ALARIS
HOLDINGS

# UNAUDITED CONDENSED CONSOLIDATED RESULTS

## FOR THE SIX MONTHS ENDED 31 DECEMBER 2016

**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**")

# Highlights

- Revenue from continuing operations **increased by 135%** from **R36.1 million to R84.7million.**
- Profit after tax from continuing operations **increased by 378%** from **R2.7 million to R12.9 million.**
- Normalised earnings from continuing operations **increased by 40%** from **R9.3 million to R13.0 million.**
- **COJOT business acquired** on 1 May 2016 contributed profit after tax of **R2.4 million for the six months.**
- **Aucom business classified as held for sale.**

# WHAT WE ARE ALL ABOUT

Alaris Holdings Limited is a technology holding company listed on the JSE AltX since July 2008.

The Alaris Group consists of:

**Alaris Antennas**

designs, manufactures and sells specialised broadband antennas as well as other related radio frequency 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 broadband antennas to improve connectivity, coverage and competitiveness of radio equipment which is deployed to save lives and protect property.

**Aucom**

provides end–to–end turnkey solutions for radio and TV broadcasters. It designs, sells, implements and maintains integrated broadcasting systems. It has specific expertise in digital compression platforms for Digital Terrestrial Television (DTT), Direct to Home (DTH) and Internet Protocol Television (IPTV), signal distribution, multiscreen as well as over-the-top (OTT) systems. It is well positioned to assist broadcasters with the migration to digital television and radio services and has implemented several conversions to date. In accordance with the SENS announcement on 23 December 2016, the Group is in the process of disposing of this subsidiary and therefore it is reflected as a discontinued operation. Refer to supplementary note 3 on page 13 and 14 for more information.

# RESULTS OVERVIEW

The financial results for the periods include items which are not representative of the performance of the underlying operations and are shown in the reconciliation to normalised profit after tax below.

| | Unaudited six months ended | | Re-presented year ended |
|---|---|---|---|
| **R'000** | **December 2016** | **December 2015[4]** | **June 2016[4]** |
| **Continuing Operations** | | | |
| **Profit for the period** | **12 942** | **2 698** | **4 390** |
| Legal and consulting costs for acquisitions and disposals[1] | 25 | 2 679 | 4 894 |
| Contingent consideration asset | - | 3 954 | 22 206 |
| **Normalised earnings after tax comprising [2]** | **12 967** | **9 331** | **31 490** |
| Alaris Antennas | 20 845 | 5 967 | 34 032 |
| COJOT | 2 433 | - | 5 193 |
| Corporate and consolidation [3] | (10 311) | 3 364 | (7 735) |
| Weighted average number of ordinary shares in issue | 156 615 401 | 110 510 297 | 159 539 913 |
| **Normalised earnings per ordinary share (cents) – Continuing Operations** | **8.28** | **8.45** | **19.74** |
| **Discontinued Operations [4]** | | | |
| **(Loss) / profit for the period** | **(3 483)** | **(1 056)** | **17 101** |
| Legal and consulting costs for acquisitions and disposals [1] | - | - | 222 |
| **Normalised earnings after tax comprising [3]** | **(3 483)** | **(1 056)** | **17 323** |
| Aucom | (2 731) | (304) | 18 828 |
| Corporate and consolidation [4] | (752) | (752) | (1 505) |
| Weighted average number of ordinary shares in issue | 156 615 401 | 110 510 297 | 159 539 913 |
| **Normalised earnings per ordinary share (cents) – Discontinued Operations** | **(2.22)** | **(0.96)** | **10.86** |

1. Non-recurring legal, consulting and transaction fees relate to the previous potential acquisitions that did not materialise, finalisation of Compart sale and Aucom acquisition, recent Aucom disposal transaction and costs relating to the COJOT acquisition.
2. Normalised earnings, as determined by the Group, is calculated by adjusting profit for the reversal of the contingent consideration asset and legal and consulting fees for acquisitions and disposals.
3. Costs relating to shared services, fees associated with being a listed company, net foreign exchange gains/losses and costs of the incentive share options are included in this segment. Net funding costs, including the interest paid on the PSG preference shares are also included in the segment.
4. The Group is in the process of disposing its Aucom business and has classified Aucom as a discontinued operation in accordance with IFRS5: *Non-current Assets held for sale* and *Discontinued Operations*. Comparative numbers were represented to reflect the discontinued operations of Aucom.

# BUSINESS OVERVIEW

The continuing operations performed well in the first half of the period resulting in robust profit growth compared to a slow start in the comparative period.

The overall results were also negatively impacted by a net foreign exchange loss of R2.9 million compared to net gains of R15 million in the comparitve period. Foreign currency gains and losses are treated as part of normalised earnings given the global nature of the Group's operations and have been consistently treated in line with the prior year. Despite this normalised earnings from continuing operations was up 40%.

The Group's cash postion decreased by R35.4 million to R64.2 million. A cash outflow from operating activities of R6.7 million (Dec 2015: R17.6 million inflow) relates to working capital timing. Trade and other payables relating to high value projects invoiced close to the 30 June 2016 year end were paid in the period reported on.

**Alaris Antennas**

Revenue increased by 86% from R36.1 million to R67.3 million, while profit after tax ("PAT") increased by 249% from R6.0 million to R20.8 million.

The year started off with a healthier confirmed order book, compared to last year, resulting in a better spread of workload and therefore improving efficiency in production recoveries against invoicing and improved margins.

Alaris Antennas continued to be a leader in product innovation, adding 44 (Dec 2015: 50) new products to its portfolio in the six months to support future top line growth.

Although the headcount remained stable at 101 compared to the June 2016 year end, the Group has employed highly skilled staff in specialised areas to support the Company's client-centric approach. There has been expansion in engineering resources, finance and supply chain management. This supports our strategy to deliver high quality products to our customers within the committed timelines.

**COJOT**

The integration of the COJOT business into the Group is progressing well. There are already roughly R1 million intersegment sales generated in the Group by cross selling the products of the two underlying businesses into the customerbase of both companies.

COJOT contributed revenue of R17.5 million and a profit after tax of R2.4 million. A significant expected order out of Europe is delayed and we hope to see this order coming though in the second half of FY2017.

The results of COJOT were included in the full year to June 2016 for 2 months (from 1 May 2016). As mentioned in the previous results, large orders were delivered during these two months in the prior financial year resulting in high profit margins, which should not be seen as representative of the profitability over a longer period.

**Corporate and consolidation**

In addition to the shared services costs, cost of incentive share options and fees associated with being a listed company, this segment houses the centralised treasury function, where foreign currency hedging is managed. Therefore foreign exchange gains / losses and the interest paid on the PSG preference shares are also included in this segment.

**Discontinued Operations**

In line with the Group's strategy to focus on development, manufacturing and selling of Radio Frequency (RF) products to global niche markets, the board of directors of Alaris ("Board") has decided to sell its Aucom subsidiary to the management of Aucom.

The Transaction has been agreed in principle between the parties and will be subject to the fulfilment of various Conditions Precedent as per the announcement released on SENS on 23 December 2016. In accordance with IFRS 5, the business is disclosed as a discontinued operation and will continue to be consolidated until the effective date of the disposal transaction.

Aucom managed to deliver healthy growth on last year's revenue with an increase of 125% from R17.8 million to R40.1 million. Delays in the recovery of long outstanding trade receivables balances have resulted in a doubtful debt provision of R8.9 million being raised. Management continues to focus on collecting long outstanding trade receivables balances from the respective customers.

# PROSPECTS

The Group remains focused on achieving sustainable growth (organic and acquisitive) and improving profitability in the short term.

**Alaris Antennas**

The business has grown turnover and profits consistently since its establishment in 2005. Organic growth is stimulated and achieved through understanding customers' needs and adding new innovative products to the portfolio. Further opportunities for growth are achieved by adding distributors, agents and new system houses as clients. We are also diversifying territories and entering new market segments where the Company's core competencies find application. Management believes the business has significant potential for organic growth, as well as acquisitive growth where there is a complimentary opportunity in markets and products.

Our products are designed locally by our team of engineers and manufactured at our premises in Centurion. This distinguishes the business from value added resellers and makes us competitive in the global market, resulting in approximately 80% of our revenue from exports.

Projects to improve our operational scalability are under way. This is to ensure that we remain agile and are able to adapt to our clients' needs as the business grows, while still delivering excellent quality on time.

Orders are obtained from around the world, supporting our strategy of global growth and diversifying our product portfolio. The outlook for this segment remains positive as we continue to nurture new opportunities in multiple geographies.

**COJOT**

COJOT is a customer intimate organisation where new product development is centered around customer needs. Sales are generated by the Company's sales team with the help of its channel partners. By taking cognisance of our customers' needs and adjusting our product features and operations accordingly, we stay competitive. The organisation's efficiency is complemented by partnerships with contract manufacturers and a professional service provider network to enable sustainable growth.

COJOT launched a new product range called MIDAS. This product range is a set of antennas (vehicle, manpack and handheld) which automatically adapts to the radios it is connected to. Typically, it provides improved range and better link quality. About €0.7 million was invested into this product range over the past 6 years. Samples are currently placed with several radio manfucturers world wide. The success of this product could significantly boost growth of the COJOT business over time.

**The Group**

A significant portion of the Group's performance is associated with long sales cycles and three to six month delivery timeframes. In order to mitigate this, the Group continues to expand its regional and product diversity to improve itsproximity to clients, as well as meet clients' needs.

The current focus is to finalise the Aucom disposal and ensure profitable organic growth of both Alaris Antennas and COJOT.

Post-merger integration processes to capitalise on synergies between Alaris and COJOT, as well as cross selling opportunities, will remain a priority in the next six months. The two businesses are complimentary and the combined operations will allow existing customers to receive an improved service as well as an expanded product portfolio. Both companies are strongly focused on research and development and both hold exploitable patented technologies. We expect that the fostering of design innovation and the continued pursuit of novel technologies will be enhanced through the sharing of ideas and talent in both organisations.

As such, the design and development of new products from the combined skill sets of the two companies will provide more competitive features, enabling increased performance for end users.

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.

# CONDENSED CONSOLIDATED STATEMENT OF PROFIT OR LOSS AND OTHER COMPREHENSIVE INCOME

| R'000 | Unaudited six months ended December 2016 | December 2015 [2] | Re-presented year ended June 2016 [2] |
|---|---|---|---|
| **Continuing Operations** | | | |
| Revenue | 84 723 | 36 126 | 132 116 |
| Cost of sales | (22 457) | (11 551) | (35 057) |
| **Gross profit** | **62 266** | **24 575** | **97 059** |
| Other income | 130 | 11 754 | 14 628 |
| Operating expenses | (41 387) | (23 696) | (67 396) |
| **Trading operating profit** [1] | **21 009** | **12 633** | **44 291** |
| Finance income | 307 | 575 | 836 |
| Contingent consideration asset adjustment | - | (3 954) | (22 206) |
| Finance costs | (2 516) | (2 329) | (4 953) |
| **Profit before taxation** | **18 800** | **6 925** | **17 968** |
| Taxation | (5 858) | (4 227) | (13 578) |
| **Profit from continuing operations** | **12 942** | **2 698** | **4 390** |
| **Discontinued Operations** [2] | | | |
| Revenue | 40 075 | 17 769 | 116 383 |
| Cost of sales | (25 792) | (11 510) | (76 338) |
| **Gross profit** | **14 283** | **6 259** | **40 045** |
| Other income | 62 | 3 571 | 3 503 |
| Operating expenses | (19 480) | (11 661) | (20 282) |
| **Trading operating (loss) / profit** | **(5 135)** | **(1 831)** | **23 266** |
| Finance income | 307 | 361 | 696 |
| Finance costs | (11) | (12) | (258) |
| **(Loss) / profit before taxation** | **(4 839)** | **(1 482)** | **23 704** |
| Taxation | 1 356 | 426 | (6 603) |
| **(Loss) / profit from discontinued operations** | **(3 483)** | **(1 056)** | **17 101** |
| **Profit for the period** | **9 459** | **1 642** | **21 491** |
| **Other comprehensive income net of tax:** | | | |
| Items that may be reclassified subsequently to profit or loss: | | | |
| - Foreign currency translation reserve | (5 886) | - | (299) |
| **Total comprehensive income** | **3 573** | **1 642** | **21 192** |

1. Trading operating profit comprises sale of goods, rendering of services and directly attributable costs, but excludes investment income, fair value adjustments, impairment of goodwill and finance costs.
2. Aucom was classified as a discontinued operation and comparative numbers have been represented accordingly. Refer to supplementary note 3 on page 13 and 14.

# CONDENSED CONSOLIDATED STATEMENT OF PROFIT OR LOSS AND OTHER COMPREHENSIVE INCOME (Continued)

| | Unaudited six months ended | | Re-presented year ended |
|---|---|---|---|
| **R'000** | **December 2016** | **December 2015** | **June 2016** |
| Weighted average number of ordinary shares in issue | 156 615 401 | 110 510 297 | 159 539 913 |
| Weighted average number of diluted ordinary shares in issue | 177 110 357 | 156 489 936 | 179 939 913 |
| **Basic- and headline earnings per ordinary share (cents)** | | | |
| Continuing operations | 8.26 | 1.69 | 2.75 |
| Discontinued operations | (2.22) | (0.66) | 10.72 |
| Total | 6.04 | 1.03 | 13.47 |
| **Diluted- and headline earnings per ordinary share (cents)** | | | |
| Continuing operations | 8.72 | 3.21 | 5.09 |
| Discontinued operations | (1.97) | 1.84 | 9.50 |
| Total | 6.75 | 5.05 | 14.59 |
| **Normalised earnings per ordinary share (cents)** | | | |
| Continuing operations | 8.28 | 8.45 | 19.74 |
| Discontinued operations | (2.22) | (0.96) | 10.86 |
| Total | 6.06 | 7.49 | 30.60 |

# CONDENSED CONSOLIDATED STATEMENT OF FINANCIAL POSITION

| R'000 | Unaudited six months ended December 2016 | December 2015 | Re-presented year ended June 2016 |
|---|---|---|---|
| **Assets** | | | |
| **Non-Current Assets** | | | |
| Plant and equipment | 5 710 | 6 956 | 7 904 |
| Goodwill | 24 150 | 22 115 | 47 101 |
| Intangible assets | 12 193 | 11 465 | 17 486 |
| Deferred tax assets | 3 495 | 7 468 | 5 420 |
| | **45 548** | **48 004** | **77 911** |
| **Current Assets** | | | |
| Inventories | 13 749 | 14 030 | 18 040 |
| Other financial assets | - | 8 955 | 6 969 |
| Current tax receivable | 272 | 179 | 1 617 |
| Assets classified as held-for-sale [1] | 71 755 | - | - |
| Contingent consideration asset | - | 18 251 | - |
| Trade and other receivables | 38 231 | 51 176 | 78 819 |
| Cash and cash equivalents | 64 215 | 99 582 | 94 481 |
| | **188 222** | **192 173** | **199 926** |
| **Total Assets** | **233 770** | **240 177** | **277 837** |
| **Equity and Liabilities** | | | |
| **Equity** | | | |
| Equity attributable to owners of the Company | | | |
| Share capital and preference shares | 897 | 897 | 897 |
| Share premium | 222 051 | 229 226 | 226 369 |
| Share-based payment reserve | 3 599 | 1 379 | 2 430 |
| Foreign currency translation reserve ("FCTR") | (6 185) | - | (299) |
| Accumulated loss | (86 292) | (115 600) | (95 751) |
| **Total equity** | **134 070** | **115 902** | **133 646** |

# CONDENSED CONSOLIDATED STATEMENT OF FINANCIAL POSITION (Continued)

| R'000 | Unaudited six months ended December 2016 | Unaudited six months ended December 2015 | Re-presented year ended June 2016 |
|---|---|---|---|
| **Liabilities** | | | |
| **Non-Current Liabilities** | | | |
| Preference share liability | - | 50 111 | 50 111 |
| Loans and borrowings | - | - | 581 |
| Other financial liabilities | - | - | - |
| Deferred tax liabilities | 1 126 | 1 853 | 2 941 |
| | **1 126** | **51 964** | **53 633** |
| **Current Liabilities** | | | |
| Preference share liability | 50 111 | - | - |
| Loans and borrowings | 166 | 843 | 153 |
| Trade and other payables | 18 076 | 58 036 | 81 348 |
| Current tax payable | 2 039 | 5 974 | 3 264 |
| Provisions | 2 478 | 3 985 | 3 576 |
| Other financial liabilities | - | 3 473 | 2 217 |
| Liabilities classified as held-for-sale [1] | 25 704 | - | - |
| | **98 574** | **72 311** | **90 558** |
| **Total Liabilities** | **99 700** | **124 275** | **144 191** |
| **Total Equity and Liabilities** | **233 770** | **240 177** | **277 837** |
| Number of ordinary shares legally in issue, less treasury shares | 156 116 771 | 159 825 752 | 158 116 771 |
| Net asset value per ordinary share (cents) [2] | 85.88 | 72.52 | 84.52 |
| Net tangible asset value per ordinary share (cents) [2] | 46.95 | 40.09 | 43.68 |

1. Refer to supplementary note 3 on page 13 and 14.
2. Net asset value is calculated by dividing total equity by the number of ordinary shares in issue, being the number of shares legally in issue less treasury shares. Net tangible asset value is calculated by dividing total equity less contingent consideration asset less goodwill and intangible assets by the number of ordinary shares legally in issue less treasury shares.

# CONDENSED CONSOLIDATED STATEMENT OF CASH FLOWS

| R'000 | Unaudited six months ended December 2016 | December 2015 | Re-presented year ended June 2016 |
|---|---|---|---|
| Profit before taxation | 13 961 | 5 443 | 41 672 |
| Adjusted for non-cash items | 1 666 | (4 205) | 36 240 |
| Working capital changes | (22 339) | 16 362 | 2 698 |
| **Cash (utilised in) / generated from operations** | **(6 712)** | **17 600** | **80 610** |
| Net finance cost | (1 913) | (1 405) | (3 679) |
| Taxation paid | (6 288) | (3 696) | (22 754) |
| **Net cash (used in) / from operating activities** | **(14 913)** | **12 499** | **54 177** |
| **Net cash used in investing activities** | **(7 367)** | **(3 114)** | **(35 819)** |
| **Net cash from financing activities** | **67** | **756** | **638** |
| Net (decrease) / increase in cash and cash equivalents for the period | (22 213) | 10 141 | 18 996 |
| Cash classified as held-for-sale [1] | (8 029) | - | - |
| Cash and cash equivalents at the beginning of the year | 94 481 | 74 386 | 74 386 |
| Effect of exchange rate movement on cash balances | (24) | 15 055 | 1 099 |
| **Total cash and cash equivalents at end of the period** | **64 215** | **99 582** | **94 481** |

1. Refer to supplementary note 3 on page 13 and 14.

# CONDENSED CONSOLIDATED STATEMENT OF CHANGES IN EQUITY

| R'000 | Share capital and preference shares | Share premium | Share based payment reserve | FCTR | Accumu-lated loss | Total equity |
|---|---|---|---|---|---|---|
| **Six months ended** | | | | | | |
| **Balance at 1 July 2016** | **897** | **226 369** | **2 430** | **(299)** | **(95 751)** | **133 646** |
| Total comprehensive income for the period | - | - | - | (5 886) | 9 459 | 3 573 |
| - Profit for the period | - | - | - | | 9 459 | 9 459 |
| - Foreign currency transaltion reserve net of taxation | - | - | - | (5 886) | - | (5 886) |
| Share based payment charge for existing options | - | - | 1 169 | - | - | 1 169 |
| Movement in treasury shares | * | (4 318) | - | - | - | (4 318) |
| **Balance at 31 December 2016** | **897** | **222 051** | **3 599** | **(6 185)** | **(86 292)** | **134 070** |
| **Balance at 1 July 2015** | **897** | **231 265** | **406** | **-** | **(117 242)** | **115 326** |
| Total comprehensive income for the period | - | - | - | - | 1 642 | 1 642 |
| Shares repurchased Poynting Empowerment Trust | - | (964) | - | - | - | (964) |
| Share based payment charge for existing options | - | - | 973 | - | - | 973 |
| Movement in treasury shares | * | (1 075) | - | - | - | (1 075) |
| **Balance at 31 December 2015** | **897** | **229 226** | **1 379** | **-** | **(115 600)** | **115 902** |
| **Year ended** | | | | | | |
| **Balance at 1 July 2015** | **897** | **231 265** | **406** | **-** | **(117 242)** | **115 326** |
| Total comprehensive income for the year | - | - | - | (299) | 21 491 | 21 192 |
| - Profit for the year | - | - | - | - | 21 491 | 21 491 |
| - Foreign currency translation reservenet of taxation | - | - | - | (299) | - | (299) |
| Share based payment charge for existing options | - | - | 2 024 | - | - | 2 024 |
| Shares repurchased Poynting Empowerment Trust | - | (904) | - | - | - | (904) |
| Movement in treasury shares | * | (3 992) | - | - | - | (3 992) |
| **Balance at 30 June 2016** | **897** | **226 369** | **2 430** | **(299)** | **(95 751)** | **133 646** |

* Nominal amount – amount smaller than R1 000.

# SEGMENTAL ANALYSIS

| R'000 | Unaudited six months ended December 2016 | December 2015 [3] | Re-presented year ended June 2016 [3] |
|---|---|---|---|
| **Continuing Operations** | | | |
| **Segmental revenue** | | | |
| Alaris Antennas | 67 269 | 36 125 | 117 294 |
| - Total revenue | 67 717 | 36 125 | 117 294 |
| - Inter-segmental | (448) | - | - |
| COJOT [1] | 17 454 | - | 14 822 |
| - Total revenue | 18 172 | - | 14 822 |
| - Inter-segmental | (718) | - | - |
| | **84 723** | **36 125** | **132 116** |
| **Operating earnings before interest, tax, depreciation and amortisation** [2] | | | |
| Alaris Antennas | 30 335 | 10 762 | 51 852 |
| COJOT [1] | 2 927 | - | 6 822 |
| Corporate and consolidation | (10 142) | 5 001 | (9 058) |
| | **23 120** | **15 763** | **49 616** |
| **Profit / (loss) for the period** | | | |
| Alaris Antennas | 20 845 | 5 967 | 33 910 |
| COJOT [1] | 2 433 | - | 5 193 |
| Corporate and consolidation | (10 336) | (3 269) | (34 713) |
| | **12 942** | **2 698** | **4 390** |
| **Normalised earnings after tax for the period** | | | |
| Alaris Antennas | 20 845 | 5 967 | 34 032 |
| COJOT [1] | 2 433 | - | 5 193 |
| Corporate and consolidation | (10 311) | 3 364 | (7 735) |
| | **12 967** | **9 331** | **31 490** |
| **Discontinued Operations** [3] | | | |
| **Segmental revenue** | | | |
| Aucom | 40 075 | 17 770 | 116 383 |
| **Operating earnings before interest, tax, depreciation and amortisation** [2] | | | |
| Aucom | (3 843) | (638) | 25 733 |
| **Profit / (loss) for the period** | | | |
| Aucom | (2 731) | (304) | 18 606 |
| Corporate and consolidation [3] | (752) | (752) | (1 505) |
| | **(3 483)** | **(1 056)** | **17 101** |
| **Normalised earnings after tax for the period** | | | |
| Aucom | (2 731) | (304) | 18 828 |
| Corporate and consolidation [3] | (752) | (752) | (1 505) |
| | **(3 483)** | **(1 056)** | **17 323** |

# SEGMENTAL ANALYSIS (Continued)

| R'000 | Unaudited six months ended December 2016 | December 2015 [3] | Re-presented year ended June 2016 [3] |
|---|---|---|---|
| **Segment assets** | | | |
| Alaris Antennas | 73 310 | 69 550 | 74 550 |
| COJOT | 17 203 | - | 48 764 |
| Corporate and consolidation | 71 502 | 66 226 | 39 981 |
| Aucom (Discontinued operation assets held for sale) [3] | 72 674 | 104 401 | 114 542 |
| | **234 689** | **240 177** | **277 837** |
| **Segment liabilities** | | | |
| Alaris Antennas | (17 225) | (51 513) | (33 590) |
| COJOT | (8 160) | - | (13 099) |
| Corporate and consolidation | (48 612) | (18 219) | (45 493) |
| Aucom (Discontinued operations liabilities held for sale) [3] | (26 623) | (54 543) | (52 009) |
| | **(100 620)** | **(124 275)** | **(144 191)** |

1. COJOT was consolidated into Group results from 1 May 2016 in the June 2016 financial year.
2. Operating EBITDA is trading operating profit per Condensed Consolidated Statement of Profit or Loss and Other Comprehensive Income excluding depreciation and amortisation:

| R'000 | Unaudited six months ended December 2016 | December 2015 [3] | Re-presented year ended June 2016 [3] |
|---|---|---|---|
| **Continuing Operations** | | | |
| Trading operating profit | 21 009 | 12 633 | 44 291 |
| Depreciation and amortisation | 2 111 | 3 130 | 5 325 |
| **Operating earnings before interest, tax, depreciation and amortisation** | **23 120** | **15 763** | **49 616** |
| **Discontinued Operations** [3] | | | |
| Trading operating profit | (5 135) | (1 831) | 23 266 |
| Depreciation and amortisation | 1 292 | 1 193 | 2 467 |
| **Operating earnings before interest, tax, depreciation and amortisation** | **(3 843)** | **(638)** | **25 733** |

3. Aucom was classified as a discontinued operation and comparative numbers have been re-presented accordingly. Refer to supplementary note 3 on page 13 and 14.

# SUPPLEMENTARY NOTES TO THE CONDENSED CONSOLIDATED FINANCIAL STATEMENTS

FOR THE SIX MONTHS ENDED 31 DECEMBER 2016

## 1. RECONCILIATION OF PROFIT TO HEADLINE EARNINGS

| | Total Operations | | | Continuing Operations | | |
|---|---|---|---|---|---|---|
| | Unaudited six months ended | | Re-presented year ended | Unaudited six months ended | | Re-presented Year ended |
| R'000 | December 2016 | December 2015 | June 2016 | December 2016 | December 2015 | June 2016 |
| Profit from operations for the period | 9 459 | 1 642 | 21 491 | 12 492 | 2 698 | 4 390 |
| Earnings attributable to shares subject to recall | - | (509) | - | - | (836) | - |
| **Headline earnings attributable to ordinary shareholders** | 9 459 | 1 133 | 21 491 | 12 942 | 1 862 | 4 390 |

## 2. 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.

The carrying values of other financial assets and liabilities, trade and other receivables, payables, loans and borrowings approximate their fair value. The Group measures currency futures at fair value using inputs as described in level 1 of the fair value hierarchy.

## 3. ASSETS AND LIABILITIES CLASSIFIED AS HELD FOR SALE AND DISCONTINUED OPERATIONS

We refer to the announcement released on SENS on 23 December 2016. In line with the strategy to focus on development, manufacturing and selling of RF products to global niche markets, the Board has decided to sell its Aucom subsidiary.

Terms have been agreed between Alaris and the management team of the Company's subsidiary, Aucom ("Aucom Management"), for the sale by Alaris to Aucom Management of the Company's entire 100% shareholding in Aucom, in exchange for 30 000 000 Alaris shares held by Aucom Management at a consideration of R2.00 per share ("Disposal and Repurchase"). In addition, the Company will repurchase a further 10 000 000 Alaris shares from Aucom Management at a consideration of R2.00 per share ("Specific Repurchase").

The Disposal and Repurchase and the Specific Repurchase (collectively, the "Transaction") are subject to the fulfilment of various conditions precedent. Management expects this deal to be concluded by 30 April 2017.

As a result of the above decision, this business has been classified as a discontinued operation. The relevant requirements of IFRS5 have been met for this classification.

The Aucom business was not previously classified as held-for-sale or as a discontinued operation. The comparative Condensed Consolidated Statement of Profit or Loss and Other Comprehensive Income and Segmental Analysis have been re-presented to show the impact of the discontinued operation and its related assets and liabilities separately from continuing operations.

# SUPPLEMENTARY NOTES TO THE CONDENSED CONSOLIDATED FINANCIAL STATEMENTS

FOR THE SIX MONTHS ENDED 31 DECEMBER 2016 (CONTINUED)

## 3. ASSETS AND LIABILITIES CLASSIFIED AS HELD FOR SALE AND DISCONTINUED OPERATIONS (Continued)

| Identifiable assets and liabilities held-for-sale consist of:<br>R'000 | Unaudited six months ended December 2016 |
|---|---|
| **Assets classified as held-for-sale** | **71 755** |
| Plant and equipment | 1 647 |
| Intangible assets | 4 529 |
| Goodwill | 19 908 |
| Current tax receivable | 1 763 |
| Deferred tax asset | 3 922 |
| Inventories | 7 054 |
| Trade and other receivables | 24 903 |
| Cash and cash equivalents | 8 029 |
| **Liabilities classified as held-for-sale** | **(25 704)** |
| Deferred tax liability | (1 268) |
| Loans and borrowings | (635) |
| Trade and other payables | (23 259) |
| Provisions | (542) |
| **Total identifiable net assets** | **46 051** |

| | Unaudited six months ended | | Re-presented year ended |
|---|---|---|---|
| **Cash flows used in discontinued operation:** | **December 2016** | **December 2015** | **June 2016** |
| Net cash generated from operating activities | 1 317 | 12 799 | 16 283 |
| Net cash utilised in investing activities | (240) | (1 206) | (1 499) |
| Net cash generated from financing activities | 79 | 649 | - |
| **Net cash inflow for the period** | **1 156** | **12 242** | **14 784** |

# SUPPLEMENTARY NOTES TO THE CONDENSED CONSOLIDATED FINANCIAL STATEMENTS

FOR THE SIX MONTHS ENDED 31 DECEMBER 2016 (CONTINUED)

**4. STATEMENT OF COMPLIANCE**

Alaris Holdings Limited is a South African registered company. These condensed consolidated interim financial statements comprise of the Company and its subsidiaries.

The condensed consolidated interim financial statements for the six months ended 31 December 2016 are prepared in accordance with the International Financial Reporting Standard ("IFRS"), IAS 34 Interim Financial Reporting, the SAICA Financial Reporting Guides as issued by the Accounting Practices Committee and Financial Pronouncements as issued by Financial Reporting Standards Council and the requirements of the Companies Act of South Africa. The accounting policies applied in the preparation of these interim financial statements are in terms of International Financial Reporting Standards and are consistent with those applied in the previous annual financial statements.

**BASIS OF PREPARATION**

The accounting policies applied in the preparation of the condensed consolidated interim financial statements are in terms of IFRS5 and are consistent with those accounting policies applied in the preparation of the previous consolidated annual financial statements.

The condensed consolidated interim results have been presented on the historical cost basis except for the contingent consideration asset and currency futures, which are fair valued. These results are presented in Rand, rounded to the nearest thousand, which is the functional currency of Alaris and the Group presentation currency. These condensed consolidated interim results incorporate the financial statements of the Company, its subsidiaries and entities that, in substance, are controlled by the Group. Results of subsidiaries are included from the effective date of acquisition up to the effective date of disposal. All significant transactions and balances between Group entities are eliminated on consolidation.

The condensed consolidated interim financial statements were prepared under the supervision of the Group Financial Director, Gisela Heyman CA(SA).

**5. SUBSEQUENT EVENTS**

Other than mentioned in this report, there were no material subsequent events that required disclosure.

**6. GOING CONCERN**

The directors have made an assessment of the ability of the Group and its subsidiaries to continue as going concerns and have no reason to believe that the businesses will not be going concerns in the year ahead.

**7. DIRECTORATE**

Mr H. Weilert was appointed as an independent non-executive director of the Board on 17 February 2017.

By order of the Board

**Jürgen Dresel**
*Group Chief Executive Officer*

**Gisela Heyman**
*Group Financial Director*

6 March 2017
Johannesburg

# CORPORATE INFORMATION

**ALARIS HOLDINGS LIMITED**

**(incorporated in the Republic of South Africa)**

www.alarisholdings.co.za

**Directors**
Coen Bester*^ (Chairman), Nico de Waal^, Jürgen Dresel # (CEO), Villiers Joubert, Richard Willis*^, Heinz Weilert*^, Andries Mellet^@, Gisela Heyman (Financial Director)

*Independent ^Non-executive
#German @Alternate

**Business address and registered office**
1 Travertine Avenue, N1 Business Park, Old Johannesburg Road, Centurion, 0157

(Private Bag X4, The Reeds, Pretoria, 0166)

**Designated Adviser**

Merchantec Capital

Registration Number 2008/027362/07

2nd Floor, North Block, Hyde Park Office Tower, Corner 6th Rd and Jan Smuts Ave, Hyde Park, 2196

(PO Box 41480, Craighall, 2024)

**Company Secretary**

Merchantec Proprietary Limited

**Transfer Secretaries**
Computershare Investor Services Proprietary Limited

Registration Number 2004/003647/07

Ground Floor, 70 Marshall Street, Johannesburg, 2001

(PO Box 61051, Marshalltown, 2107)

**Auditors**
KPMG Inc.

**Bankers**
Standard Bank

**PRINCIPAL SUBSIDIARIES**
**Alaris Antennas Proprietary Limited**

Registration Number 2013/048197/07

Alaris Antennas Division

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

COJOT Division

Managing Director: Samu Lentonen

PL 59, 02271 Espoo, Finland

Tel +358 (0) 9 452 2334

**African Union Communications Proprietary Limited**
Registration Number 1999/000409/07

Aucom Division

Managing Director: Villiers Joubert

394 Cliff Avenue, Waterkloof Ridge X2, Pretoria

Tel +27 (0)12 001 8670


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1 Travertine Avenue,
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