnings as at 1 July 2019, with no restatement of comparative information.

When applying the modified retrospective approach to leases previously classified as operating leases under IAS 17, the lessee can elect, on a lease-by-lease basis, whether to apply a number of practical expedients on transition. The Group is assessing the potential impact of using these practical expedients.

The effective date of the standard is for years beginning on or after 01 January 2019 and the Group will adopt the standard on this date.

IFRIC 22 - Foreign currency transactions and advance consideration

The interpretation applies to circumstances when an entity has either paid or received an amount of consideration in advance and in a foreign currency, resulting in a non-monetary asset or liability being recognised. The specific issue addressed by the interpretation is how to determine the date of the transaction for the purposes of determining the exchange rate to use on the initial recognition of the related asset, expense or income when the non-monetary asset or liability is derecognised. The interpretation specifies that the date of the transaction, for purposes of determining the exchange rate to apply, is the date on which the entity initially recognises the non-monetary asset or liability.

The effective date of the interpretation is for years beginning on or after 01 January 2018 and the Group will adopt the interpretation in the 2019 financial statements. The interpretation is not expected to have a material impact on the Group financial statements as the profit of the entity will not change just the line items between revenue and foreign exchange gain/losses will change.

Amendments to IFRS 2: Classification and measurement of share-based payment transactions

The amendment now specifies the treatment of vesting and non-vesting conditions with regards to cash-settled share-based payment transactions. The treatment is essentially similar to the treatment of such conditions for equity-settled share-based payment transactions. That is, non-market vesting conditions are taken into consideration when estimating the number of awards which are expected to vest (and which ultimately vest), while market conditions and other non-vesting conditions are taken into consideration when determining the fair value of the share-based payment liability, both initially and subsequently.

The amendment also provides for share-based payment transactions with a net settlement feature for withholding tax obligations. Essentially, where the entity is required to withhold part of the equity instruments equal to the tax obligation, the entity is required to account for the payment to tax authorities as a reduction in equity, except to the extent that the payment exceeds the fair value of the equity instruments withheld at net settlement date. The entity should also disclose the amount that it expects to transfer to tax authorities in terms of such transactions.

The amendment further provides guidance in terms of modifications which convert cash-settled share-based payment transactions to equity -settled share-based payment transactions. For such modifications, the equity-settled share-based payment transaction is measured by reference to the fair value of the equity instruments granted at modification date, to the extent to which goods or services have been received. The liability for cash-settled share-based payment transactions is derecognised on the modification date. Any difference between the two is recognised immediately in profit or loss.

The effective date of the amendment is for years beginning on or after 01 January 2018. The amendment is not expected to have a material impact on the Group's financial statements as the Group only has equity-settled share-based payments.

2. New Standards and Interpretations (continued)

2.2. Standards and interpretations not yet effective (continued)

IFRS 9 Financial instruments

The new Standard for financial instruments (IFRS 9) replaces IAS 39 'Financial Instruments: Recognition and Measurement'. It makes major changes to the previous guidance on the classification and measurement of financial assets and introduces an 'expected credit loss' model for the impairment of financial assets.

IFRS 9 also contains new requirements on the application of hedge accounting. The new requirements look to align hedge accounting more closely with entities' risk management activities by increasing the eligibility of both hedged items and hedging instruments and introducing a more principles-based approach to assessing hedge effectiveness.

Management has identified the following areas that are expected to be most impacted by the application of IFRS 9:

- The classification and measurement of the Group's financial assets. Management intends to hold most financial assets and collects the associated contractual cash flows and is currently assessing the underlying effects of the cash flows to classify financial assets correctly. Management expects the majority of financial assets to be measured at amortised cost. The impact of this is not expected to be material as the financial assets currently approximates its fair value.
- The impairment of financial assets by applying the expected credit loss model. In relation to the impairment of financial assets, IFRS 9 requires an expected credit loss model, as opposed to an incurred credit loss model under IAS 39. This will be applied to the Group's trade receivables but no material impact to the valuation is expected. This will be applied to the Group's trade receivables but no material impact to the valuation is expected given the fact that there has not been any significant bad debts in the last couple of years.

The effective date of the standard is for years beginning on or after 01 January 2018 and the Group will adopt the standard in the 2019 financial statements.

IFRS 15 Revenue from contracts with customers

IFRS 15 supersedes IAS 11 Construction contracts; IAS 18 Revenue; IFRIC 13 Customer Loyalty Programmes; IFRIC 15 Agreements for the construction of Real Estate; IFRIC 18 Transfers of Assets from Customers and SIC 31 Revenue – Barter Transactions Involving Advertising Services.

The core principle of IFRS 15 is that an entity recognises revenue to depict the transfer of promised goods or services to customers in an amount that reflects the consideration to which the entity expects to be entitled in exchange for those goods or services. An entity recognises revenue in accordance with that core principle by applying the following steps:

- Identify the contract(s) with a customer
- Identify the performance obligations in the contract
- Determine the transaction price
- Allocate the transaction price to the performance obligations in the contract
- Recognise revenue when (or as) the entity satisfies a performance obligation.

Currently all of the purchase orders received from customers act as a contract. Most of the purchase orders clearly specifies the performance obligations and the price associated with those performance obligations in the contract. The Group currently (under IAS 18) recognises the revenue only when it has satisfied those performance obligations in the contract. Therefore, the adoption of this standard is not expected to impact on the results of the company, but may result in more disclosure than is currently provided in the financial statements.

The effective date of the standard is for years beginning on or after 01 January 2018 and the Group will adopt the standard in the 2019 financial statements.

3. Operating segments

The Group had three (2017: four) reportable segments, as described below, which are the Group's strategic divisions. Management has identified the segments based on the internal reports reviewed monthly by the Group's chief operating decision maker (CODM). The CODM at the reporting date is the Executive Committee. The responsibility of the Executive Committee is to assess performance and to make resource allocation decisions related to the individual operations of the Group. The segment financial information provided to and used by the CODM forms the basis of the segment information disclosure in these financial statements.

The business is considered from an operating perspective based on the products manufactured and sold. The operating segments comprise:

- Alaris Antennas: located in Centurion, Pretoria where it designs, manufactures and sells specialised broadband antennas as well as other related radio frequency products.
- COJOT: located in Espoo, Finland where it develops innovative broadband antennas to improve connectivity, coverage and competitiveness of radio equipment which is deployed to save lives and protect property.
- Corporate and consolidation: located in Centurion, is a cost centre where costs relating to shared services and fees associated with being a listed company are included. Net funding costs are also included here.
- Aucom: located in Waterkloof, Pretoria, the business provides end–to–end turnkey solutions for radio and TV broadcasters. The shareholding and all loan claims in Aucom were sold April 2017 and presented as a discontinued operation in the comparative period.

The Group operates internationally, across all continents. Refer to note 10 for disclosure on major customers.

Performance is measured based on earnings before interest, taxation, depreciation and amortisation, as well as profit/(loss) for the year as included in the internal management reports. Management believes that such information is the most relevant in evaluating the results of the segments relative to other entities that operate within the industry.

R'000 2018	Alaris Antennas	COJOT	Corporate and consolidation	Total continuing operations
Segmental revenue	121 968	65 107	-	187 075
- Total revenue	123 267	66 544	-	189 811
- Inter-segmental	(1 298)	(1 437)	-	(2 735)
Earnings before interest, tax, depreciation and amortisation (EBITDA)	**44 840**	**19 309**	**(16 254)**	**47 895**
Depreciation and amortisation	(3 700)	(514)	(959)	(5 173)
Finance income	207	-	173	380
Finance costs	(124)	(1)	(267)	(392)
Profit / (loss) before taxation	**41 223**	**18 794**	**(17 307)**	**42 710**
Taxation	(8 682)	(3 849)	2 740	(9 791)
Profit / (loss) for the year	**32 541**	**14 945**	**(14 567)**	**32 919**
Normalised earnings profit / (loss) for the year	**32 541**	**14 945**	**(12 069)**	**35 417**
Reportable segment assets	86 830	22 570	46 226	155 626
Reportable segment liabilities	(26 788)	(10 703)	(1 807)	(39 298)

3. Operating segments (continued)

R'000 2017	Alaris Antennas	COJOT	Corporate and consolida-tion	Total continuing operations	Aucom	Corporate and consolida-tion	Total dis-continued operations
Segmental revenue	123 044	36 306	-	159 350	69 308	-	69 308
- Total revenue	123 920	37 353	-	161 273	69 588	-	69 588
- Inter-segmental	(876)	(1 047)	-	(1 923)	(280)	-	(280)
Earnings before interest, tax, depreciation and amortisation (EBITDA)	**51 765**	**4 254**	**(14 083)**	**41 936**	**218**	**9 194**	**9 412**
Depreciation and amortisation	(3 409)	(289)	(922)	(4 620)	(420)	(1 044)	(1 464)
Finance income	212	7	521	740	580	-	580
Finance costs	(32)	(12)	(4 863)	(4 907)	(33)	-	(33)
Profit / (loss) before taxation	**48 536**	**3 960**	**(19 347)**	**33 149**	**345**	**8 150**	**8 495**
Taxation	(13 590)	(106)	3 549	(10 147)	(93)	418	325
Profit / (loss) for the year	**34 946**	**3 854**	**(15 798)**	**23 002**	**252**	**8 568**	**8 820**
Normalised earnings profit / (loss) for the year	**34 962**	**3 854**	**(15 380)**	**23 436**	**-**	**-**	**-**
Reportable segment assets	60 748	17 639	77 365	155 752	-	-	-
Reportable segment liabilities	(18 969)	(6 808)	(52 145)	(77 922)	-	-	-

Geographical information

The Alaris Antennas operates its manufacturing, research & development and sales offices from South Africa. COJOT has its operations in Europe. The Corporate & Consolidation segment is based in South Africa. The discontinued operation was operated from South Africa.

The geographic information analyses the Group's revenue and non-current assets by region of operating activity. In presenting the geographic information, segment revenue is based on the geographic location of the customers and non-current assets from where the segment is managed and operated and where its assets are located.

3. Operating segments (continued)

Geographical information (continued)

R'000	2018 Amount	2018 %	2017 Amount	2017 %
REVENUE				
Continuing Operations	**187 075**	**100%**	**159 350**	**100%**
Asia	15 161	8%	10 464	7%
Australia	2 050	1%	9 991	6%
Canada	1 273	1%	1 801	1%
East Asia	2 977	1%	4 327	3%
Europe	54 464	29%	57 093	36%
Middle East	42 685	23%	21 236	13%
North America	34 734	19%	13 567	9%
South America	1 921	1%	8 482	5%
United Kingdom	18 704	10%	13 986	9%
South Africa	13 106	7%	18 403	11%
Discontinued Operations	-	-	**69 308**	**100%**
Europe	-	-	3 697	5%
South Africa	-	-	43 746	63%
Rest of Africa	-	-	21 865	32%
NON-CURRENT ASSETS				
Total Operations	**48 522**	**100%**	**46 328**	**100%**
South Africa	46 823	96%	45 099	97%
Europe	1 699	4%	1 229	3%

Normalised earnings per share

Normalised earnings is calculated by adjusting profit for the legal and consulting fees for acquisitions and disposals, loss/(profit) on discontinued operations and profit on disposal of Aucom.

Normalised earnings per share is calculated by dividing normalised earnings by the weighted average number of ordinary shares in issue.

	Total Operations		Continuing Operations	
R'000	2018	2017	2018	2017
Profit from operations for the year	32 919	31 822	32 919	23 002
Profit on disposal of Aucom net after tax	-	(9 320)	-	-
Legal and consulting costs for acquisitions and disposal	2 498	434	2 498	434
Loss/(profit) on discontinued operation	-	500	-	-
Normalised earnings	**35 417**	**23 436**	**35 417**	**23 436**
Normalised earnings per ordinary share (cents)	**30.50**	**15.22**	**30.50**	**15.22**

4. Plant and equipment

	2018			2017		
R'000	Cost	Accumulated depreciation	Carrying value	Cost	Accumulated depreciation	Carrying value
Plant and machinery	13 968	(11 316)	2 652	12 704	(9 683)	3 021
Furniture and fixtures	373	(248)	125	373	(215)	158
Motor vehicles	562	(311)	251	562	(192)	370
Office equipment	72	(24)	48	12	(5)	7
IT Equipment	1 643	(780)	863	1 157	(509)	648
Computer software	6 674	(4 768)	1 906	5 121	(4 096)	1 025
Leasehold improvements	825	(547)	278	811	(386)	425
Production tooling	1 412	(916)	496	924	(785)	139
	25 529	**(18 910)**	**6 619**	**21 664**	**(15 871)**	**5 793**

Reconciliation of Plant and Equipment – 2018

R'000	Opening balance	Additions	Disposals	Reclassification	FCTR	Depreciation	Closing balance
Plant and machinery	3 021	1 146	-	(407)	72	(1 180)	2 652
Furniture and fixtures	158	-	-	-	-	(33)	125
Motor vehicles	370	-	-	-	-	(119)	251
Office equipment	7	-	-	55	-	(14)	48
IT Equipment	648	377	(11)	112	-	(263)	863
Computer software	1 025	1 390	-	24	19	(552)	1 906
Leasehold improvements	425	14	-	-	-	(161)	278
Production tooling	139	261	-	216	-	(120)	496
	5 793	**3 188**	**(11)**	**-**	**91**	**(2 442)**	**6 619**

The residual value, useful life and depreciation method of each asset are reviewed at the end of each reporting period. In the case where the expectations differ from previous estimates, the change is accounted for as a change in accounting estimate. This review indicated that the actual lives of software were longer than the estimated useful lives used for depreciation purposes in the Group's financial statements. As a result, effective 1 July 2017, the Group changed its estimates of the useful lives of its software to better reflect the estimated periods during which these assets will remain in service. The estimated useful lives of the software that previously averaged 2-3 years, were increased to an average of 5 years. The effect of this change estimate was to reduce 2018 depreciation expense by R413 017 and increased 2018 net income after tax by R297 372.

4. Plant and equipment (continued)

Reconciliation of Plant and Equipment – 2017

R'000	Opening balance	Additions	Disposals	Disposal of Aucom	FCTR	Depre-ciation	Closing balance
Plant and machinery	3 325	880	-	-	(83)	(1 101)	3 021
Furniture and fixtures	1 534	64	-	(1 132)	-	(308)	158
Motor vehicles	258	440	-	(199)	-	(129)	370
Office equipment	17	-	-	(5)	-	(5)	7
IT Equipment	678	383	(40)	(101)	-	(272)	648
Computer software	1 209	691	-	(20)	(12)	(843)	1 025
Leasehold improvements	628	-	-	(35)	-	(168)	425
Production tooling	247	65	-	-	-	(173)	139
Other plant and equipment	8	-	-	(4)	-	(4)	-
	7 904	**2 523**	**(40)**	**(1 496)**	**(95)**	**(3 003)**	**5 793**

Pledged as security

Plant and equipment with a carrying value of R1 242 100 (2017: R369 245) was ceded as security, refer note 14.

	2018 R'000	2017 R'000
Plant and machinery	992	-
Motor vehicles	250	369
	1 242	**369**

5. Goodwill

	2018			2017			
R'000	Carrying value - opening balance	FCTR	Carrying value - closing balance	Carrying value - opening balance	Disposal	FCTR	Carrying value - closing balance
Radiant Antennas	2 207	-	2 207	2 207	-	-	2 207
COJOT	22 695	1 680	24 375	24 986	-	(2 291)	22 695
Aucom	-	-	-	19 908	(19 908)	-	-
	24 902	**1 680**	**26 582**	**47 101**	**(19 908)**	**(2 291)**	**24 902**

Goodwill related to Radiant Antennas Proprietary Limited

The Group entered into a Sale of Business Agreement, dated 10 July 2012, with Radiant Antennas Proprietary Limited ("Radiant") to acquire the business of Radiant as a going concern in order to expand business opportunities.

The Group acquired all assets of Radiant which include trade receivables, plant and equipment (excluding one motor vehicle), inventory, any prepayments and Radiant's right, title and interest in and to contracts, and assumed all liabilities of Radiant, excluding any shareholder loan accounts.

The Radiant business acquisition was incorporated in the Alaris Antennas cash generating unit effective 1 July 2012.

5. Goodwill (continued)

Goodwill to the value of R2 207 122 was recognised from the Radiant transaction. The recoverable amount was determined as the value-in-use of the cash generating unit estimated on the net present value of the future cash flows, expected to be derived from the unit, using a pre-tax discount rate of 17.6% (2017:19.6%) and terminal growth rate of 2% (2017: 2%). The key assumptions are obtained from the budget for 2019 and business plans for the years thereafter. Management's forecast typically covers a five-year period and thereafter a reasonable growth rate is applied based on current market conditions. The recoverable amount was greater than the carrying value and hence no impairment was recognised.

Goodwill related to COJOT Oy

The Group entered into a purchase of share agreement, effective 1 May 2016 where 100% of the shareholding was purchased from private owners.

Goodwill to the value of R24.8 million (EUR 1.5 million) was recognised from the transaction. The recoverable amount was determined as the value in use of the cash generating unit estimated on the net present value of the future cash flows, expected to be derived from the unit, using a pre-tax discount rate of 15.3% (2017: 16.8%) and a terminal growth rate of 5% (2017:5%). The key assumptions are obtained from the budget for 2019 and business plans for the years thereafter. Management's forecast typically covers a five-year period and thereafter a reasonable growth rate is applied based on current market conditions. The recoverable amount was greater than the carrying value and hence no impairment was recognised.

Possible changes in the assumptions used to calculate the value-in-use for all goodwill balances are not likely to cause the recoverable amount to fall below the carrying value of the cash generating units.

6. Intangible assets

	2018				2017			
R'000	Cost	Accumu-lated amorti-sation & impair-ment	FCTR	Carrying value	Cost	Accumu-lated amorti-sation & impair ment	FCTR	Carrying value
Model, designs and prototypes	12 521	(4 512)	(1)	8 009	9 741	(2 723)	(1)	7 017
Customer relationships - COJOT	7 027	(1 969)	(285)	4 773	7 027	(1 024)	(639)	5 364
	19 548	**(6 481)**	**(286)**	**12 782**	**16 768**	**(3 747)**	**(640)**	**12 381**

Reconciliation of intangible assets – 2018

R'000	Opening balance	Additions	Amortisation	FCTR	Closing balance
Model, designs and prototypes	7 017	2 780	(1 786)	(2)	8 009
Customer relationships - COJOT	5 364	-	(945)	354	4 773
	12 381	**2 780**	**(2 731)**	**352**	**12 782**

Reconciliation of intangible assets – 2017

R'000	Opening balance	Additions	Disposal of Aucom	Amorti-sation	FCTR	Closing balance
Model, designs and prototypes	4 994	3 145	–	(1 121)	(1)	7 017
Customer relationships - COJOT	6 918	–	–	(915)	(639)	5 364
Customer relationships - Aucom	5 574	–	(4 529)	(1 045)	–	–
	17 486	**3 145**	**(4 529)**	**(3 081)**	**(640)**	**12 381**

6. Intangible assets (continued)

Internally generated intangible assets with finite useful lives

The intangible assets consist of the development expenditure for models, designs and prototypes incurred that is considered to possess the ability to ensure a future economic benefit, on a long-term basis. The expenditure could be measured reliably. The useful live is five years with no residual value.

The amortisation charge of R1.8 million (2017: R1.1 million) is included under operating expenses in the statement of profit or loss.

Total aggregate research and development cost incurred was R13.8 million (2017: R18.1 million).

Customer relationships

Fair value of the customer database was calculated by assessing the consistency of the customers in terms of their existence and value over the last three years prior to the acquisition. Based on this information an attrition percentage was applied to the expected revenues of the Company to determine what value of the future anticipated revenues is estimated to be received from the existing customer database. The lifetime of the COJOT customer database was estimated to be 7 years.

The amortisation charge of R0.9 million (2017: R2 million) is included under operating expenses in the statement of profit or loss.

Based on the valuation, amortisation of the customer relationships' intangible asset of COJOT will be R0.9 million per year for the remaining period.

7. Deferred tax

	2018 R'000	2017 R'000
Deferred tax liabilities	(962)	(1 073)
Deferred tax assets	2 539	3 252
Total net deferred tax assets	**1 577**	**2 179**
Reconciliation of total net deferred tax assets/(liabilities)		
At beginning of year	2 179	2 479
Reversing temporary difference on plant and equipment	(87)	(2)
(Reversing) / originating temporary difference on intangible assets	(167)	1 359
Originating / (reversing) temporary differences on deferred revenue, income received in advance, prepaid expenses and share based payment	569	(3 002)
(Decrease)/ increases in tax loss available for set off against future taxable income	(177)	341
Temporary differences on unrealised foreign exchange profit	(740)	1 004
Closing balance	**1 577**	**2 179**
Beginning of year	2 179	2 479
Disposal of Aucom	-	(2 332)
Foreign currency translation reserve	(780)	1 834
Charged through profit or loss	178	198
Closing balance	**1 577**	**2 179**
Net deferred tax balances consist of the following		
Plant and equipment	(435)	(348)
Intangible assets	(3 060)	(2 893)
Deferred revenue, income received in advance, prepaid expenses and share based payment	4 644	4 075
Tax losses available for set off against future taxable income	164	341
Unrealised foreign exchange profit	264	1 004
	1 577	**2 179**

7. Deferred tax (continued)

Unrecognised deferred tax balances		
Estimated tax losses available to set off against future taxable income	36	239
Unrecognised estimated tax losses	**36**	**239**

8. Financial assets by category

The accounting policies for financial instruments have been applied to the line items below:

R'000 2018	Loans and receivables at amortised cost	Total
Trade and other receivables	31 129	31 129
Cash and cash equivalents	51 679	51 679
	82 808	**82 808**

R'000 2017	Loans and receivables at amortised cost	Total
Trade and other receivables	25 105	25 105
Cash and cash equivalents	65 083	65 083
	90 188	**90 188**

The fair value of the financial assets is equal to their carrying values at year end due to their short-term nature.

9. Inventories

	2018 R'000	2017 R'000
Raw materials and components	10 608	9 266
Work in progress	5 602	1 567
Finished goods	3 882	3 207
	20 092	**14 040**
Allowance for obsolescence	(1 012)	(448)
	19 080	**13 592**
Allowance for obsolescence		
Opening balance	448	1 388
Disposal of Aucom	-	(858)
Allowance increase/(reversal)	564	(82)
Closing balance	**1 012**	**448**

The allowance for obsolescence represents the inventory that has not been sold or used in manufacturing within the past 24-36 months also considering quantities on hand compared to average usage. The movement in this allowance is based on the sale, usage or lack thereof in case of an increase of items in the manufacturing process. An amount of R1 155 102 (2017: R691 979) was written-off and is included in cost of sales.

10. Trade and other receivables

	2018 R'000	2017 R'000
Financial assets		
Trade receivables	31 129	25 105
	31 129	**25 105**
Non-financial assets		
Prepayments	2 887	1 514
VAT	893	839
Other receivables	70	96
Deposits	173	228
	4 022	**2 677**
Total trade and other receivables	**35 151**	**27 782**

Trade receivables ageing analysis

R'000 2018	Gross amount	Impairment allowance	Net amount
Current	26 317	-	26 317
1 month past due	4 798	-	4 798
2 months past due	-	-	-
3 months and more past due	14	-	14
	31 129	**-**	**31 129**

R'000 2017	Gross amount	Impairment allowance	Net amount
Current	16 389	-	16 389
1 month past due	8 132	-	8 132
2 months past due	426	-	426
3 months and more past due	210	(52)	158
	25 157	**(52)**	**25 105**

The carrying amount of trade receivables (net of impairment) are denominated in the following currencies:

	2018 R'000	2017 R'000
Rand	2 142	430
US Dollar	13 098	11 039
Euro	15 889	13 636
	31 129	**25 105**

The carrying amount of trade receivables based on geographical area:

	2018 R'000	2017 R'000
Europe	14 870	10 988
Asia	6 618	320
USA	6 062	2 452
South Africa	2 142	430
United Kingdom	399	1 138
South America	36	8 302
Other	1 002	1 475
	31 129	**25 105**

10. Trade and other receivables (continued)

Sales transactions with multinational customers with revenue of more than 5% of the Group's revenue:

Continuing operations	2018 R'000	2018 % of Group revenue	2017 R'000	2017 % of Group revenue
Customer A (Alaris Antennas)	23 041	12%	3 535	2%
Customer B (Alaris Antennas)	19 400	10%	4 185	3%
Customer C (COJOT)	18 326	10%	2 874	2%
Customer D (COJOT)	10 961	6%	1 581	1%
Customer E (Alaris Antennas)	10 354	6%	15 424	10%
	82 082		**63 199**	

Trade receivables comprise a widespread continuing customer base. During the year the revenue was generated from a more widespread customer base and the Group reports on sales transactions with customers with a revenue of more than 5%. The Group's exposure to credit risk is influenced mainly by the individual characteristics of each customer. Approximately 93% (2017: 89%) of the Group's continuing revenue is attributable to sales transactions with 137 (2017: 126) international customers. The Group generally deals with corporates who have a sound credit rating. Credit risk is controlled by credit limits being set by experienced personnel. Where credit history has not been established with the customer, upfront payment or Letters of Credit (LC's) are required. Listing of overdue customer balances are reviewed monthly.

It is the policy of the Group to allow for 30-60 day payment terms.

Fair value of trade receivables

The fair value of trade approximates the carrying value due to the short term nature.

Reconciliation of provision for impairment of trade receivables:

	2018 R'000	2017 R'000
Opening balance	52	2 408
Disposal of subsidiary	-	(8 956)
(Released)/charged to profit and loss	(52)	6 697
Amounts written off as uncollectable	-	(97)
Closing balance	**-**	**52**

The maximum exposure to credit risk at the reporting date is the carrying value of each class of trade receivables mentioned above and cash and cash equivalents mentioned below.

11. Cash and cash equivalents

	2018 R'000	2017 R'000
Cash and cash equivalents consist of:		
Cash on hand	7	2
Bank balances	51 672	65 081
	51 679	**65 083**

The Standard Bank of South Africa holds collateral of suretyship limited to R16.1 million between Alaris Holdings Limited and Alaris Antennas Proprietary Limited.

During the prior year, the Standard Bank of South Africa granted Alaris Holdings Limited an overdraft facility of R10 million. Collateral held for the security is a guarantee limited to R20 million by Alaris Antennas Proprietary Limited. This overdraft was paid back in full and the facility was cancelled during the current year.

The carrying value of cash and cash equivalents balance approximates the fair value due to the short term nature.

12. Share capital

	2018 R'000	2017 R'000
Authorised share capital		
2 000 000 000 Ordinary shares of R0.00005 each		
1 879 495 270 unissued ordinary shares are under the control of the directors. This authority remains in force until the next annual general meeting. The issued share capital is fully settled.	100	100

Issued share capital	Number of shares 2018	Number of shares 2017	Share capital 2018 R'000	Share capital 2017 R'000	Share premium 2018 R'000	Share premium 2017 R'000
Opening balance	120 504 730	160 504 730	6	8	210 361	230 361
Shares repurchased						
- Aucom disposal	-	(30 000 000)	-	(1)	-	-
- Specific repurchase	-	(10 000 000)	-	(1)	-	(20 000)
	120 504 730	120 504 730	6	6	210 361	210 361
Treasury shares	(4 387 959)	(4 387 959)	-	-	(8 310)	(8 310)
	116 116 771	**116 116 771**	**6**	**6**	**202 051**	**202 051**

13. Share-based payments

Equity settled share-based payments.

R'000 Share Options Group 2018	Number	Weighted exercise price	Total value
Outstanding at the beginning of the year	7 600	2.13	8 139
Options granted during the year	5 040	1.90	5 440
Options expired during the year	(3 150)	2.10	(3 003)
Total options at the end of the year	**9 490**	**2.02**	**10 576**

R'000 Share Options Group 2017	Number	Weighted exercise price	Total value
Outstanding at the beginning of the year	6 300	2.10	6 927
Granted during the year	1 300	2.30	1 212
Total options at the end of the year	**7 600**	**2.13**	**8 139**

Outstanding options	Exercise date within one year	Exercise date from two to five years	Total
Options with exercise price of R2.10 – Tranche May 2015	1 575	1 575	3 150
Options with exercise price of R2.30 – Tranche September 2016	325	975	1 300
Options with exercise price of R1.90 – Tranche November 2017	-	5 040	5 040

13. Share-based payments (continued)

Information on options granted

Fair value was determined by using the Black - Scholes model. The following inputs were used:

	Tranche May 2015	Tranche September 2016	Tranche November 2017
Exercise price	R2.10	R2.30	R1.90
Spot price	R2.39	R2.35	R2.14
Risk free rates used			
Period 1	6.70%	7.35%	7.40%
Period 2	6.93%	7.42%	7.58%
Period 3	7.09%	7.50%	7.73%
Period 4	7.21%	7.61%	7.88%
Dividend yield	0%	0%	0%
Number of options allocated	3 150	1 300	5 040

The option life is 5 years and it will vest in four equal tranches from year 2 onwards.

The volatility was obtained by calculating the change in share price based on a 90 day volume weighted average price.

A total expense of R2 707 000 (2017: R2 291 000) related to equity-settled share-based payments transactions was recognised in profit or loss.

On 6 May 2015, 13 September 2016 and 22 November 2017, share options were granted to certain employees that entitled them with the option to purchase Alaris Holdings Limited shares at the exercise price indicated above. The employees have 30 days after each tranche vests to exercise their option, otherwise the options expire.

Due to the share price in the market being lower than the strike price of the May 2015 Tranche, employees did not exercise the first 50% of the vested options and therefore these have lapsed.

14. Loans and borrowings

	2018 R'000	2017 R'000
Finance lease liability		
Standard Bank of South Africa Limited	360	454
Instalment sale agreement for motor vehicles secured by first covering bond over plant and equipment. Refer to note 4. The loan bears interest at prime rate plus 0.5% and is repayable in 60 instalments of R5 702 per month. The net carrying value of the assets pledged as security R250 180 (2017: R369 345).		
Standard Bank of South Africa Limited	1 087	-
Instalment sale agreement for plant and machinery secured by first covering bond over plant and equipment. Refer to note 4. The loan bears interest at prime rate plus 0.5% and is repayable in 60 instalments of R12 694 per month. The net carrying value of the assets pledged as security R991 920 (2017: R0).		
	1 447	**454**
Minimum lease payments due		
- within one year	441	138
- in second to fifth year inclusive	1 344	431
	1 785	569
Less: future finance charges	(338)	(115)
Present value of minimum instalment sales payments	**1 447**	**454**
Present value of minimum instalment sales payments due		
- within one year	306	93
- in second to fifth year inclusive	1 141	361
	1 447	**454**

14. Loans and borrowings (continued)

Loan received from Bank	**229**	**-**

During the year the company purchased an Environmental Climatic Test Chamber. The total cost of the chamber will be R670 438 exclusive of VAT. A 50% deposit was made of R382 147 (incl VAT of 14%). To pay a portion of the deposit an amount of R229 290 was borrowed from the bank. An interim agreement was signed with the bank at interest of prime plus 0.75% per annum. Further payments of R385 502 will be due 30 days after delivery and installation. Subsequently the interim agreement will be converted to a finance lease with a total amount of R609 792 over a period of 5 years at a rate of prime plus 0.75%. The installation is expected to be completed within the first quarter of the 2019 financial year.

Non-current liabilities		
Finance lease liability	1 141	361
Current liabilities		
Finance lease liability	306	93
Loan received from Bank	229	-
	1 676	**454**

15. Preference share liability

20 400 000 Convertible Redeemable Preference Shares at R2.50 were issued at a dividend rate of prime plus 3% net of tax. PSG Alpha has not converted the Preference Shares given that the Alaris share price was lower than the conversion price of the Preference Shares. Accordingly, the total consideration of R51 million was repaid on 3 July 2017.

	2018 R'000	2017 R'000
PSG Alpha Investments (Pty) Ltd	51 000	51 000
Less: deemed capital	-	(889)
Reclassification in anticipation of settlement of preference shares	-	889
Settlement of preference shares	(51 000)	-
Closing balance	**-**	**51 000**

16. Trade and other payables

	2018 R'000	2017 R'000
Financial liabilities		
Trade payables	11 285	8 891
Other accrued expenses	5 424	2 024
	16 709	**10 915**
Non-financial liabilities		
Payroll accruals	14 454	6 813
Operating lease liability	759	785
Deferred revenue	3 062	3 988
Product warranty provision	348	184
Income received in advance	1 299	2 710
	19 922	**14 480**
Total trade and other payables	**36 631**	**25 395**

16. Trade and other payables (continued)

Fair value of trade and other payables

The fair value of trade payables approximates its carrying value, due to the short-term nature.

	2018 R'000	2017 R'000
Product warranty provision		
Opening balance	184	146
Provisions raised during the year	333	52
Utilised during the year	(189)	-
FCTR	20	(14)
Closing balance	**348**	**184**

The Group's obligation relating to this warranty expires in the next 12 months.

	2018 R'000	2017 R'000
Operating lease liability		
Minimum lease payments due		
- within one year	2 440	2 249
- in second to fifth year inclusive	3 322	5 762
	5 762	**8 011**
Operating lease liability	(759)	(785)

Operating lease payments represent rentals payable by the Group for its office properties. Leases are negotiated for a term of six years and have option to renew after 5 years. There is an annual escalation of 8.5%. No contingent lease payments are payable.

17. Financial liabilities by category

The accounting policies for financial instruments have been applied to the line items below:

2018 **R'000**	**Financial liabilities at amortised cost**	**Total**
Trade and other payables	16 709	16 709
Loans and borrowings	1 676	1 676
	18 385	**18 385**

2017 **R'000**	**Financial liabilities at amortised cost**	**Total**
Preference share liability	51 000	51 000
Loans and borrowings	454	454
Trade and other payables	10 915	10 915
	62 369	**62 369**

The fair value of the financial liabilities approximates their carrying values at year end.

18. Revenue

	2018 R'000	2017 R'000
Sale of goods	187 075	219 563
Rendering of services	-	6 545
Commission received	-	2 550
	187 075	**228 658**

19. Trading operating profit

	2018 R'000	2017 R'000
Trading operating profit for the year is stated after accounting for the following:		
Operating lease charges		
Premises	2 953	3 329
Equipment	259	659
	3 212	**3 988**
Amortisation of intangible assets	2 731	3 081
Depreciation on plant and equipment	2 442	3 003
Employee costs	68 549	57 186
Share based payment expense	2 707	2 291
Net foreign exchange losses/(gains)	918	3 223
Consultants	5 246	5 663
Professional and advisory services	2 269	938

20. Finance income

	2018 R'000	2017 R'000
Interest income on cash and cash equivalents	308	1 115
Interest income from SARS	72	205
	380	**1 320**

21. Finance costs

	2018 R'000	2017 R'000
Interest expenses on financial liabilities at amortised cost	365	132
Interest on preference shares	27	4 955
Interest payable for tax reversed	-	(165)
Other interest	-	18
	392	**4 940**

22. Profit on sale of discontinued operations - African Union Communications Proprietary Limited

In line with the Group's strategy to focus on development, manufacturing and selling of RF (Radio Frequency) products to global niche markets, the Board has decided to sell its Aucom subsidiary to management. The subsidiaries, Alaris Antennas and COJOT, are aligned with the Group's strategic direction. In contrast to this, the Aucom subsidiary is a value-added reseller, which provides end-to-end integrated system solutions to the broadcasting and satellite communication industry in sub-Saharan Africa. Aucom's business is project-based with long sales cycles and its revenue is very dependent on project implementation schedules. It is critical for Aucom to be BBBEE Compliant for business in South Africa and such structures can be achieved more easily outside a listed environment.

The Transaction will further align Alaris' offerings with its value proposition of continuously evolving its intellectual property base to design products for specific customer needs. Each subsidiary should enjoy fully committed resources to realise their full potential. With this in mind and based on the assessment of the available market size, the Board believes that the transaction will free up much needed capacity to enable future international growth and acquisitions aligned to the core strategy. The Group intends to make further acquisitions in due course. Being a client-centric organisation with clients based worldwide, the Group needs to expand its global footprint in order to be closer to its clients.

Alaris Holdings Limited sold the Company's entire 100% shareholding in Aucom to the management team of the subsidiary ("Aucom management") in exchange for 30 000 000 Alaris shares held by Aucom management at a consideration of R2.00 per share ("Disposal and Repurchase"), amounting to R60 million.

22. Profit on sale of discontinued operations - African Union Communications Proprietary Limited (continued)

	2017 R'000
Identifiable net assets and liabilities disposed of	
Plant and equipment	1 496
Goodwill	19 908
Intangible assets	4 529
Inventories	7 941
Trade and other receivables	23 022
Cash and cash equivalents	13 016
Current tax assets	927
Deferred tax assets	2 332
Loans and borrowings	(585)
Trade and other payables	(23 552)
Total identifiable net assets disposed	49 034
Transaction costs incurred on disposal	1 772
Profit on disposal of discontinued operations	9 194
Total consideration of shares repurchased (non-cash)	60 000
Cash disposed	(13 016)
Net cash outflow from disposal	(13 016)
Cash flows attributable to discontinued operations	
Cash flows from operating activities	7 264
Cash flows from investing activities	(260)
Cash flows from financing activities	29
Net cash inflow for the period	**7 033**
Profit on disposal of discontinued operations	
Total profit on disposal	10 966
Transaction costs incurred on disposal	(1 772)
Net profit on disposal	**9 194**

23. Taxation

	2018 R'000	2017 R'000
Local income tax	9 969	10 020
Current year	11 063	9 141
Disposal of Aucom	-	928
Prior year adjustment	(1 094)	(49)
Deferred		
Current year	(178)	(198)
	9 791	**9 822**

Reconciliation of the tax expense	2018 *R'000*	2017 *R'000*	2018 %	2017 %
Profit before taxation	42 710	41 644		
Tax at the applicable tax rate of 28% and 20% for COJOT (2017: 28% and 20% for COJOT)	10 545	11 512	24.7	27.6
Tax effect of adjustments on taxable income				
Non-taxable income				
- Reversal of provisions	-	(716)	-	(1.7)
- Profit on disposal of Aucom	-	(3 071)	-	(7.4)
- Other non-taxable income	-	(6)	-	(0.0)
Non-deductible expenses				
- Legal and consulting fees	656	488	1.5	1.2
- Interest on preference shares	-	1 341	-	3.2
- Non-deductible due to apportionment	742	-	1.7	-
- Other non-deductible expenses	154	84	0.4	0.2
Prior year adjustment *	(1 021)	(49)	(2.4)	(0.1)
Share based payment – lapsed options	841	-	2.0	
Deferred tax asset not recognised for computed loss	36	239	0.1	0.6
S11D allowance	(2 162)	-	(5.1)	-
	9 791	**9 822**	**22.9**	**23.6**

The above is disclosed on a total operations basis.

* S11D allowance for 2017 was only accounted for in 2018, since the approval from the Department of Trade and Industry for the application submitted in November 2016 was only received subsequent to the 2017 financial year.

NOTES TO CONSOLIDATED FINANCIAL STATEMENTS
FOR THE YEAR ENDED 30 JUNE 2018 (CONTINUED)

24. Earnings per share

	2018	2017
Issued ordinary shares at closing per share register	120 504 730	120 504 730
Less: Treasury shares	(4 387 959)	(4 387 959)
Net number of shares issued outside the Group	**116 116 771**	**116 116 771**
Issued ordinary shares at closing per share register	120 504 730	120 504 730
Less: Treasury shares (closing balance)	(4 387 959)	(4 387 959)
Shares repurchased during the year	-	37 868 493
Basic weighted average number of shares	**116 116 771**	**153 985 264**
Add: PSG Alpha Investments (Pty) Ltd preference shares	-	20 400 000
Diluted weighted average number of shares	**116 116 771**	**174 385 264**

	2018 R'000	2017 R'000
TOTAL OPERATIONS		
Earnings	32 919	31 822
Basic earnings	**32 919**	**31 822**
Add back interest cost on PSG Alpha Investments (Pty) Ltd preference shares	-	4 955
Diluted earnings	**32 919**	**36 777**
Earnings	32 919	31 822
Less: profit on disposal of Aucom	-	(9 320)
Headline earnings	**32 919**	**22 502**
Add: Interest cost on PSG Alpha Investments (Pty) Ltd preference shares	-	4 955
Diluted Headline earnings	**32 919**	**27 457**
Basic earnings per ordinary share (cents)	28.35	20.66
Diluted basic earnings per ordinary share (cents)	28.35	21.09
Headline earnings per ordinary share (cents)	28.35	14.61
Diluted headline earnings per ordinary share (cents)	28.35	15.75

	2018 R'000	2017 R'000
CONTINUING OPERATIONS		
Earnings	32 919	23 002
Basic earnings - continued operations	**32 919**	**23 002**
Add: Interest cost on PSG Alpha Investments (Pty) Ltd preference shares	-	4 955
Diluted earnings	**32 919**	**27 957**
Earnings	32 919	23 002
Headline earnings	-	-
Headline earnings	**32 919**	**23 002**
Add: Interest cost on PSG Alpha Investments (Pty) Ltd preference shares	-	4 955
Diluted Headline earnings	**32 919**	**27 957**
Basic earnings - continuing operations per ordinary share (cents)	28.35	14.94
Diluted basic earnings - continuing operations per ordinary share (cents)	28.35	16.03
Headline earnings - continuing operations per ordinary share (cents)	28.35	14.94
Diluted headline earnings - continuing operations per ordinary share (cents)	28.35	16.03

25. Directors' emoluments

2018	Emoluments	Bonus earned up to 30 June – payable subsequent to year end	Other benefits	Total	Number of share options
Executive	**R'000**	**R'000**	**R'000**	**R'000**	**R'000**
J Dresel	2 603	2 803	96	5 502	2 470
GT Heyman	1 569	1 471	55	3 095	2 020
	4 172	**4 274**	**151**	**8 597**	**4 490**

	Compensation	Mentoring services for subsidiaries	Total
Non-Executive	**R'000**	**R'000**	**R'000**
CP Bester	307	196	503
RC Willis	162	-	162
A Mellet - Appointed 17 October 2017	126	-	126
C van der Merwe - Appointed 1 June 2018	10	-	10
PN de Waal - Resigned 17 October 2017	53	-	53
	658	**196**	**854**

2017	Emoluments	Bonus	Other benefits	Total	Number of share options
Executive	**R'000**	**R'000**	**R'000**	**R'000**	**R'000**
J Dresel	2 399	185	75	2 659	3 800
JSV Joubert - Resigned 31 May 2017	716	32	168	916	-
GT Heyman	1 426	110	46	1 582	1 000
	4 541	**327**	**289**	**5 157**	**4 800**

	Compensation	Mentoring services for subsidiaries	Total
Non-Executive	**R'000**	**R'000**	**R'000**
CP Bester	248	194	442
PN de Waal	164	-	164
RC Willis	144	-	144
HM Weilert - Appointed 17 February, resigned 31 May 2017	20	-	20
	576	**194**	**770**

NOTES TO CONSOLIDATED FINANCIAL STATEMENTS
FOR THE YEAR ENDED 30 JUNE 2018 (CONTINUED)

25. Directors' emoluments (continued)

Prescribed officers

2018	Emoluments	Bonus	Other benefits	Total	Number of share options
Executive	**R'000**	**R'000**	**R'000**	**R'000**	**R'000**
S Lentonen	1 675	811A	140	2 626	1 040

R599,040 of this amount was earned based on the performance achieved up to 30 June 2018, but will be paid subsequent to year end.

2017	Emoluments	Bonus	Other benefits	Total	Number of share options
Executive	**R'000**	**R'000**	**R'000**	**R'000**	**R'000**
S Lentonen	1 527	470	87	2 084	600

The group does not provide non-cash benefits to directors and executive officers and does not contribute to post-employment defined benefits on their behalf.

The Board approved an ad-hoc payment of R2.1 million to executive directors and certain senior management. This payment is a discretionary once-off bonus payable in cash to enable such directors and management to purchase shares in the Company. The merits of this payment include the fact that a large portion of the options in issue since 2015 lapsed in 2018 and could not be exercised due to the market price exceeding the strike price, despite good performance and growth in the operating entities over the past three years. The objective of providing a retention scheme and creating an ownership culture through shareholding was not achieved. The net after tax amount will be paid into the staff's broker accounts with an instruction to buy Alaris Holdings shares in the market. Due to the limitation that the cash bonus can only be utilized to buy Alaris shares, the bonus is classified as equity settled.

The director's direct and indirect shareholding of the Company control 32.48% (2017: 33.05%) of the voting shares of the Company.

26. Cash generated from operations

		2018 R'000	2017 R'000
Profit for the year		32 919	31 822
Adjustments for:			
Tax expense		9 791	9 822
Unrealised loss/(profit) on foreign exchange		1 445	35
Depreciation and amortization		5 173	6 084
Finance income		(380)	(1 320)
Finance costs		392	4 940
Profit on disposal of Aucom	22	-	(10 966)
Share based payment expense		2 707	2 291
Foreign currency translation reserve		1 572	(3 624)
Changes in working capital:			
Increase in inventories		(5 488)	(3 493)
(Increase)/decrease in trade and other receivables and other financial assets		(7 369)	34 984
Increase/(decrease) in trade and other payables and other financial liabilities		11 236	(38 194)
		51 998	**32 381**

27. Tax paid

	2018 R'000	2017 R'000
Balance at beginning of the year	2 967	(1 647)
Current tax for the year recognised in profit or loss	(9 969)	(10 020)
Interest and penalties receivable	72	205
Taxation receivable disposed – Aucom	-	(927)
Exchange rate movements	(45)	93
Balance at end of the year	(1 165)	(2 967)
	(8 140)	**(15 265)**

28. Related parties

Relationships

Subsidiaries	Alaris Antennas Proprietary Limited - 100% (2017: 100%)	
	COJOT Oy – 100% (2017: 100%)	
	Alaris Investment Holdings UK Limited – 100% (2017: 100%)	
	Alaris US Incorporated (dormant) – 100% (2017: 100%)	
Trusts under entity's control	Alaris Holdings Limited Share Incentive Trust	
Shareholder with significant influence	PSG Alpha Investments Proprietary Limited	
Members of key management	CP Bester	
	PN de Waal	Resigned 17 October 2017
	J Dresel	
	GT Heyman	
	A Mellet	Appointed 17 October 2017, previously alternate director to PN de Waal
	RC Willis	
	C van der Merwe	Appointed 1 June 2018
	S Lentonen	

Key management personnel are those having authority and responsibility for planning and controlling the activities of the Group, directly or indirectly, including any director of the Group. The directors of the Group have been identified as key management personnel of the Group.

29. Risk management

Financial instruments carried at fair value

The fair value of a financial instrument is the price that would be received for the sale of an asset or paid for the transfer of a liability in an orderly transaction between market participants at the measurement date.

The existence of published price quotations in an active market is the best evidence of fair value and, where they exist, they are used to measure the financial asset or financial liability. A market is considered to be active if transactions occur with sufficient volume and frequency to provide pricing information on an ongoing basis. Financial instruments fair valued using quoted prices would generally be classified as level 1 in terms of the fair-value hierarchy.

Fair value hierarchy

Fair value measurements are categorised into different levels in the fair value hierarchy based on inputs to valuation techniques used. The different levels are defined as follows:

- Level 1: Quoted prices (unadjusted) in active markets for identical assets or liabilities.
- Level 2: Inputs other than quoted prices included within Level 1 that are observable for the asset or liability, either directly (i.e. as prices) or indirectly (i.e. derived from prices).
- Level 3: Inputs for the asset or liability that are not based on observable market data (unobservable inputs).

29. Risk management (continued)

Capital risk management

The Group's objectives when managing capital are to safeguard the Group's ability to continue as a going concern in order to provide returns for shareholders and benefits for other stakeholders and to maintain an optimal capital structure to reduce the cost of capital.

The capital structure of the Group consists of debt, which includes the loans disclosed in notes 14 and 15, cash and cash equivalents disclosed in note 11, and equity as disclosed in the statement of changes in equity.

Consistent with others in the industry, the Group monitors capital on the basis of the gearing ratio.

This ratio is calculated as net debt divided by total capital. Net debt is calculated as loans (current and non-current) less cash and cash equivalents as shown in the statement of financial position. Total capital is calculated as equity as shown in the statement of financial position plus net debt.

There are no externally imposed capital requirements.

There have been no changes to what the entity manages as capital, the strategy for capital maintenance or externally imposed capital requirements from the previous year.

The gearing ratio was as follows:

	2018 R'000	2017 R'000
Total borrowings		
Loans and borrowings	1 676	454
Preference share liability	-	51 000
	1 676	**51 454**
Less: Cash and cash equivalents	(51 679)	(65 083)
Net assets	(50 003)	(13 629)
Total equity	116 328	77 830
Total capital	66 325	64 201
Gearing ratio	(75%)	(21%)

Financial risk management

The Group's activities expose it to a variety of financial risks: market risk (including currency risk and interest rate risk), credit risk and liquidity risk. The Group applies an enterprise wide risk management framework to assess and report on risks including financial risks.

Liquidity risk

Prudent liquidity risk management implies maintaining sufficient cash and marketable securities, the availability of funding through an adequate amount of committed credit facilities and the ability to close out market positions. Due to the dynamic nature of the underlying businesses, Group treasury maintains flexibility in funding by maintaining availability under committed credit lines.

The Group's risk to liquidity is a result of the funds available to cover future commitments, which mainly relate to trade and other payables and the preference share liability. Current cash and cash equivalents are sufficient to ensure payment of the amounts due in the next 12 months.

Cash flow forecasts are prepared and adequately utilised borrowing facilities are monitored on a regular basis.

29. Risk management (continued)

Liquidity risk (continued)

The table below analyses the Group's financial liabilities into relevant maturity groupings based on the remaining period at the reporting date to the contractual maturity date. The amounts disclosed in the table are the contractual undiscounted cash flows. Balances due within 12 months equal their fair values due to their short-term nature.

At 30 June 2018	Less than 1 year R'000	Between 2 and 5 years R'000
Loans and borrowings	535	1 141
Trade and other payables	16 709	-
At 30 June 2017		
Preference share liability	51 000	-
Loans and borrowings	93	361
Trade and other payables	10 915	-

Credit risk

Credit risk arises from cash deposits, cash equivalents, derivative financial instruments and trade receivables. The Group only deposits cash with major banks with high quality credit standing and limits exposure to any one counter-party.

Trade receivables comprise a widespread customer base. Management evaluates credit risk relating to customers on an ongoing basis. If customers are independently rated, these ratings are used. Otherwise, if there is no independent rating, risk control assesses the credit quality of the customer, taking into account its financial position, past experience and other factors. Individual risk limits are set based on internal or external ratings in accordance with the limits set by the Board. The utilisation of credit limits is regularly monitored.

Financial assets which expose the Group to credit risk at the reporting date were as follows:

	2018 R'000	2017 R'000
Financial instruments		
Cash and cash equivalents	51 679	65 083
Trade receivables	31 129	25 105
	82 800	**90 188**

Interest rate risk

The Group's exposure to interest rate risk mainly arises from financial liabilities / assets. Financial liabilities and assets consist of floating rate and non-interest bearing components. The table below analyses the breakdown of financial instruments by type of interest rate:

	2018 Floating	2017 Floating
Financial assets	R'000	R'000
Cash and cash equivalents	51 679	65 083
Financial liabilities		
Preference share liability	-	(51 000)
Loans and borrowings	(1 676)	(454)
	50 003	**13 629**

29. Risk management (continued)

Sensitivity analysis

A hypothetical increase/decrease in interest rates by 50 basis points, with all other variables remaining constant, would increase/decrease profits after tax and retained earnings by R180 011 (2017: R49 064). A hypothetical increase/decrease in interest rates by 100 basis points, with all other variables remaining constant, would increase/decrease profits after tax by R360 022 (2017: R98 129). The analysis has been performed for floating interest rate financial liabilities. The impact of a change in interest rates on floating interest rate financial liabilities has been assessed in terms of the changing of their cash flows and therefore in terms of the impact on net expenses.

	2018		2017	
	50 basis point increase R'000	100 basis point increase R'000	50 basis point increase R'000	100 basis point increase R'000
Cash and cash equivalents	186	372	234	468
Preference share liability	-	-	(184)	(367)
Overdraft, loans and borrowings	(6)	(12)	(2)	(3)
	180	**360**	**49**	**98**

Foreign exchange risk

The Group's statement of financial position consists of foreign monetary assets and liabilities at any given time which exposes the Group to foreign exchange risk. The Board has established a policy for the Group to manage their foreign exchange risk against their functional currency. The Group is required to hedge their net foreign exchange risk exposure, if greater than R3 million, with financial institutions where necessary. Net foreign exchange exposure is defined as foreign monetary assets less foreign monetary liabilities. The Group uses forward exchange contracts and derivatives to hedge net exposure within the limit approved by the Board.

The Group evaluates the net foreign exposure on a monthly basis and either increases or decreases the hedge as appropriate. Under specific circumstances the Group may have net foreign exposure of greater that R3 million. This typically arises when the Group is holding foreign cash which has been earmarked for a foreign acquisition.

At 30 June 2018, if the currency had weakened/strengthened by 10% against the US dollar, with all other variables held constant, the impact on profit after tax and retained earnings for the year would have been R2 222 654 (2017: R830 684) higher/lower, mainly as a result of foreign exchange gains or losses on translation of US dollar denominated trade receivables and foreign exchange losses or gains on translation of US dollar denominated trade payables.

At 30 June 2018, if the currency had weakened/strengthened by 10% against the Euro, with all other variables held constant, the impact on profit after tax and retained earnings for the year would have been R2 554 711 (2017: R1 265 006) higher/lower, mainly as a result of foreign exchange gains or losses on translation of Euro denominated trade receivables.

At 30 June 2018, if the currency had weakened/strengthened by 10% against the GBP, with all other variables held constant, profit after tax and retained earnings for the year would have been R10 592 (2017: R19 938) higher/lower, mainly as a result of foreign exchange gains or losses on translation of GBP denominated trade receivables.

29. Risk management (continued)

Foreign currency exposure at the end of the year

The Group reviews its net foreign currency exposure, including commitments on an ongoing basis.

	2018 *FC'000	2018 R'000	2017 *FC'000	2017 R'000
Trade receivables - USD	$956	13 098	$846	11 039
Trade receivables - EUR	€1 006	16 098	€915	13 636
Cash and cash equivalents - USD	$1 434	19 649	$106	1 386
Cash and cash equivalents - EUR	€1 422	22 754	€796	11 857
Cash and cash equivalents - GBP	£8	147	£16	277
Trade payables - USD	$(137)	(1 876)	$(68)	(888)
Trade payables - EUR	€(211)	(3 369)	€(532)	(7 924)
Exchange rates used for conversion of foreign items were:				
Closing exchange rate used for conversion of foreign items were:			**2018**	**2017**
USD			13.70	13.04
EUR			16.00	14.90
GBP			18.09	16.96
Average exchange rates used during the year				
USD			12.84	13.60
EUR			15.31	14.83
GBP			17.27	17.26

*Foreign currency ("FC")

30. Going concern

The 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 foreseeable future.

31. Events after the reporting period

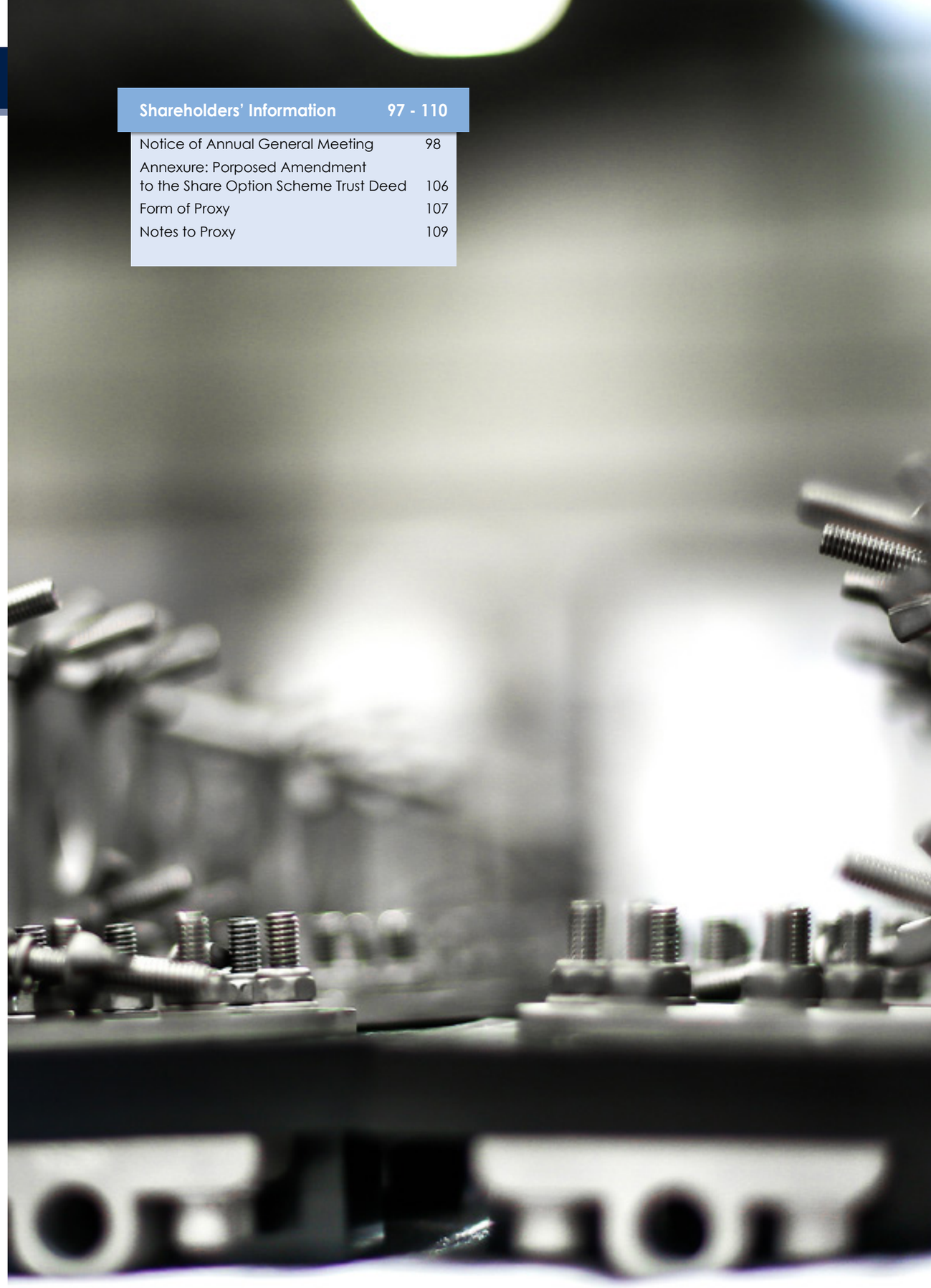
Shareholders are referred to the SENS announcement dated 21 May 2018 regarding the acquisition of a US based company through its subsidiary Alaris Investment Holdings UK Limited ("Alaris UK").

The purchase consideration for the Acquisition shall be US$2,750,000 ("Purchase Consideration") of which an amount of US$2,062,500 shall be paid in cash ("Cash Consideration") and the balance of US$687,500 shall be settled by way of issuing shares in the share capital of the Company to the Sellers, subject to a net working capital adjustment that will be settled in cash, which is not anticipated to be material. The maximum consideration shares that may be issued in terms of the purchase consideration is capped at 5,000,000 Alaris shares. The cash will be financed through excess cash available in the Group as well as a term loan of approximately R15 million.

Closing of the Acquisition shall occur on the third business day following the date on which all the Closing Conditions have been satisfied ("Closing Date") and shall be deemed effective on the first calendar day of the month after the Closing Date.

The value of the net assets that are the subject of the transaction and the profits attributable to the net assets that are the subject of the transaction will be announced in due course.

Other than the above the directors are not aware of any material event which occurred after the reporting date and up to the date of this report.



Alaris Holdings Limited

Incorporated in the Republic of South Africa

(Registration number 1997/011142/06)

Share code: ALH ISIN: ZAE000201554

("Alaris" or "the Company" or "the Group")

Notice is hereby given in terms of section 59 (1) of the Companies Act No. 71 of 2008, as amended ("the Companies Act"), that the eleventh Annual General Meeting ("Annual General Meeting") of shareholders of Alaris will be held at 12:00 on Wednesday, 30 January 2019 at the registered office of the Company at 1 Travertine, N1 Business Park, Old Johannesburg Road, Centurion, 0157, for the purpose of considering, and, if deemed fit, passing, with or without modification, the resolutions set out hereafter.

VOTING

Special resolutions to be adopted at this Annual General Meeting require approval from at least 75% (seventy five percent) of the votes exercised on such resolutions by shareholders present or represented by proxy at the meeting. Ordinary resolutions to be adopted at this Annual General Meeting require approval from a simple majority, which is more than 50% (fifty percent) of the votes exercised on such resolutions by shareholders present or represented by proxy at the meeting.

AGENDA

Presentation of the audited annual financial statements of the Company, including the reports of the Directors and the Audit and Risk Committee for the year ended 30 June 2018. The aforementioned can be found in the annual financial statements for the year ended 30 June 2018.

These annual financial statements, including the unmodified audit opinion, are available on Alaris' website at wwww.alarisholdings.com or may be requested and obtained in person, at no charge, at the registered office of Alaris during office hours. The Integrated Annual Report, of which this notice forms part, contains the summarised Group financial statements and the aforementioned Directors' reports.

The report of the Company's Social and Ethics Committee, included on pages 36 and 37 of the integrated annual report, will serve as the Social and Ethics committee's report to the Alaris Shareholders on matters within its mandate at the Annual General Meeting.

DATES

Shareholders are requested to note the following dates:

- Record date to receive notice of the Annual General Meeting is Friday, 19 October 2018
- Last date to trade to be eligible to vote is Tuesday, 22 January 2019
- Record date to be eligible to vote is Friday, 25 January 2019

Annual General Meeting participants (including shareholders and proxies) are required to provide reasonably satisfactory identification before being entitled to attend or participate at the Annual General Meeting. Suitable forms of identification include valid identity documents, driver's licenses and passports.

AGENDA

Ordinary Resolutions

To consider and, if deemed fit, to pass with or without modification all the ordinary resolutions relating to the business set out below. More than 50% of the voting rights exercised on each individual resolution must be exercised in favour of those resolutions.

1. **Ordinary resolution 1 - Election of a director**

   To confirm the appointment of Carel van der Merwe as independent non-executive director to the Board, in terms of paragraph 24.2 of the Company's Memorandum of Incorporation.

   An abbreviated curriculum vitae in respect of the director appears on page 23 of the integrated annual report to which this notice is attached.

2. **Ordinary resolution 2 - Election of a director**

   To confirm the appointment of Peter Anania as non-executive director to the Board, in terms of paragraph 24.2 of the Company's Memorandum of Incorporation.

   An abbreviated curriculum vitae in respect of the director is provided as follows:

   BS in Business Administration University of Maine
   MBA University of Southern Maine
   Delta Class of the Institute for Civic Leadership

   Peter initially was a commercial lender before founding a Merger and Acquisition firm in 1987, which he sold in 2008. He has been and is currently the CEO/President or founder of over 20 various manufacturing companies many of which are metals manufacturing and/or microwave concerns. He currently serves on the Board of several companies, the Maine Heritage Policy Center and the US Export Council for the Northern New England district. Peter earned a BS Business Administration from the University of Maine with a double major in Marketing and Management and a minor in Finance. He completed an MBA from the University of Southern Maine and complete an intensive course through the Institute of Civic Leadership.

3. **Ordinary resolution 3 - Re- Election of a director who retires by rotation**

   To re-elect, Richard Willis, who, in terms of Article 24.7 of the Company's Memorandum of Incorporation, retires by rotation at this Annual General Meeting but, being eligible to do so, offers himself for re-election.

4. **Ordinary resolution 4 - Re- Election of a director who retires by rotation**

   To re-elect, Dries Mellet, who, in terms of Article 24.7 of the Company's Memorandum of Incorporation, retires by rotation at this Annual General Meeting but, being eligible to do so, offers himself for re-election.

   An abbreviated curriculum vitae in respect of the directors who retire by rotation and who has offered themselves for re-election appears on page 23 of the integrated annual report to which this notice is attached.

5. **Ordinary resolution 5 – Re-Appointment of Richard Willis to the Audit and Risk Committee**

   To re-appoint, Richard Willis as a member and Chairperson of the Company's Audit and Risk Committee, subject to the passing of ordinary resolution 2.

6. **Ordinary resolution 6 – Re-Appointment of Coenraad Petrus Bester to the Audit and Risk Committee**

   To re-appoint, Coenraad Petrus Bester as a member of the Company's Audit and Risk Committee.

7. **Ordinary resolution 7 - Appointment of Carel van der Merwe to the Audit and Risk Committee**

   To appoint, Carel van der Merwe as a member of the Company's Audit and Risk Committee, subject to the passing of ordinary resolution 1.

   An abbreviated curriculum vitae in respect of each member of the Audit and Risk Committee appears on page 23 of the integrated annual report to which this notice is attached.

8. Ordinary resolution 8 - Re-appointment of external auditor

To confirm the re-appointment of KPMG Inc. as independent auditors of the Company with Nicholas Southon, being the individual registered auditor who has undertaken the audit of the Company for the ensuing financial year and to authorise the directors to determine the auditors' remuneration.

9. Ordinary resolution 9 - Advisory endorsement of remuneration policy and implementation report

9.1. Ordinary resolution 9.1 Resolved that, the remuneration policy of the directors of Alaris ("directors"), as set out on pages 27 - 31 of the integrated annual report to which this notice is attached, be and is hereby endorsed as a non-binding advisory vote of shareholders of the Company in terms of the King Report on Corporate Governance.

9.1. Ordinary resolution 9.2 Resolved that, the remuneration implementation report, as set out on page 28 of the integrated annual report to which this notice is attached, be and is hereby endorsed as a non-binding advisory vote of shareholders of the Company in terms of the King Report on Corporate Governance.

NOTE: The Company's remuneration policy and implementation report are tabled to shareholders for a non-binding advisory vote at each Annual General Meeting. Failure to pass this resolution will not have legal consequences relating to existing arrangements. The remuneration policy records the measures the board will adopt in the event that either the remuneration policy or the implementation report, or both, are voted against by 25% or more of the voting rights exercised by shareholders. In such event, the company will in its announcement of the resolutions of the AGM, provide dissenting shareholders with information as to how to engage with the Company in this regard to this matter and the timing of such engagement.

10. Ordinary resolution 10 - Control of authorised but unissued ordinary shares

Resolved that, the authorised but unissued ordinary shares in the capital of the Company be and are hereby placed under the control and authority of the directors of the Company and that the directors be and are hereby authorised and empowered to allot and issue all or any of such ordinary shares, or to issue any options in respect of all or any of such ordinary shares, to such person/s on such terms and conditions and at such times as the directors may from time to time and in their discretion deem fit, subject to the provisions of sections 38 and 41 of the Companies Act, the Memorandum of Incorporation of the Company and the Listings Requirements of the JSE Limited ("the JSE Listings Requirements"), as amended from time to time. Refer ordinary resolution 11 below for further clarity.

11. Ordinary resolution 11 - Approval to issue ordinary shares, and to sell treasury shares, for cash

Resolved that, the directors of the Company and/or any of its subsidiaries from time to time be and are hereby authorised, by way of a general authority, to –

- allot and issue, or to issue any options in respect of, all or any of the authorised but unissued ordinary shares in the capital of the Company; and/or
- sell or otherwise dispose of or transfer, or issue any options in respect of, ordinary shares in the capital of the Company purchased by subsidiaries of the Company,
- for cash, to such person/s on such terms and conditions and at such times as the directors may from time to time in their discretion deem fit, subject to the Companies Act, the Memorandum of Incorporation of the Company and its subsidiaries and the JSE Listings Requirements from time to time.

The JSE Listings Requirements currently provide, inter alia, that:

- the securities which are the subject of the issue for cash must be of a class already in issue, or where this is not the case, must be limited to such securities or rights that are convertible into a class already in issue;
- any such issue may only be made to "public shareholders" as defined in the JSE Listings Requirements and not to related parties;
- the number of ordinary shares issued for cash shall not in any one financial year in the aggregate exceed 25% (twenty five percent) of the number of listed securities, excluding treasury shares, as at the date of this notice, being 29 029 192 securities. Any securities issued under this authorisation during the period of 15 (fifteen) months from the date of this authorisation granted will be deducted from the aforementioned 29 029 192 listed securities. In the event of a sub-division or a consolidation the authority will be adjusted to represent the same allocation ratio. Even though the Group currently has a healthy cash balance on hand, this resolution is required in the event where a viable acquisition is identified and preference share liability has to be settled;

11. Ordinary resolution 11 - Approval to issue ordinary shares, and to sell treasury shares, for cash (continued)

- this general authority will be valid until the earlier of the Company's next Annual General Meeting or the expiry of a period of 15 (fifteen) months from the date that this authority is given;
- an announcement giving full details, including the number of securities issued, the average discount to the weighted average traded price of the securities over the 30 (thirty) business days prior to the date that the issue is agreed in writing between the issuer and the parties subscribing for securities, and in respect of the issue of options and convertible securities, the effects of the issue on the statement of financial position, net asset value per share, net tangible asset value per share, the statement of comprehensive income, earnings per share, headline earnings per share and, if applicable, diluted earnings and headline earnings per share, or in respect of an issue of shares, an explanation, including supporting information (if any), of the intended use of the funds, will be published when the Company has issued securities representing, on a cumulative basis within the earlier of the Company's next Annual General Meeting or the expiry of a period of 15 (fifteen) months from the date that this authority is given, 5% (five percent) or more of the number of ordinary shares in issue prior to the issue;
- in determining the price at which an issue of ordinary shares may be made in terms of this authority, the maximum discount permitted will be 10% (ten percent) of the weighted average traded price of such securities measured over the 30 (thirty) business days prior to the date that the price of the issue is agreed between the issuer and the party subscribing for the securities; and
- whenever the Company wishes to use ordinary shares, held as treasury stock by a subsidiary of the Company, such use must comply with the JSE Listings Requirements as if such use was a fresh issue of ordinary shares."

Under the JSE Listings Requirements, ordinary resolution number 11 must be passed by a 75% (seventy five percent) majority of the votes cast in favor of the resolution by all members present or represented by proxy at the Annual General Meeting.

12. Ordinary resolution 12 - Signature of documents

Resolved that, any director of the Company or the Company Secretary be and is hereby individually authorised to sign all such documents and do all such things as may be necessary for or incidental to the implementation of those resolutions to be proposed at the Annual General Meeting convened to consider the resolutions which are passed, in the case of ordinary resolutions, or are passed and registered by the Companies and Intellectual Property Commission, in the case of special resolutions.

13. Ordinary Resolution 13 - Amendment to the Alaris Share Option Trust Deed

Resolved that, the Alaris Share Option Trust Deed be amended in accordance with the amendments as contained in the annexure of the report on page 106 of this report.

Proposed amendment to the Share Option Scheme Trust Deed

On 5 September 2018, the Board resolved to effect certain amendments (the inclusion of a net settlement clause) to the Share Option Scheme Trust Deed to allow for net equity settlement of share options in certain instances and subject to the board's discretion. Shareholders will be asked to approve the amendments to the Share Option Scheme Trust Deed set out in the annexure on page 106 of the report.

A draft version of the Amended Share Option Scheme Trust Deed, black lined for all changes made, is available for inspection at the registered office of Alaris during normal business hours from 1 November 2018 to 30 November 2018.

Rationale for the amendment to the Share Option Scheme Trust Deed

The Board for Alaris is proposing the amendments to the Share Option Scheme Trust Deed to enable the share options to be settled on a net equity basis as set out in the wording in the annexure on page 106 of the report.

Under the JSE Listings Requirements, ordinary resolution number 13 must be passed by a 75% (seventy five percent) majority of the votes cast in favor of the resolution by all members present or represented by proxy at the Annual General Meeting.

Special Resolutions

To consider and, if deemed fit, to pass, with or without modification, all the special resolutions relating to business set out below. More than 75% of the voting rights exercised on each individual resolution must be exercised in favour of those resolutions.

14. Special resolution 1 - Non-executive Directors' remuneration

Resolved that, in terms of the provisions of section 66(9) of the Companies Act, that the Company be and is hereby authorised to remunerate its Non-Executive Directors for their services as directors on the basis set out below (exclusive of value-added tax, from date of this Annual General Meeting for the next two years, or until such time before the end of that another special resolution is adopted"

Type of fee	Approved fee for the year ended 30 June 2019	Approved fee for the year ended 30 June 2018
Board		
Chairperson*	R288 380	R269 514
Member	R73 349	R68 550
International member	€9 833	€9 500
Audit Committee		
Chairperson	R87 768	R82 026
Member	R53 287	R49 801
International member	€7 193	€6 950
Remuneration and Nomination Committee		
Chairperson	R40 750	R38 084
Member	R20 061	R18 749
International member	€2 691	€2 600
Hourly remuneration		
for services of non-executive directors' in excess of their attendance at regular Board and Committee meetings, payable with pre-approval at the Board's discretion	R2 500 per hour	R2 500 per hour

*The chairperson of the Board does not receive additional remuneration if he/she is a member of, or chair of, any subcommittee of the Board.

** *The Social and Ethics Committee members do not receive any additional remuneration of he/she is a member of, or chair of, the Social and Ethics Committee.*

Explanatory note to special resolution 1

In terms of section 66(9) of the Companies Act, a company is required to pre-approve the payment of remuneration to non-executive directors for their services as directors by means of a special resolution passed by shareholders of the Company within the previous two years.

It should be noted that pre-approval of remuneration to the non-executive directors for their services as directors for the year ended 30 June 2018 was obtained at the Annual General Meeting held on 22 November 2017 and consequently pre-approval of remuneration to the non-executive directors for their services as directors for the financial year commencing 1 July 2018 until the next approval is sought in general or annual general meeting, is being sought at the Annual General Meeting.

15. Special resolution 2 – General approval to acquire shares

Resolved, by way of a general approval that the Company and/or any of its subsidiaries from time to time be and are hereby authorised to acquire ordinary shares in the Company in terms of sections 46 and 48 of the Companies Act and the JSE Listings Requirements.

The JSE Listings Requirements currently provide, inter alia, that:

- the acquisition of the ordinary shares must be effected through the order book operated by the JSE trading system and done without any prior understanding or arrangement between the Company and the counter party;
- this general authority shall only be valid until the earlier of the Company's next Annual General Meeting or the expiry of a period of 15 (fifteen) months from the date of passing of this special resolution;
- in determining the price at which the Company's ordinary shares are acquired in terms of this general authority, the maximum premium at which such ordinary shares may be acquired will be 10% (ten percent) of the weighted average of the market value at which such ordinary shares are traded on the JSE, as determined over the 5 (five) business days immediately preceding the date on which the transaction is effected;
- at any point in time, the Company may only appoint one agent to effect any acquisition/s on its behalf;
- the acquisitions of ordinary shares in the aggregate in any one financial year may not exceed 20% (twenty percent) of the Company's issued ordinary share capital;
- the Company may only effect the repurchase once a resolution has been passed by the Board confirming that the Board has authorised the repurchase, that the Company has passed the solvency and liquidity test ("test") and that since the test was done there have been no material changes to the financial position of the Group;
- the Company or its subsidiaries may not acquire ordinary shares during a prohibited period as defined in paragraph 3.67 of the JSE Listings Requirements; and
- an announcement will be published once the Company has cumulatively repurchased 3% (three percent) of the number of the ordinary shares in issue at the time this general authority is granted ("initial number"), and for each 3% (three percent) in aggregate of the initial number acquired thereafter."

Explanatory note

The purpose of this special resolution number 2 is to obtain an authority for, and to authorize, the Company and the Company's subsidiaries, by way of a general authority, to acquire the Company's issued ordinary shares.

It is the intention of the directors of the Company to use such authority should prevailing circumstances (including tax dispensations and market conditions) in their opinion warrant it.

15.1. Other disclosure in terms of Section 11.26 of the JSE Listings Requirements

The JSE Listings Requirements require the following disclosure, which are contained in the integrated annual report of which this notice forms part:

- major shareholders of the Company – page 40; and
- share capital of the Company – page 82

15.2. Material change

There have been no material changes in the affairs or financial position of the Company and its subsidiaries since the Company's financial year end and the date of this notice.

15. Special resolution 2 – General approval to acquire shares (continued)

15.3. Directors' responsibility statement

The directors, whose names are given on pages 22 and 23 of the integrated annual report of which this notice forms part, collectively and individually accept full responsibility for the accuracy of the information pertaining to special resolution number 2 and certify that to the best of their knowledge and belief there are no facts in relation to special resolution number 2 that have been omitted which would make any statement in relation to special resolution number 2 false or misleading, and that all reasonable enquiries to ascertain such facts have been made and that special resolution number 2 together with this notice contains all information required by law and the JSE Listings Requirements in relation to special resolution number 2.

15.4. Adequacy of working capital

At the time that the contemplated repurchase is to take place, the directors of the Company will ensure that, after considering the effect of the maximum repurchase and for a period of 12 (twelve) months thereafter:

- the Company and its subsidiaries will be able to pay their debts as they become due in the ordinary course of business;
- the consolidated assets of the Company and its subsidiaries, fairly valued in accordance with International Financial Reporting Standards, will be in excess of the consolidated liabilities of the Company and its subsidiaries;
- the issued share capital and reserves of the Company and its subsidiaries will be adequate for the purpose of the ordinary business of the Company and its subsidiaries; and
- the working capital available to the Company and its subsidiaries will be sufficient for the Group's requirements.

16. Special resolution 3 – Financial assistance for subscription of securities

Resolved that, as a special resolution, in terms of section 44 of the Companies Act, the shareholders of the Company hereby approve of the Company providing, at any time and from time to time during the period of two years commencing on the date of this special resolution number 3, financial assistance by way of a loan, guarantee, the provision of security or otherwise, as contemplated in section 44 of the Companies Act, to any person for the purpose of, or in connection with, the subscription for any option, or any securities, issued or to be issued by the Company or a related or inter-related company, or for the purchase of any securities of the Company or a related or inter-related company, provided that:

16.1. the Board, from time to time, determines (i) the specific recipient, or general category of potential recipients of such financial assistance; (ii) the form, nature and extent of such financial assistance; (iii) the terms and conditions under which such financial assistance is provided; and

16.2. the Board may not authorise the Company to provide any financial assistance pursuant to this special resolution number 3 unless the Board meets all those requirements of section 44 of the Companies Act which it is required to meet in order to authorise the Company to provide such financial assistance.

Purpose of special resolution number 3

The purpose of this special resolution number 3 is to grant the Board the authority to authorise the Company to provide financial assistance to any person for the purpose of, or in connection with, the subscription for any option or securities issued or to be issued by the Company or a related or inter-related company.

17. Special resolution 4 – Loans and other financial assistance

Resolved that, as a special resolution, in terms of section 45 of the Companies Act, the shareholders of the Company hereby approve of the Company providing, at any time and from time to time during the period of two years commencing on the date of this special resolution number 4, any direct or indirect financial assistance (which includes lending money, guaranteeing a loan or other obligation, and securing any debt or obligation) as contemplated in section 45 of the Companies Act to a director or prescribed officer of the Company, or to a related or inter-related company or corporation or to a member of any such related or inter-related corporation or to a person related to any such company, corporation, director, prescribed officer or member provided that:

17. Special resolution 4 – Loans and other financial assistance (continued)

17.1. the Board, from time to time, determines (i) the specific recipient or general category of potential recipients of such financial assistance; (ii) the form, nature and extent of such financial assistance; (iii) the terms and conditions under which such financial assistance is provided, and

17.2. the Board may not authorise the Company to provide any financial assistance pursuant to this special resolution number 4 unless the Board meets all those requirements of section 45 of the Companies Act which it is required to meet in order to authorise the Company to provide such financial assistance.

Purpose of special resolution number 4

The purpose of this special resolution number 4 is to grant the Board the authority to authorise the Company to provide financial assistance as contemplated in section 45 of the Companies Act to a director or prescribed officer of the Company, or to a related or inter-related company or corporation, or to a member of a related or inter-related corporation, or to a person related to any such company, corporation, director, prescribed officer or member.

Notice given to shareholders of the Company in terms of section 44 and 45(5) of the Companies Act of a resolution adopted by the Board authorise the Company to provide such direct or indirect financial assistance in respect of special resolution number 3 and 4:

a. by the time that this notice of Annual General Meeting is delivered to shareholders of the Company, the Board will have adopted a resolution ("Section 44 and 45 Board Resolution") authorise the Company to provide, at any time and from time to time during the period of two years commencing on the date on which special resolution number 3 and 4 is adopted, any direct or indirect financial assistance as contemplated in section 44 and 45 of the Companies Act (which includes lending money, guaranteeing a loan or other obligation, and securing any debt or obligation) to a director or prescribed officer of the Company or of a related or inter-related company, or to a related or inter-related company or corporation, or to a member of any such related or inter-related corporation, or to a person related to any such company, corporation, director, prescribed officer or a member;

b. the Section 44 and 45 Board Resolution will be effective only if and to the extent that special resolution number 3 and 4 is adopted by the shareholders of the Company, and the provision of any such direct or indirect financial assistance by the Company, pursuant to such resolution, will always be subject to the Board being satisfied that (i) immediately after providing such financial assistance, the Company will satisfy the solvency and liquidity test as referred to in section 44(3)(b)(i) and 45(3)(b)(i) of the Companies Act, and (ii) the terms under which such financial assistance is to be given are fair and reasonable to the Company as referred to in section 45(3)(b)(ii) of the Companies Act; and

Notice given to shareholders of the Company in terms of section 45(5) of the Companies Act of a resolution adopted by the Board authorise the Company to provide such direct or indirect financial assistance in respect of special resolution number 4

c. in as much as the Section 45 Board Resolution contemplates that such financial assistance will in the aggregate exceed one-tenth of one percent of the Company's net worth at the date of adoption of such resolution, the Company hereby provides notice of the Section 45 Board Resolution to shareholders of the Company. Such notice will also be provided to any trade union representing any employees of the Company.

18. OTHER BUSINESS

To transact such other business as may be transacted at the Annual General Meeting of the Company.

By order of the Board

Fusion Corporate Secretarial Services Proprietary Limited
Company Secretary

29 October 2018

25. **NET EQUITY SETTLEMENT**

25.1. Notwithstanding any of the other provisions of this Trust Deed but subject to the Board's overriding discretion under clause 20.1.10, in the event that a Beneficiary wishes to exercise his Options in terms of the Trust Deed, but is unable to, or elects not to, pay the aggregate Strike Price due in respect of such Options being exercised and the Beneficiary Taxation due in relation to the exercise of such Options, the Beneficiary may elect (in writing, together with his written notice to the Company that he is exercising his Options) to have all (and not only a portion) of his Options so exercised, settled on a net equity basis as set out in this clause 25.

25.2. Where a Beneficiary has, in accordance with the provisions of clause 25.1, elected to have his Options settled on a net equity basis or should the Board, in its sole discretion, resolve that a Beneficiary's Options be settled on a net equity basis, the Company will settle –

25.2.1. the Beneficiary's After-Tax Gain through the issue or other transfer of fully paid Shares to the Beneficiary or by making a cash payment in lieu of Shares to the Beneficiary, as may be determined by the Board in its sole discretion; and

25.2.2. the pay-as-you-earn liability due in respect of the Options being exercised.

25.3. The "**After-Tax Gain**" of the Beneficiary will be determined as follows –

25.3.1. First, the "Taxable Gain" of the Beneficiary will be determined using the following formula –

Taxable Gain = Market Value less Strike Value

Where

Market Value = the number of Options exercised multiplied by the Market Price per Share on the Option Exercise Date

Strike Value = the number of Options exercised multiplied by the Strike Price per Share

25.3.2. Next, the "**After-Tax Gain**" will determined using the following formula –

After-Tax Gain = Taxable Gain less Tax Payable

The "**Tax Payable**" will be calculated on the Taxable Gain based on the applicable income tax rate which applies to the Beneficiary as per the tax directive obtained.

25.4. The After-Tax Gain will then be settled by the Company, either by making a cash payment to the Beneficiary in lieu of Shares, or by the issue and allotment of such number of Shares by the Company, or by the transfer of such number of Shares by the Trust, within 10 (ten) business days following the relevant Option Exercise Date, as determined using the formula set out below, as may be elected by the Board in its sole discretion –

Number of Shares = After-Tax Gain divided by Market Price Per Share on the Option Exercise Date

Rounded to the nearest full number, as no fractions of Shares will be issued.

FORM OF PROXY

Alaris Holdings Limited
(Registration number 1997/011142/06)
Share code: ALH ISIN: ZAE000201554
("Alaris" or "the Company" or "the Group")

For use only by ordinary shareholders who:

- hold ordinary shares in certificated form ("certificated ordinary shareholders"); or
- have dematerialised their ordinary shares ("dematerialised ordinary shareholders") and are registered with "own-name" registration, at eleventh Annual General Meeting of shareholders of the Company to be held at 1 Travertine Avenue, N1 Business Park, Old Johannesburg Road, Centurion, 0157, at 12:00 on Wednesday, 30 January 2019 and any adjournment thereof.

Dematerialised ordinary shareholders holding ordinary shares other than with "own-name" registration who wish to attend the Annual General Meeting must inform their Central Securities Depository Participant ("CSDP") or broker of their intention to attend the Annual General Meeting and request their CSDP or broker to issue them with the relevant Letter of Representation to attend the Annual General Meeting in person or by proxy and vote. If they do not wish to attend the Annual General Meeting in person or by proxy, they must provide their CSDP or broker with their voting instructions in terms of the relevant custody agreement entered into between them and the CSDP or broker.

These ordinary shareholders must not use this form of proxy.

Name of beneficial shareholder _____

Name of registered shareholder _____

Address _____

Telephone work ( ) Telephone home ( ) Cell: _____

being the holder/custodian of ordinary shares in the Company, hereby appoint (see note):

1. _____ or failing him / her,

2. _____ or failing him / her,

3. the Chairperson of the meeting,

as my/our proxy to attend and act for me/us on my/our behalf at the Annual General Meeting of the company convened for purpose of considering and, if deemed fit, passing, with or without modification, the special and ordinary resolutions to be proposed thereat ("resolutions") and at each postponement or adjournment thereof and to vote for and/or against such resolutions, and/or abstain from voting, in respect of the ordinary shares in the issued share capital of the Company registered in my/our name/s in accordance with the following instructions:

		Number of ordinary shares		
		For	Against	Abstain
1.	**Ordinary resolution 1** To elect Carel van der Merwe as a member of the Company's Board			
2.	**Ordinary resolution 2** To elect Peter Anania as a member of the Company's Board			
3.	**Ordinary resolution 3** To approve the re-election as director of Richard Willis who retires by rotation			
4.	**Ordinary resolution 4** To approve the re-election as director of Dries Mellet who retires by rotation			
5.	**Ordinary resolution 5** To re-appoint Richard Willis as member and Chairperson of the Audit and Risk Committee			
6.	**Ordinary resolution 6** To re-appoint Coenraad Petrus Bester as a member of the Company's Audit and Risk Committee			
7.	**Ordinary resolution 7** To appoint Carel van der Merwe as a member of the Company's Audit and Risk Committee			
8.	**Ordinary resolution 8** To confirm the re-appointment of KPMG Inc. as auditors of the Company together with Nicholas Southon as the individual registered auditor for the ensuing financial year			
9.	**Ordinary resolution 9** 9.1 Endorsement of the remuneration policy 9.2 Endorsement of the implementation report			
10.	**Ordinary resolution 10** Control of authorised but unissued ordinary shares			
11.	**Ordinary resolution 11** Approval to issue ordinary shares, and to sell treasury shares, for cash			
12.	**Ordinary resolution 12** Signature of documents			
13.	**Ordinary resolution 13** Amendment to the Alaris Share Option Trust Deed			
14.	**Special resolution 1** Approval of the non-executive directors' basic remuneration			
15.	**Special resolution 2** General approval to acquire shares			
16.	**Special resolution 3** Financial assistance for subscription of securities			
17.	**Special resolution 4** Loans and other financial assistance			

Please indicate instructions to proxy in the space provided above by the insertion therein of the relevant number of votes exercisable.

A member entitled to attend and vote at the Annual General Meeting may appoint one or more proxies to attend and act in his stead. A proxy so appointed need not be a member of the Company.

Signed at _____ on _____ 2018/2019

Signature _____

Assisted by (if applicable) _____

1. The form of proxy must only be completed by shareholders who hold shares in certificated form or who are recorded on the sub-register in electronic form in "own name".
2. All other beneficial owners who have dematerialised their shares through a CSDP or broker and wish to attend the Annual General Meeting must provide the CSDP or broker with their voting instructions in terms of the relevant custody agreement entered into between them and the CSDP or broker.
3. A shareholder entitled to attend and vote at the Annual General Meeting may insert the name of a proxy or the names of two alternate proxies (none of whom need be a shareholder of the company) of the shareholder's choice in the space provided, with or without deleting "the Chairperson of the meeting". The person whose name stands first on this form of proxy and who is present at the Annual General Meeting will be entitled to act as proxy to the exclusion of those proxy(ies) whose names follow. Should this space be left blank, the proxy will be exercised by the Chairperson of the meeting.
4. A shareholder is entitled to one vote on a show of hands and, on a poll, one vote in respect of each ordinary share held. A shareholder's instructions to the proxy must be indicated by the insertion of the relevant number of votes exercisable by that shareholder in the appropriate space provided. If an "X" has been inserted in one of the blocks to a particular resolution, it will indicate the voting of all the shares held by the shareholder concerned. Failure to comply with this will be deemed to authorise the proxy to vote or to abstain from voting at the Annual General Meeting as he/she deems fit in respect of all the shareholder's votes exercisable thereat. A shareholder or the proxy is not obliged to use all the votes exercisable by the shareholders or by the proxy, but the total of the votes cast and in respect of which abstention is recorded may not exceed the total of the votes exercisable by the shareholder or the proxy.
5. A vote given in terms of an instrument of proxy shall be valid in relation to the Annual General Meeting notwithstanding the death, insanity or other legal disability of the person granting it, or the revocation of the proxy, or the transfer of the ordinary shares in respect of which the proxy is given, unless notice as to any of the aforementioned matters shall have been received by the transfer secretaries not less than 48 hours before the commencement of the Annual General Meeting.
6. If a shareholder does not indicate on this form that his/her proxy is to vote in favor of or against any resolution or to abstain from voting, or gives contradictory instructions, or should any further resolution(s) or any amendment(s) which may properly be put before the Annual General Meeting be proposed, such proxy shall be entitled to vote as he/she thinks fit.
7. The Chairperson of the Annual General Meeting may reject or accept any form of proxy which is completed and/or received other than in compliance with these notes.
8. A shareholder's authorisation to the proxy including the Chairperson of the Annual General Meeting, to vote on such shareholder's behalf, shall be deemed to include the authority to vote on procedural matters at the Annual General Meeting.
9. The completion and lodging of this form of proxy will not preclude the relevant shareholder from attending the Annual General Meeting and speaking and voting in person thereat to the exclusion of any proxy appointed in terms hereof.
10. Documentary evidence establishing the authority of a person signing the form of proxy in a representative capacity must be attached to this form of proxy, unless previously recorded by the Company's transfer secretaries or waived by the Chairperson of the Annual General Meeting.
11. A minor or any other person under legal incapacity must be assisted by his/her parent or guardian, as applicable, unless the relevant documents establishing his/her capacity are produced or have been registered by the transfer secretaries of the Company.
12. Where there are joint holders of ordinary shares:
    - any one holder may sign the form of proxy;
    - the vote(s) of the senior ordinary shareholders (for that purpose seniority will be determined by the order in which the names of ordinary shareholders appear in the Company's register of ordinary shareholders) who tenders a vote (whether in person or by proxy) will be accepted to the exclusion of the vote(s) of the other joint shareholder(s).

NOTES TO PROXY

13. Forms of proxy should be lodged with or mailed to The Meeting Specialist (Proprietary) Limited.

Hand deliveries to:	Postal deliveries to:
The Meeting Specialist (Proprietary) Limited One Exchange Square, Gwen Lane Sandown 2196	The Meeting Specialist (Proprietary) Limited PO Box 62043 Marshalltown 2107
An email can be sent to: proxy@tmsmeetings.co.za	

to be received by no later than 12:00 on Monday, 28 January 2019 (or 48 hours before any adjournment of the Annual General Meeting which date, if necessary, will be notified on SENS), provided that any form of proxy not delivered to the Transfer Secretaries by this time may be handed to the Chairman of the Annual General Meeting prior to the commencement of the Annual General Meeting, at any time before the appointed proxy exercises any shareholder rights at the Annual General Meeting.

14. A deletion of any printed matter and the completion of any blank space need not be signed or initialed. Any alteration or correction must be signed and not merely initialed.

15. Summary of the rights of a shareholder to be represented by proxy, as set out in section 58 of the Companies Act:

    A proxy appointment must be in writing, dated and signed by the shareholder appointing a proxy, and, subject to the rights of a shareholder to revoke such appointment (as set out below), remains valid only until the end of the relevant shareholders' meeting.

    A proxy may delegate the proxy's authority to act on behalf of a shareholder to another person, subject to any restrictions set out in the instrument appointing the proxy.

    The appointment of a proxy is suspended at any time and to the extent that the shareholder who appointed such proxy chooses to act directly and in person in the exercise of any rights as a shareholder.

    The appointment of a proxy is revocable by the shareholder in question cancelling it in writing, or making a later inconsistent appointment of a proxy, and delivering a copy of the revocation instrument to the proxy and to the Company. The revocation of a proxy appointment constitutes a complete and final cancellation of the proxy's authority to act on behalf of the shareholder as of the later of (a) the date stated in the revocation instrument, if any; and (b) the date on which the revocation instrument is delivered to the Company as required in the first sentence of this paragraph.

    If the instrument appointing the proxy or proxies has been delivered to the Company, as long as that appointment remains in effect, any notice that is required by the Companies Act or the Company's Memorandum of Incorporation to be delivered by the Company to the shareholder, must be delivered by the Company to (a) the shareholder, or (b) the proxy or proxies, if the shareholder has (i) directed the Company to do so in writing; and (ii) paid any reasonable fee charged by the Company for doing so.

The completion of a form of proxy does not preclude any shareholder from attending the Annual General Meeting.

ELECTION FORM FOR ELECTRONIC POST

29 October 2018

Dear Alaris Holdings Limited Shareholder

Notice of publication of annual financial statements for the financial year ended 30 June 2018

Alaris Holdings Limited hereby gives notice in terms of section 31(1) of the Companies Act, 2008 (Act 71 of 2008), as amended, to all its shareholders of the publication of the annual financial statements of the Company for the financial year end 30 June 2018.

A copy of the annual financial statements of the company may be obtained by a shareholder, without charge:

1. By downloading a copy of the annual financial statements from the company's website www.alarisholdings.com, or
2. By requesting a copy of the annual financial statements from Alaris by means of either:
    a. Email: Investor@alaris.co.za
    b. Post to Private Bag X4, The Reeds, Pretoria, 0061; or
    c. By requesting post-delivery as per the records on file with your current brokers.

(Please note that the 2018 integrated annual report will only be available in electronic format unless a specific hard copy is requested.)

Yours faithfully
J Dresel

10 Years Listed on the JSE

ALARIS HOLDINGS

CORPORATE INFORMATION

ALARIS HOLDINGS LIMITED
(incorporated in the Republic of South Africa)

www.alarisholdings.com

Directors
Coen Bester*^ (Chairman), Jürgen Dresel # (CEO), Carel van der Merwe*^, Richard Willis*^, Andries Mellet^, Gisela Heyman (Financial Director)

*Independent
^Non-executive
#German

Business address and registered office
1 Travertine Avenue,
N1 Business Park,
Old Johannesburg Road,
Centurion, 0157
(Private Bag X4, The Reeds, Pretoria, 0061)

Designated Adviser
PSG Capital (Pty) Ltd
Registration Number 2006/015817/07
Second Floor,
11 Alice Lane,
Sandton, 2196
(PO Box 650957, Benmore, 2010)

Company Secretary
Fusion Corporate Secretarial Services

Transfer Secretaries
Computershare Investor Services Proprietary Limited
Registration Number 2004/003647/07
Rosebank Towers,
15 Biermann Avenue,
Rosebank,
Johannesburg, 2196
(PO Box 61051, Marshalltown, 2107)

Auditors
KPMG Inc.

Bankers
Standard Bank

PRINCIPAL SUBSIDIARIES

Alaris Antennas Proprietary Limited
Registration Number 2013/048197/07
Alaris Antennas
Managing Director: Jürgen Dresel
1 Travertine Avenue,
N1 Business Park,
Old Johannesburg Road,
Centurion, 0157
Tel +27 (0)11 034 5300

COJOT Oy
Registration Number 0620465-3
Managing Director: Samu Lentonen
PL 59,
02271 Espoo,
Finland
Tel +358 (0) 9 452 2234

mWave
Managing Director: Peter Farnum

33R Main Street,
Unit 1, Windham,
ME 04062, USA

Tel: +1 (207) 892 0011

Business address and registered office
1 Travertine Avenue, N1 Business Park, Old
Johannesburg Road, Centurion, 0157
(Private Bag X4, The Reeds, Pretoria, 0061)
Tel +27 (0)11 034 5300
www.alarisholdings.com