



ALARIS
HOLDINGS

**SUMMARISED
CONSOLIDATED
FINANCIAL STATEMENTS**
FOR THE FINANCIAL YEAR ENDED
30 JUNE 2019

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 increased by
**31% from R187.1 million
to R245.2 million.**



Profit after tax increased by
**25% from R32.9 million
to R41.1 million.**



Basic earnings per share and
headline earnings per share
increased by
**21% from 28.35 cents to
34.29 cents.**



Strong net cash position
of R39.9 million
as at 30 June 2019



Successful integration of
**mWAVE Industries
into the Group.**



Creation of
Alaris USA division.

WHAT WE ARE ALL ABOUT

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

The Alaris Group consists of:

Alaris Antennas, headquartered in Centurion, designs, develops, manufactures and sells state-of-the-art, specialised broadband antennas and other related RF products used in the communication, frequency spectrum monitoring, testing and measurement, electronic warfare and other specialised markets. Its client base consists of system integrators, frequency spectrum regulators and players in the homeland security space, located across the globe – mostly outside of South Africa – in the Americas, Europe and Asia.

COJOT, founded in 1986 and located in Espoo, Finland, serves military and public safety markets globally. With more than 30 years of experience, COJOT designs, develops and manufactures innovative broadband antennas that improve the connectivity, coverage and competitiveness of radio equipment deployed to save lives and protect property.

mWAVE, based in Windham, Maine in the United States, is a leading global provider of advanced custom and commercial microwave antenna solutions. The company was established in 2004 and designs and manufactures standard and custom microwave antenna products for commercial and government applications spanning the scientific, defense and academic communities.

Alaris USA, trading as a division of mWAVE Industries and based in Windham, Maine, sells and supports specialised antennas and other RF related products designed by COJOT and Alaris Antennas to its customer base in North America. Its products are used in the communication, frequency spectrum monitoring, testing and measurement, counter unmanned aircraft systems (UAS), electronic warfare and other specialised markets. Like COJOT and Alaris Antennas, Alaris USA clients are system integrators, frequency spectrum regulators, government end users and players in the homeland security space.

BUSINESS OVERVIEW

The Group performed exceptionally well for the year ended 30 June 2019, resulting in an impressive profit increase of 25% from R32.9 million to R41.1 million.

Net cash flow from operating activities decreased by 41% from R43.8 million to R25.9 million. The decrease in cash is due to several projects that were completed and invoiced during June, but not yet due for payment in the 2019 financial year.

The Group's cash position was R41.8 million on 30 June 2019 following the acquisition of mWAVE Industries LLC for a cash consideration of R30.2 million on 1 October 2018.

Alaris Antennas

Revenue increased by 6% from R122.0 million to R129.1 million, driven by the conclusion of delayed projects that were delivered in the second half. Profit after tax ("PAT") decreased by 9% from R32.5 million to R29.7 million, due to an investment in a project office to manage projects with precision and to ensure that all projects are delivered within timeframes indicated to customers. The additional investment in highly skilled staff in the project office increased the overhead costs of Alaris Antennas, resulting in a short-term decrease in profits.

The current financial year saw an increase in customised design and development projects compared to the prior year where a higher percentage of mature products were sold. A large portion of the revenue was based on the popular naval direction-finding products.

Alaris Antennas continues to be a trailblazer in the field of product innovation, adding 74 (2018: 48) new products to its portfolio in the period to support future revenue growth. Owning its own proprietary knowledge and further developing the company's intellectual property has proven an effective competitive advantage in opening new markets and increasing the barrier to entry.

Given the significant expansion of the Group's geographic footprint with its latest acquisition of mWAVE in the USA, Jürgen Dresel has stepped down as Managing Director of Alaris Antennas (Pty) Ltd in order to allow him to focus on his role as Group Chief Executive Officer. Gisela Heyman, previous Group CFO, was appointed Managing Director of Alaris Antennas (Pty) Ltd with effect from 1 April 2019. Gisela has gained a wealth of knowledge about the industry and market in her role as Group CFO and is intimately familiar with the challenges and prospects of the business. She will remain an Executive Director on the Alaris Holdings Board as she capably steers Alaris Antennas to exciting new heights.

COJOT

COJOT had an exceptional financial year, achieving a significant revenue growth of 29% from R65.1 million to R84.1 million, and a 58% PAT increase from R14.9 million to R23.6 million. Since its acquisition in May 2016, COJOT has proved to be a particularly valuable investment, contributing an impressive 120% of the initial purchase price, net of cash in profits, to the Group.

Smart antenna activities are on the increase at COJOT, and the MIDAS product line that has been in development over the past few years is being applied successfully in hand-held radios. COJOT has several ongoing sales projects for switched beam array antennas and is confident that these antennas will assist with the future organic growth of COJOT.

mWAVE

mWAVE was consolidated into the Group from 1 October 2018 and has contributed R32.1 million in revenue and R3.3 million in profit since acquisition.

The business processes for mWAVE are being aligned to those of the Group. As of 1 June 2019, the new Alaris USA has been created as a division of mWAVE to sell and support specialised antennas and other RF related products designed by COJOT and Alaris Antennas to its customer base in North America.

BUSINESS OVERVIEW (CONTINUED)

Corporate and consolidation

This division includes the costs associated with being a listed entity, as well as the costs of running the shared services, such as the centralised treasury function, where foreign currency hedging is managed.

The main costs before tax included in this segment are:

- Net foreign exchange gains of R0.2 million (2018: R0.9 million).
- Employee costs, the cost of the share incentive option scheme including ad-hoc equity settled bonus, incentive bonuses for Group executives and board fees totalling R11 million (2018: R12 million).
- Legal and consulting fees including the costs to be listed on the JSE, advisory fees and Group audit fees totalling R3 million (2018: R4 million). This includes advisory costs associated with the US acquisition of R1.6 million (2018: R 2.5 million).

Alaris Holdings also welcomed changes in their structure, with Elsie Müller being appointed Group Chief Financial Officer of Alaris Holdings Limited, with effect from 1 July 2019, and Executive Director of the Alaris Holdings Board. She joined Alaris Antennas as Finance Manager in June 2015 and has become involved in the Alaris Holdings Group management functions during the past two years. She has an in-depth knowledge of the financial systems and processes of the businesses and has been an integral part of the post-acquisition integration of COJOT and mWAVE into the Group financial processes.

As Jürgen Dresel stepped down as MD of Alaris Antennas during the last quarter of FY19, new opportunities are awaiting his attention and extensive expertise. He will engage with the four entities and focus his energy on the organic growth of these divisions, as well as further expansion of the Group's global footprint by means of acquisitive growth.



PROSPECTS

The Group's strategic focus areas of extensive expertise in RF products, owning and continuously developing its intellectual property and the ever-expanding global reach of its products provide a solid foundation and unique position for growth to all entities – Alaris Antennas, COJOT, mWAVE and Alaris USA.

Alaris Antennas

Alaris Antennas continues to provide solid results amidst highly challenging market conditions in South Africa. It is testament to the value of the Group's emphasis on client centricity. One of the company's key strengths lies in its ability to develop and hold its own IP as it continues to invest significantly in research and development, adding to its competitive advantage in a niche market.

Alaris Antennas has established itself in the industry as a specialist Direction Finding (DF) antenna supplier, with a highly skilled and specialised team of engineers uniquely positioned to support the company's objective of being the preferred supplier and partner of advanced RF products. The company will be using this key differentiator to encourage further expansion and organic growth.

Alaris Antennas is a South African based organisation, and products are manufactured on site in Centurion. Approximately 77% of the company's revenue is derived from exports - providing a strong justification to continue the push to increase the Group's footprint globally.

Alaris Antennas is client centric and engages closely with its customers in order to understand their specific needs and to provide customised solutions. Further opportunities for growth exist in increasing market share through the addition of agents and new system houses as clients. Management's focus will be to work closely with the Alaris USA division to setup the US customer base in order to maximise synergies within the Group.

The management team is confident that its unwavering focus on quality and the ongoing development of cutting-edge technological products will continue to place Alaris Antennas in an ideal position for future expansion of markets and offerings. The strategy of focussing on closer client interactions earlier on in the program cycle so as to ensure that Alaris products are designed in, seems to be converting into sizeable opportunities. The team is working hard to secure these deals, as they will enhance the open order book with more consistent deliveries over a number of years.

COJOT

COJOT's years of design, development and manufacturing expertise have enabled the company to offer reliable and durable antenna equipment to some of the most demanding environments in the world. Like Alaris Antennas, the company has a strong client centric approach, resulting in close relationships with its customers. The company makes use of a direct sales team and selected channel partners to build its order book.

COJOT has a team of highly skilled engineers with many years of experience in the design and development of innovative wideband antennas that improve the connectivity, coverage and competitiveness of radio equipment deployed to protect and save lives. The company has established various partnerships with key contract manufacturers, providing efficiency, scalability and seamless quality to its client base.

Several switched beam antenna (SBA) sales projects have been secured and the outlook for growth in this field is encouraging. The Group's engineers are well-positioned to drive this trend. The use of SBA can enhance the usability, performance and spectrum management of complex communication networks in various ways by combining the advantages of higher gain directional antennas with mobility and directional selectivity. Improved signal levels support higher data rates and longer communication ranges whilst interference, both intentional and non-intentional, is minimised. Communication between the nodes is also more secure and has a reduced spectral signature.

Over the past three years from the date of acquisition, COJOT has established itself as a valuable asset to the Group. The MIDAS range and new product line of smart antennas are set to provide a unique competitive edge to its customers, and contribute to the organic growth of the Group.

mWAVE

As a major part of the global electronic warfare market is located in the USA, mWAVE is perfectly poised for organic growth. Its product lines complement those of the Group's other subsidiaries, providing a further positive outlook for future growth.

Profits can be increased by improving margins and focusing on customised product sales. The sales team has managed to unlock several such opportunities with current and new customers.

Operational activities to align the company with the Group's strategic objectives will be a key focus for mWAVE in the year to come. A new ERP system will be implemented during the second quarter of the new financial year, which will bring them onto the same system as that of the Group, and assist in tracking and driving cost reductions. Whilst business processes will be a major activity, mWAVE is also expanding their premises - these improvements will start in the new financial year.

The establishment of the Alaris USA division, located at mWAVE, will play a key role in increasing exposure and building relationships, as well as assisting in the promotion of the Alaris Group initiative of cooperative cross-selling, enabling an ever-expanding product offering to customers.

Alaris USA

Alaris USA's competitive advantage lies in its ability to offer a broad range of specialised products through its partnerships, and the capability to develop customised solutions for its customers. Its status as a US based entity allows the company closer interactions and relationships with its customer base in North America, giving Alaris USA invaluable access to the largest defense market in the world.

Products are designed and manufactured by two other subsidiaries in the Group, namely Alaris Antennas in South Africa and COJOT in Finland. Its close relationship with the technical teams in both locations has allowed for several new opportunities to be created, and the company is entering into new market segments. Further opportunities for growth exist in the addition of distributors, agents and new system houses as clients.

Should the need arise from US customers for products to be made in the USA, Alaris USA may include the development of its own design and manufacturing capacity. This will be a future opportunity.

The Group

The Group's active global expansion allows for an enhanced product and service offering, based on an extended knowledge spectrum across the subsidiaries. Not only do the Group's customers benefit from access to highly skilled engineers across the globe, but the four entities are uniquely positioned to serve as trusted advisors in providing customers with technologically advanced and customised solutions.

Sustainable organic growth will remain a strategic priority for the Group, whilst operational activities are continuously aligned as the operations expand.

The entities in the Group are strongly focused on research and development, and hold invaluable, exploitable patented technologies that can be monetised into the future. Cross-selling opportunities and processes are in place to further capitalise on synergies between the subsidiaries.

The design and development of new products based on the uniquely combined skill sets of the four entities will continue to provide competitive features and enable increased performance for end users. All four segments relentlessly strive to provide their customers with a technological edge through constant product innovation and excellent service.

The Group's global strategy remains one of bold international expansion. Prospects for the period ahead are decidedly positive. By diversifying into different territories and entering new market segments, the management team's focus is to ensure ongoing profitable organic and acquisitive growth for the Alaris Holdings Group and its stakeholders.

SUMMARISED CONSOLIDATED STATEMENT OF PROFIT OR LOSS AND OTHER COMPREHENSIVE INCOME FOR THE YEAR ENDED 30 JUNE 2019

R'000	Audited June 2019	Audited June 2018
Revenue ^A	245 184	187 075
Cost of sales	(77 871)	(53 589)
Gross profit	167 313	133 486
Other income	1 111	738
Operating expenses	(114 299)	(91 502)
Trading operating profit ^B	54 125	42 722
Finance income	430	380
Finance costs	(174)	(392)
Profit before taxation	54 381	42 710
Taxation	(13 300)	(9 791)
Profit for the year	41 081	32 919
Other comprehensive income net of tax:		
Items that may be reclassified subsequently to profit or loss:		
Gross foreign currency translation reserve	(50)	3 652
Taxation	78	(780)
Total comprehensive income	41 109	35 791
Weighted average number of ordinary shares in issue	119 810 497	116 116 771
Weighted average number of diluted ordinary shares in issue	122 068 163	116 116 771
Basic earnings per ordinary share (cents) ^C	34.29	28.35
Diluted basic earnings per ordinary share (cents)	33.65	28.35
Headline earnings per ordinary share (cents) ^C	34.29	28.35
Diluted headline earnings per ordinary share (cents)	33.65	28.35

A. Refer supplementary note 2.

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

C. There are no reconciling items between earnings per share and headline earnings per share.

SUMMARISED CONSOLIDATED STATEMENT OF FINANCIAL POSITION

AS AT 30 JUNE 2019

R'000	Audited June 2019	Audited June 2018
Assets		
Non-Current Assets		
Plant and equipment	7 242	6 619
Goodwill	42 034	26 582
Intangible assets	15 945	12 782
Deferred tax assets	11 229	2 539
	76 450	48 522
Current Assets		
Inventories ^A	19 080	19 080
Current tax receivable	94	1 194
Trade and other receivables	80 935	35 151
Cash and cash equivalents	41 836	51 679
	141 945	107 104
Total Assets	218 395	155 626
Equity and Liabilities		
Equity		
Equity attributable to owners of the Company		
Share capital	6	6
Share premium	207 283	202 051
Share-based payment reserve	9 941	7 428
Foreign currency translation reserve ("FCTR")	(2 121)	(2 149)
Accumulated loss	(49 927)	(91 008)
Total equity	165 182	116 328
Liabilities		
Non-Current Liabilities		
Loans and borrowings	1 266	1 141
Deferred tax liabilities	2 475	962
	3 741	2 103
Current Liabilities		
Loans and borrowings	588	535
Trade and other payables	43 617	36 631
Current tax payable	5 267	29
	49 472	37 195
Total Liabilities	53 213	39 298
Total Equity and Liabilities	218 395	155 626

A. Inventory for Alaris Antennas and COJOT decreased by R7.1 million collectively. With the acquisition of mWAVE, R7.1 million of inventory was added to the Group as of 30 June 2019.

SUMMARISED CONSOLIDATED STATEMENT OF CASH FLOWS

FOR THE YEAR ENDED 30 JUNE 2019

R'000	Audited June 2019	Audited June 2018
Profit before taxation	54 381	42 710
Adjusted for non-cash items ^A	9 765	10 909
Working capital changes	(31 143)	(1 621)
Cash generated from operations	33 003	51 998
Net finance cost	213	(83)
Taxation paid	(7 284)	(8 140)
Net cash flow from operating activities	25 932	43 775
Cash flows from investing activities		
Additions to plant and equipment	(2 385)	(3 188)
Proceeds on disposal of plant and equipment	20	11
Movement in treasury shares – Share Incentive Scheme	(3 178)	-
Additions to intangible assets	(218)	(2 780)
Acquisition of a subsidiary ^B	(30 151)	-
Net cash flow used in investing activities	(35 912)	(5 957)
Cash flows from financing activities		
Movement in loans and borrowings	178	1 222
Repayment of preference shares	-	(51 000)
Net cash flow from / (used in) financing activities	178	(49 778)
Net decrease in cash and cash equivalents for the year	(9 802)	(11 960)
Cash and cash equivalents at the beginning of the year	51 679	65 083
Effect of exchange rate movement on cash balances	(41)	(1 444)
Total cash and cash equivalents at end of the year	41 836	51 679

A. Non-cash items mainly consist of depreciation, profit on disposal of assets, unrealised foreign exchange gains/losses and share-based payments.

B. Refer supplementary note 1.

SUMMARISED CONSOLIDATED STATEMENT OF CHANGES IN EQUITY

FOR THE YEAR ENDED 30 JUNE 2019

R'000	Share capital	Share premium	Share based payment reserve	FCTR	Accumulated loss	Total equity
Balance at 30 June 2017	6	202 051	4 721	(5 021)	(123 927)	77 830
Total comprehensive income for the year:	-	-	-	2 872	32 919	35 791
- Profit for the year	-	-	-	-	32 919	32 919
- Foreign currency translation reserve	-	-	-	2 872	-	2 872
Share-based payment charge for existing options	-	-	2 707	-	-	2 707
Ad-hoc share-based payment charge	-	-	2 100	-	-	2 100
Settlement of ad-hoc share-based payment	-	-	(2 100)	-	-	(2 100)
Balance at 30 June 2018	6	202 051	7 428	(2 149)	(91 008)	116 328
Total comprehensive income for the year:	-	-	-	28	41 081	41 109
- Profit for the year	-	-	-	-	41 081	41 081
- Foreign currency translation reserve	-	-	-	28	-	28
Share-based payment charge for existing options	-	-	2 808	-	-	2 808
Share options exercised on net basis	-	112	(295)	-	-	(183)
mWAVE acquisition settled in shares	*	8 113	-	-	-	8 113
Movement in treasury shares	*	(2 993)	-	-	-	(2 993)
Balance at 30 June 2019	6	207 283	9 941	(2 121)	(49 927)	165 182

* Nominal amount – amount smaller than R1 000.

SEGMENTAL ANALYSIS

FOR THE YEAR ENDED 30 JUNE 2019

R'000	Audited June 2019	Audited June 2018
Segmental revenue		
Alaris Antennas	129 075	121 968
- Total revenue	129 885	123 267
- Inter-segmental	(810)	(1 298)
COJOT	84 058	65 107
- Total revenue	85 488	66 544
- Inter-segmental	(1 430)	(1 437)
mWAVE	32 051	-
- Total revenue	32 051	-
- Inter-segmental	-	-
	245 184	187 075
Earnings before interest, tax, depreciation and amortisation (EBITDA)		
Alaris Antennas	42 362	44 840
COJOT	30 227	19 309
mWAVE	4 856	-
Corporate and consolidated	(16 289)	(16 254)
	61 156	47 895
Profit / (loss) for the year		
Alaris Antennas	29 663	32 541
COJOT	23 611	14 945
mWAVE	3 332	-
Corporate and consolidation	(15 525)	(14 567)
	41 081	32 919
Normalised earnings after tax for the year		
Alaris Antennas	29 663	32 541
COJOT	23 611	14 945
mWAVE	3 332	-
Corporate and consolidation	(13 934)	(12 069)
	42 672	35 417

SEGMENT ASSETS AND LIABILITIES

R'000	Audited June 2019	Audited June 2018
Segment assets		
Alaris Antennas	97 203	86 830
COJOT	48 268	22 570
mWAVE	28 512	-
Corporate and consolidation	44 412	46 226
	218 395	155 626
Segment liabilities		
Alaris Antennas	(26 169)	(26 788)
COJOT	(18 720)	(10 703)
mWAVE	(5 566)	-
Corporate and consolidation	(2 758)	(1 807)
	(53 213)	(39 298)

RECONCILIATION OF HEADLINE EARNINGS TO PROFIT AND NORMALISED EARNINGS

R'000	Audited June 2019	Audited June 2018
Headline earnings attributable to ordinary shareholders	41 081	32 919
Profit for the year	41 081	32 919
Legal and consulting costs for acquisitions and disposals	1 591	2 498
Normalised earnings after tax comprising ^A	42 672	35 417
Alaris Antennas	29 663	32 541
COJOT	23 611	14 945
mWAVE	3 332	-
Corporate and consolidation ^B	(13 934)	(12 069)
Weighted average number of ordinary shares in issue	119 810 497	116 116 771
Normalised earnings per ordinary share (cents)	35.62	30.50

- A. Normalised earnings, as determined by the Alaris Group, is calculated by adjusting profit for the legal and consulting fees for acquisitions.
- B. 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 are also included in the segment.

SUPPLEMENTARY NOTES TO THE SUMMARISED CONSOLIDATED FINANCIAL STATEMENTS

FOR THE YEAR ENDED 30 JUNE 2019

1. BUSINESS COMBINATION

As announced on SENS, the Group concluded an agreement to acquire 100% of the issued share capital of mWAVE Industries LLC ("the Acquisition"). All conditions precedent to the Acquisition as per the agreement were fulfilled and the results of mWAVE were included in the Group results from 1 October 2018.

Identifiable net assets and liabilities acquired consist of:

R'000	Recognised values	Fair value adjustments	Carrying amount
Plant and equipment	975	-	975
Intangible assets	-	7 326	7 326
Inventories	6 371	-	6 371
Trade and other receivables	6 770	-	6 770
Cash and cash equivalents	2 238	-	2 238
Deferred tax ^	8 770	(2 055)	6 715
Trade and other payables	(5 485)	-	(5 485)
Total identifiable net assets	19 639	5 271	24 910
Goodwill			15 592
Total purchase consideration			40 502
Less: consideration in shares (4.9 million shares)			(8 113)
Less: cash acquired			(2 238)
Net cash outflow			30 151

Illustrative example of the business combination's impact for the period:

	Revenue	Profit after tax
Reported per statement of profit and loss and other comprehensive income	245 184	41 109
Less: mWAVE acquisition	(32 051)	(3 332)
	213 133	37 777
Estimated impact of business combination (if acquired 1 July 2018)	42 818	3 447
Estimated impact of the business combination for the period (1 July 2018 to 30 June 2019)	255 951	41 224

A. At 1 October 2018, the purchase price allocation (PPA) was prepared on a provisional basis in accordance with IFRS 3. During the remeasurement period, the Group received new information relating to deferred tax that existed at acquisition date, and adjustments were made to the provisional calculation of deferred tax. Accordingly, the PPA has been restated as required by IFRS 3.

2. REVENUE

	2019 R'000	2018 Represented R'000
Fully configured products	199 497	151 328
Newly developed products	45 687	35 747
	245 184	187 075

3. FAIR VALUE OF FINANCIAL INSTRUMENTS

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

4. STATEMENT OF COMPLIANCE

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

The directors take full responsibility for the preparation of the report and the summarised consolidated financial information has been extracted from the underlying consolidated financial statements. This summarised report is an extract from audited information but is in itself not audited.

5. CHANGES IN ACCOUNTING POLICIES AND DISCLOSURES

The accounting policies applied in the preparation of the summarised consolidated financial statements are in terms of IFRS and are consistent with those applied in the previous consolidated annual financial statements, except for the changes arising from the adoption of the following significant new accounting pronouncements which became effective in the current reporting period:

IFRS 15 Revenue from contracts with customers

The Group's revenue is derived from two income streams:

1. Products that are fully configured. For these products, an order is received from the customer, the product is manufactured and then shipped to the customer. The point of recognition is dependent on the sales contract terms, known as the International Commercial Terms (Incoterms®). As the transfer of risks and rewards generally coincides with the transfer of control at a point in time under the Incoterms, the timing and amount of revenue recognised by the Group for the sale of these products are not materially affected.
2. Products that are newly developed. For these products, a sales contract exists where milestones are clearly defined which coincides with the definition of performance obligations in IFRS 15. The revenue is recognised at a point in time as per the performance obligations in the contract. Therefore, the timing and amount of revenue recognised by the Group for the sale of newly developed products are not materially affected.

The Group applied IFRS 15 using the cumulative effect method. There was no impact on the transition from IAS 18 to IFRS 15 and hence opening retained earnings have not been adjusted.

This standard has resulted in additional disclosures in the year-end financial statements.

IFRS 9 Financial Instruments

Impairment: The standard introduces an expected credit loss ("ECL") model for the assessment of impairment of financial assets held at amortised cost. This replaces the 'incurred loss' model in IAS 39. The Group has selected to use the simplified approach to calculate the expected credit loss.

Classification and measurement: The measurement and accounting treatment of the Group's financial assets have not materially changed. The financial assets consist of trade receivables and cash and cash equivalents. The trade receivables are now classified at amortised cost under IFRS 9 where it was classified as loans and receivables under IAS 39. The value of the gross debtors did not change.

The Group has taken an exemption not to restate comparative information for prior periods with respect to the classification and measurement (including impairment) requirements of IFRS 9. Differences in the carrying amounts of impairment from the transition of IAS 39 to IFRS 9 are immaterial. If comparative values had been restated, the impact would have been to decrease the Group's opening retained earnings at 1 July 2017 by R71 000. The effect of initially applying this standard is attributed to the impairment loss being calculated using the IFRS 9 ECL model.

This standard has resulted in additional disclosures in the year-end financial statements.

IFRS 2 Share-based payments

The amendment addresses the classification and measurement of cash-settled share-based payment transactions. This amendment does not have a material impact on the financial statements as the Group has classified share options as equity-settled share-based payments. With the recent addition of the net settlement feature at the annual general meeting in January 2019, the Group will continue to classify these as equity-settled share-based payments in line with the requirements of IFRS 2.

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 be used 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 interpretation does not have a material impact on the Group financial statements. Revenue decreased by R228 640 and the foreign exchange profit increased by R228 640. The profit of the Group remained the same.

The following standards and interpretations were in issue but 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 2019 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 the Group 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 replaces existing leases guidance, including 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 leases.

The standard is effective for annual periods beginning on or after 1 January 2019.

SUPPLEMENTARY NOTES TO THE SUMMARISED CONSOLIDATED FINANCIAL STATEMENTS

FOR THE YEAR ENDED 30 JUNE 2019 (CONTINUED)

The Group will adopt the new IFRS 16 Leases Standard as of 1 July 2019 and has elected to apply the cumulative effect of initially applying the Standard as an adjustment to the opening balance of retained earnings at the date of initial application. Right-of-use assets for property leases will be measured on transition as if the new rules had always been applied. Short-term leases or low value leases will be assessed on a lease-by-lease basis and be realised on either the straight-line basis over the lease term or another systematic basis should it be more representative of the pattern of the Group's benefit.

The lease payments will be discounted using the Group's incremental borrowing rate of 10.00% in South Africa and 5.25% in the United States of America.

Renewal of leases are assessed as they become due if such lease contains a renewable option. Management's assessment will therefore include all relevant facts and circumstances that create an economic incentive for the Group to exercise the option to renew. Management has not considered any lease renewal options to date of this report for determining the effect of IFRS 16 as the Managing Directors of the subsidiaries are in the process of evaluating the feasibility of renewing the lease versus moving to a new premises.

The new standard will have the following impact on the financial results of the Group:

R'000	IFRS 16	IAS 17	Effect on Assets and Liabilities Increase/ (Decrease)
Amounts to be recognized in the Statement of Financial Position under assets and liabilities			
Right of use assets			
- Properties	6 206	-	6 206
Lease Liabilities			
- Non-Current	(4 334)	-	(4 334)
- Current	(3 043)	-	(3 043)
Under Equity			
Retained earnings	1 171	-	1 171
R'000	IFRS 16	IAS 17	Effect on Retained earnings Increase/ (Decrease)
Reconciliation of movement in retained earnings			
Rental Expense		10 624	10 624
Finance Cost	(3 536)	-	(3 536)
Depreciation Right of use asset	(8 259)	-	(8 259)
Cumulative effect on Retained Earnings			(1 171)

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 change in the nature of the expenses will have a positive effect on the EBITDA of the company.

No significant impact is expected for the Group's finance leases.

6. BASIS OF PREPARATION

The summarised consolidated financial statements are prepared in accordance with the requirements of the Listings Requirements of the JSE Limited ("JSE Listings Requirements") for preliminary reports, and the requirements of the Companies Act of South Africa, Act 71 of 2008, as amended, applicable to summarised financial statements. The JSE Listings Requirements require preliminary reports to be prepared in accordance with the framework concepts and the measurement and recognition requirements of International Financial Reporting Standards (IFRS); the SAICA Financial Reporting Guides as issued by the Accounting Practices Committee and Financial Pronouncements as issued by the Financial Reporting Standards Council and to also, as a minimum, contain the information required by IAS 34 – Interim Financial Reporting.

The accounting policies applied in the preparation of the audited consolidated financial statements, from which the summarised consolidated financial statements were derived, are in terms of International Financial Reporting Standards and are consistent with those accounting policies applied in the preparation of the previous consolidated financial statements, except for changes arising from the new standards adopted that did not have a material effect on the financial results.

The summarised consolidated financial statements have been presented on the historical cost basis except for the currency futures, which are measured at fair value. These results are presented in Rand, rounded to the nearest thousand, which is the functional currency of Alaris and the Group presentation currency. These results incorporate the financial statements of the Company, its subsidiaries and entities that 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 summarised consolidated financial statements were prepared under the supervision of the Group Financial Director and CFO, Elsie Müller CA(SA).

7. REPORT OF THE INDEPENDENT AUDITORS

The summarised consolidated financial statements are extracted from the audited consolidated financial statements but are themselves not audited. The financial statements were audited by KPMG Inc., which expressed an unmodified opinion thereon.

The audited financial statements and the auditor's report thereon are available for inspection at the Company's registered office. The Company's directors take full responsibility for the preparation of the preliminary report and for the financial information having been extracted correctly from the underlying financial statements.

The summarised consolidated financial statements do not include all of the disclosures required for full financial statements and should be read in conjunction with the consolidated annual financial statements for the year ended 30 June 2019.

8. SUBSEQUENT EVENTS

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

9. 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.

10. DIRECTORATE

Mr. P Anania was appointed as non-Executive Director to the Board on 1 November 2018 and Mrs. E Müller was appointed as the Group Financial Director and CFO on 1 July 2019. No Further changes to the Board took place during the period under review, up to and including the date of this report.

By order of the board

Jürgen Dresel

Group Chief Executive Officer

25 September 2019

Johannesburg

Elsie Müller

Group Financial Director and CFO

CORPORATE INFORMATION

ALARIS HOLDINGS LIMITED

(Incorporated in the Republic of South Africa)

www.alarisholdings.com

Directors

Coen Bester*^ (Chairman),
Jürgen Dresel * (CEO),
Richard Willis*^,
Andries Mellet^,
Carel van der Merwe *^,
Peter Anania*^°,
Gisela Heyman
Elsie Müller (Group Financial Director and CFO)

*Independent

^Non-executive

#German

°American

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
Managing Director: Gisela Heyman

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mWAVE Industries LLC:

mWAVE

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