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Sekunjalo Technology Solutions Limited
(Registration number 1996/014461/06)
Annual Financial Statements
for the year ended 31 August 2016

These annual financial statements were prepared by:
Dhilshaad Mohamed
Financial Controller

Audited Annual Financial Statements
Published 27 January 2017

General Information

Country of incorporation and domicile	South Africa
Nature of business and principal activities	An investment holding company owning subsidiaries involved in manufacturing of natural hygiene and sanitation products and information technology and telecommunications
Directors	K Abdulla A B Amod A Wolmarans C F Hendricks C Ah Sing N Gamieldien T Hove
Registered office	Quay 7 East Pier Victoria and Alfred Waterfront Cape Town 8001
Business address	Quay 7 East Pier Victoria and Alfred Waterfront Cape Town 8001
Postal address	P.O. Box 181 Cape Town 8000
Holding company	African Equity Empowerment Investments Limited incorporated in South Africa, a company listed on the JSE.
Bankers	ABSA Bank Limited
Auditors	Grant Thornton Cape Inc. Chartered Accountants (S.A.) Registered Auditors Registration number: 2000/016512/21 Grant Thornton South Africa is a member firm of Grant Thornton International Limited
Secretary	C F Hendricks
Company registration number	1996/014461/06
Published Date	27 January 2017
Preparer	The annual financial statements were internally prepared by Dhilshaad Mohamed

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

Level of assurance

These annual financial statements have been audited in compliance with the applicable requirements of the Companies Act of South Africa.

Preparer

Dhilshaad Mohamed
Financial Controller

Published

27 January 2017

Grant Thornton
An instinct for growth™

Chartered Accountants (SA)

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Independent Auditor's Report
To the shareholders of
Sekunjalo Technology Solutions Limited

We have audited the consolidated and separate financial statements of Sekunjalo Technology Solutions Limited set out on pages 8 to 57, which comprise the statements of financial position as at 31 August 2016, and the statements of comprehensive income, statements of changes in equity and statements of cash flows for the year then ended, and the notes, comprising a summary of significant accounting policies and other explanatory information.

Directors' responsibility for the financial statements
The company's directors are responsible for the preparation and fair presentation of these consolidated and separate 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 and separate financial statements that are free from material misstatements, whether due to fraud or error.

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

An audit involves performing procedures to obtain audit evidence about the amounts and disclosures in the financial statements. The procedures selected depend on the auditor's judgement, including the assessment of the risks of material misstatement of the financial statements, whether due to fraud or error. In making those risk assessments, the auditor considers internal control relevant to the entity's preparation and fair presentation of the financial statements in order to design audit procedures that are appropriate in the circumstances, but not for the purpose of expressing an opinion on the effectiveness of the entity's internal control. An audit also includes evaluating the appropriateness of accounting policies used and the reasonableness of accounting estimates made by management, as well as evaluating the overall presentation of the financial statements.

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

Opinion
In our opinion, the consolidated and separate financial statements present fairly, in all material respects, the consolidated and separate financial position of Sekunjalo Technology Solutions Limited as at 31 August 2016, and its consolidated and separate financial performance and consolidated and separate cash flows for the year then ended in accordance with International Financial Reporting Standards, and the requirements of the Companies Act of South Africa.

Other matter
Without qualifying our opinion, we draw attention to the fact that supplementary information set out on pages 58 to 66 does not form part of the financial statements and is presented as additional information. We have not audited these schedules, accordingly we do not express an opinion on them.

Other reports required by the Companies Act
As part of our audit of the consolidated and separate financial statements for the year ended 31 August 2016, we have read the Directors' Report for the purpose of identifying whether there are material inconsistencies between this report and the audited consolidated and separate financial statements. The Directors' Report is the responsibility of the directors. Based on reading the Directors' Report we have not identified material inconsistencies between this report and the audited consolidated and separate financial statements. However, we have not audited the Directors' Report and accordingly do not express an opinion thereon.

GRANT THORNTON CAPE INC.
Chartered Accountants (SA)
Registered Auditors

B. Van der Walt
Director
Chartered Accountant (SA)
Registered Auditor

27 January 2017

Cape Town

Directors' Responsibilities and Approval

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

The annual financial statements are prepared in accordance with International Financial Reporting Standards and are based upon appropriate accounting policies consistently applied and supported by reasonable and prudent judgements and estimates.

The directors acknowledge that they are ultimately responsible for the system of internal financial control established by the group and place considerable importance on maintaining a strong control environment. To enable the directors to meet these responsibilities, the board of directors sets standards for internal control aimed at reducing the risk of error or loss in a cost effective manner. The standards include the proper delegation of responsibilities within a clearly defined framework, effective accounting procedures and adequate segregation of duties to ensure an acceptable level of risk. These controls are monitored throughout the group and all employees are required to maintain the highest ethical standards in ensuring the group's business is conducted in a manner that in all reasonable circumstances is above reproach. The focus of risk management in the group is on identifying, assessing, managing and monitoring all known forms of risk across the group. While operating risk cannot be fully eliminated, the group endeavours to minimise it by ensuring that appropriate infrastructure, controls, systems and ethical behaviour are applied and managed within predetermined procedures and constraints.

The directors are of the opinion, based on the information and explanations given by management, that the system of internal control provides reasonable assurance that the financial records may be relied on for the preparation of the annual financial statements. However, any system of internal financial control can provide only reasonable, and not absolute, assurance against material misstatement or loss.

The directors have reviewed the group's cash flow forecast for the year to 31 August 2017 and, in the light of this review and the current financial position, they are satisfied that the group has or has access to adequate resources to continue in operational existence for the foreseeable future.

The external auditors are responsible for independantly auditing and reporting on the company's financial statements. The financial statements have been examined by the company's external auditors and their report is presented on pages 3 to 4.

The financial statements set out on pages 8 to 55, which have been prepared on the going concern basis, were approved by the board of directors on 27 January 2017 and were signed on its behalf by:

K Abdulla	N Gamieldien

Directors' Report

The directors have pleasure in submitting their report on the annual financial statements of Sekunjalo Technology Solutions Limited and the group for the year ended 31 August 2016.

1. Nature of business

Sekunjalo Technology Solutions Limited is an investment entity incorporated in South Africa owning subsidiaries involved in information technology and telecommunications. The Group operates in South Africa.

There have been no material changes to the nature of the group's business from the prior year.

2. Review of financial results and activities

The consolidated annual financial statements have been prepared in accordance with International Financial Reporting Standards and the requirements of the Companies Act of South Africa. The accounting policies have been applied consistently compared to the prior year.

Full details of the financial position, results of operations and cash flows of the group are set out in these consolidated annual financial statements.

3. Share capital

There have been no changes to the authorised or issued share capital during the year under review.

4. 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 of directors may consider a special dividend, where appropriate. Depending on the perceived need to retain funds for expansion or operating purposes, the board of directors may pass on the payment of dividends.

Given the current state of the global economic environment, the board of directors believes that it would be more appropriate for the group to conserve cash and maintain adequate debt headroom to ensure that the group is best placed to withstand any prolonged adverse economic conditions. Therefore the board of directors has resolved not to declare a dividend for the financial year ended 31 August 2016.

5. Directorate

The directors in office at the date of this report are as follows:

Directors	Designation	
A Wolmarans	Executive	Resigned - 31 August 2016
C Ah Sing	Non-executive	
K Abdulla	Chairman and Executive	
C F Hendricks	Non-executive	
T Hove	Non-executive	
A B Amod	Non-executive	
N Gamieldien	Executive	

6. Interests in subsidiaries, associates and joint arrangements

Details of material interests in subsidiary companies, associates and joint arrangements are presented in the consolidated annual financial statements in notes 6, 7 and 8.

7. Holding company

The group's holding company is African Equity Empowerment Investments Limited. African Equity Empowerment Investments Limited is incorporated in South Africa, a company listed on the JSE.

8. Events after the reporting period

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

Directors' Report

9. Going concern

The directors believe that the group and company has adequate financial resources to continue in operation for the foreseeable future and accordingly the consolidated annual financial statements have been prepared on a going concern basis. The directors have satisfied themselves that the group is in a sound financial position and that it has access to sufficient borrowing facilities to meet its foreseeable cash requirements. The directors are not aware of any new material changes that may adversely impact the group. The directors are also not aware of any material non-compliance with statutory or regulatory requirements or of any pending changes to legislation which may affect the group.

10. Auditors

The appointment of auditors will be reviewed at the next annual general meeting.

11. Secretary

The company secretary is Ms. C F Hendricks.

Postal address	P.O. Box 181 Cape Town 8000
Business address	Quay 7 East Pier Victoria and Alfred Waterfront Cape Town 8001

Sekunjalo Technology Solutions Limited
(Registration number 1996/014461/06)
Annual Financial Statements for the year ended 31 August 2016

Statement of Financial Position as at 31 August 2016

		Group		Company	
Figures in Rand	Note(s)	2016	2015	2016	2015
Assets					
Non-Current Assets					
Property, plant and equipment	3	2,494,377	3,179,883	6,915	9,034
Goodwill	4	17,302,179	17,302,179	-	-
Intangible assets	5	2,180,746	2,067,549	-	-
Investments in subsidiaries	6	-	-	301,782,202	78,942,379
Investment in joint venture	7	32,669	32,669	-	-
Investments in associate	8	319,272	8,797	30	30
Loans to group companies	9	2,092,656	3,765,465	30,799	2,090,779
Loans to shareholders		-	36,427	-	-
Other financial assets	10	1,129,373	3,484,996	-	2,499,996
Deferred tax	11	11,066,549	3,703,599	-	-
		36,617,821	**33,581,564**	**301,819,946**	**83,542,218**
Current Assets					
Inventories	12	-	3,084,506	-	-
Trade and other receivables	13	32,412,131	58,998,757	6,167,135	3,865,483
Other financial assets	10	3,581,933	2,499	2,757,553	-
Current tax receivable		969,220	179,788	-	-
Cash and cash equivalents	14	33,561,766	22,185,700	112,738	633,491
		70,525,050	**84,451,250**	**9,037,426**	**4,498,974**
Total Assets		**107,142,871**	**118,032,814**	**310,857,372**	**88,041,192**
Equity and Liabilities					
Equity					
Attributable to Holders of Parent					
Share capital	15	168,828,087	168,828,087	168,828,087	168,828,087
Retained income		(169,577,318)	(198,887,324)	16,193,475	(160,688,894)
		(749,231)	(30,059,237)	185,021,562	8,139,193
Non-controlling interest		17,852,345	15,967,166	-	-
		17,103,114	**(14,092,071)**	**185,021,562**	**8,139,193**
Liabilities					
Non-Current Liabilities					
Loans from group companies	9	67,729,455	77,055,456	67,940,921	77,318,096
Other financial liabilities	16	277,431	281,760	-	-
Operating lease liability		528,044	519,514	-	-
Deferred tax	11	-	-	57,059,168	2,207,630
		68,534,930	**77,856,730**	**125,000,089**	**79,525,726**
Current Liabilities					
Trade and other payables	17	12,776,617	33,471,307	805,018	312,942
Loans from shareholders		3,200	6,650	-	-
Deferred income	18	1,186,060	10,474,141	-	-
Current tax payable		270,132	884,601	-	-
Provisions	19	7,268,818	9,431,456	30,703	63,331
		21,504,827	**54,268,155**	**835,721**	**376,273**
Total Liabilities		**90,039,757**	**132,124,885**	**125,835,810**	**79,901,999**
Total Equity and Liabilities		**107,142,871**	**118,032,814**	**310,857,372**	**88,041,192**

Statement of Comprehensive Income

		Group		Company	
Figures in Rand	Note(s)	2016	2015	2016	2015
Continuing operations					
Revenue	20	215,366,748	222,619,638	6,654,969	7,028,499
Cost of sales		(148,454,091)	(153,337,319)	-	-
Gross profit		**66,912,657**	**69,282,319**	**6,654,969**	**7,028,499**
Other income		3,385,300	2,825,993	3,069,834	978,197
Operating expenses		(42,839,327)	(47,301,315)	(6,551,504)	(5,334,296)
Operating profit	21	**27,458,630**	**24,806,997**	**3,173,299**	**2,672,400**
Investment revenue	22	3,431,211	1,812,486	5,071,976	5,366,260
Fair value adjustments	23	14,470	28,203	231,694,655	4,145,318
Income from equity accounted investments		310,475	8,767	-	-
Profit on sale of subsidiaries	24	11,168,929	-	-	-
Finance costs	25	(8,413,076)	(8,032,071)	(8,206,023)	(7,626,969)
Profit before taxation		**33,970,639**	**18,624,382**	**231,733,907**	**4,557,009**
Taxation	26	835,468	(6,667,651)	(54,851,538)	482,384
Profit from continuing operations		**34,806,107**	**11,956,731**	**176,882,369**	**5,039,393**
Discontinued operations					
Loss from discontinued operations	27	(1,488,645)	-	-	-
Profit for the year		**33,317,462**	**11,956,731**	**176,882,369**	**5,039,393**
Other comprehensive income		-	-	-	-
Total comprehensive income for the year		**33,317,462**	**11,956,731**	**176,882,369**	**5,039,393**
Total comprehensive income attributable to:					
Owners of the parent		29,310,006	7,539,261	176,882,369	5,039,393
Non-controlling interest		4,007,456	4,417,470	-	-
		33,317,462	**11,956,731**	**176,882,369**	**5,039,393**
Total comprehensive income attributable to:					
Owners of the parent		29,310,006	7,539,261	176,882,369	5,039,393
Non-controlling interest		4,007,456	4,417,470	-	-
		33,317,462	**11,956,731**	**176,882,369**	**5,039,393**

Statement of Changes in Equity

Figures in Rand	Share capital	Share premium	Total share capital	Retai inco
Group				
Balance at 01 September 2014	**808,607**	**168,019,480**	**168,828,087**	**(206,42**
Profit for the year	-	-	-	7,53
Other comprehensive income	-	-	-	
Total comprehensive income for the year	**-**	**-**	**-**	**7,53**
Dividends	-	-	-	
Total contributions by and distributions to owners of company recognised directly in equity	**-**	**-**	**-**	
Balance at 01 September 2015	**808,607**	**168,019,480**	**168,828,087**	**(198,88**
Profit for the year	-	-	-	29,31
Other comprehensive income	-	-	-	
Total comprehensive income for the year	**-**	**-**	**-**	**29,31**
Dividends	-	-	-	
Total contributions by and distributions to owners of company recognised directly in equity	**-**	**-**	**-**	
Balance at 31 August 2016	**808,607**	**168,019,480**	**168,828,087**	**(169,57**
Note	15	15	15	

Statement of Changes in Equity

Figures in Rand	Share capital	Share premium	Total share capital	Retai inco
Company				
Balance at 01 September 2014	**808,607**	**168,019,480**	**168,828,087**	**(165,7**
Profit for the year	-	-	-	5,0
Other comprehensive income	-	-	-	
Total comprehensive income for the year	**-**	**-**	**-**	**5,0**
Balance at 01 September 2015	**808,607**	**168,019,480**	**168,828,087**	**(160,6**
Profit for the year	-	-	-	176,8
Other comprehensive income	-	-	-	
Total comprehensive income for the year	**-**	**-**	**-**	**176,8**
Balance at 31 August 2016	**808,607**	**168,019,480**	**168,828,087**	**16,1**
Note	15	15	15	

Statement of Cash Flows

		Group		Company	
Figures in Rand	Note(s)	2016	2015	2016	2015
Cash flows from operating activities					
Cash receipts		253,991,657	215,433,458	12,002,878	8,012,208
Cash paid		(231,298,486)	(201,404,960)	(10,658,054)	(6,366,893)
Cash generated from operations	29	22,693,171	14,028,498	1,344,824	1,645,315
Interest income		(3,540,417)	1,812,486	794,250	195,011
Dividends received		-	-	4,277,726	5,171,249
Finance costs		(2,852,309)	(8,032,071)	(8,206,023)	(7,626,969)
Tax payment	32	(7,511,396)	(6,700,378)	-	-
Net cash from operating activities		**8,789,049**	**1,108,535**	**(1,789,223)**	**(615,394)**
Cash flows from investing activities					
Purchase of property, plant and equipment	3	(1,120,989)	(2,145,781)	-	-
Sale of property, plant and equipment	3	59,977	608,938	-	541,888
Purchase of other intangible assets	5	(1,487,687)	-	-	-
Expenditure on product development	5	(357,196)	(1,996,572)	-	-
Proceeds from disposal of subsidiary	24	207,280	-	8,854,831	-
Movement in loans to group companies repaid/(advanced)		-	(665,717)	1,713,917	(2,506,538)
Surplus funds invested with holding company		-	-	-	(647,914)
Movement in loans from group companies		6,466,325	2,399,233	(9,042,722)	3,047,958
(Purchase)/Sale of financial assets		(1,209,341)	(3,424,845)	-	-
Net cash from investing activities		**2,558,369**	**(5,224,744)**	**1,526,026**	**435,394**
Cash flows from financing activities					
Repayment of other financial liabilities		(4,329)	(185,089)	-	-
Movement in other financial assets		-	-	(257,557)	-
Repayment of shareholders loan		32,977	(40,160)	-	-
Finance lease payments		-	(622,031)	-	-
Acquisition of additional shares in joint venture		-	(32,669)	-	-
Net cash from financing activities		**28,648**	**(879,949)**	**(257,557)**	**-**
Total cash movement for the year		**11,376,066**	**(4,996,158)**	**(520,754)**	**(180,000)**
Cash at the beginning of the year		22,185,700	27,181,858	633,491	813,491
Total cash at end of the year	14	**33,561,766**	**22,185,700**	**112,737**	**633,491**

Accounting Policies

1. Presentation of Annual Financial Statements

The annual financial statements have been prepared in accordance with International Financial Reporting Standards, and the Companies Act of South Africa. The annual financial statements have been prepared on the historical cost basis, other than certain financial instruments which are carried at fair value, and incorporate the principal accounting policies set out below.The annual financial statements have been presented in South African Rands.

These accounting policies are consistent with the previous period.

Underlying concepts

The financial statements are prepared on the going concern basis, which assumes that the Group will continue in operation for the foreseeable future. The financial statements are prepared using the accrual accounting whereby the effects of transactions and other events are recognised when they occur, rather than when the cash is received or paid.

Assets and liabilities and income and expenses are not offset unless specifically permitted by an accounting standard.

Changes in accounting policies are accounted for in accordance with the transitional provisions in the standard. If no such guidance is given, they are applied retrospectively, unless it is impracticable to do so, in which case they are applied prospectively.

Changes in accounting estimates are recognised in profit and loss in the period they occur.

Prior period errors are retrospectively restated unless it is impracticable to do so, in which case they are applied prospectively.

1.1 Significant judgements

In preparing the annual financial statements, management is required to make estimates and assumptions that affect the amounts represented in the annual financial statements and related disclosures. Use of available information and the application of judgement is inherent in the formation of estimates. Actual results in the future could differ from these estimates which may be material to the annual financial statements. Significant judgements include:

- the fair values of financial assets and liabilities classified and accounted for in accordance with the policies set out below

- the estimation of the lives of property, plant and equipment is based on historic performance as well as expectations about future use of and therefore requires significant degree of judgement to be applied by management. These depreciation rates represents management's current best estimate of the useful lives of the assets.

Assets are subject to regular impairment reviews as required. Impairments are measured at the difference between the cost (or amortised cost) of a particular asset and the current fair value or recoverable amount. Impairments are recorded in the income statement in the period in which the occur. The group's policy in relation to impairment testing in respect of goodwill is detailed below.

Valuation method

An entity discounted cash flow (DCF) valuation technique is used for all unlisted investments that are held at fair value. Price/earnings are not as accurate and are thus only used as a secondary review.

Application of methodology

Free cash flow (FCF) forecasts are prepared year-by-year for a minimum of a three year period and for high-growth companies year-by-year forecasts for a period of five to ten years are prepared.

Accounting Policies

1.1 Significant judgements (continued)

Fair value estimation

The fair value of financial instruments that are not traded in an active market is determined by using valuation techniques. The group uses a variety of methods and makes assumptions that are based on market conditions existing at each balance sheet date. Discounted cash flows are used to determine fair value for the investments in subsidiary companies. The use of discounted cash flow analysis requires the estimation of a number of significant components, including the future expected cash flows, and the weighted average cost of capital used to perform the discounting. Many of these factors may have a material impact on the valuation.

Terminal value growth rates

When calculating the terminal value, growth rates in excess of the current inflation rate are not utilised. Real growth beyond ten years is not likely, and even if likely is difficult to forecast with any certainty. The growth rates used were between 4% and 10% for the group.

Terminal values

When calculating the terminal value, care is taken regarding the level of net capital investment assumed. This is assumed to be lower than during the specific forecast for high-growth companies. For mature, stable companies net capital investment during the specific forecast period and beyond is assumed to be the same.

Discount rates

Free cash flows are discounted at the group's weighted average cost of capital (WACC), being the weighted cost of equity as determined using the capital asset pricing model (CAPM) and the weighted after-tax cost of debt and/or any other non-equity form of financing. The discount rates used were between 15% and 35% within the divisions in the group.

Risk free rate

The risk free rate utilised is the yield on ten-year government bonds. These yields were obtained from the financial press at the time of preparing the valuations. Where no ten-year SA bonds are in issue, the nearest long term SA bond rate should be used. The risk free rate used was in the range of 7.5% and 9.5%.

Beta

The equally weighted average of the relevant industry betas are used.

The betas are calculated over a five-year period (where possible). This is assumed to provide a fair estimate of the group's recent market price. The beta used for the group was in the range of 0.5 and 1.5.

Market risk premium

A market risk premium was utilised in all valuations. The market risk premium used was in the range of 4% and 8%.

Value of equity

The value of equity will be equal to the free cash flow value of the entity, less the balance sheet values (at the valuation date) of debt and any other form of financing, plus cash on hand (per the balance sheet) which is in excess of normal working capital requirements.

Trade Receivables and Loans and Receivables

The group assesses its trade receivables and loans and receivables for impairment at each balance sheet date. In determining whether an impairment loss should be recorded in the income statement, the group makes judgements as to whether there is observable data indicating a measurable decrease in the estimated future cash flows from a financial asset.

The impairment for trade receivables and loans and receivables is calculated on a portfolio basis, based on historical loss ratios, adjusted for national and industry-specific economic conditions and other indicators present at the reporting date that correlate with defaults on the portfolio. These annual loss ratios are applied to loan balances in the portfolio and scaled to the estimated loss emergence period.

Accounting Policies

1.1 Significant judgements (continued)

Impairment testing

The recoverable amounts of cash-generating units and individual assets have been determined based on the higher of value-in-use calculations and fair values. These calculations require the use of estimates and assumptions. It is reasonably possible that the assumptions may change which may then impact our estimations and may then require a material adjustment to the carrying value of goodwill and tangible assets.

The group reviews and tests the carrying value of assets when events or changes in circumstances suggest that the carrying amount may not be recoverable. In addition, goodwill is tested on an annual basis for impairment. Assets are grouped at the lowest level for which identifiable cash flows are largely independent of cash flows of other assets and liabilities. If there are indications that impairment may have occurred, estimates are prepared of expected future cash flows for each group of assets. Expected future cash flows used to determine the value in use of goodwill and tangible assets are inherently uncertain and could materially change over time. They are significantly affected by a number of factors, together with economic factors.

Provisions

Provisions were raised and management determined an estimate based on the information available. Additional disclosure of these estimates of provisions are included in note 19 - Provisions.

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 audit 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 group 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 group to realise the net deferred tax assets recorded at the balance sheet date could be impacted.

1.2 Property, plant and equipment

The cost of an item of property, plant and equipment is recognised as an asset when:
- it is probable that future economic benefits associated with the item will flow to the company; and
- the cost of the item can be measured reliably.

Property, plant and equipment is initially measured at cost.

Costs include costs incurred initially to acquire or construct an item of property, plant and equipment and costs incurred subsequently to add to, replace part of, or service it. If a replacement cost is recognised in the carrying amount of an item of property, plant and equipment, the carrying amount of the replaced part is derecognised.

Property, plant and equipment is carried at cost less accumulated depreciation and any impairment losses.

The useful lives of items of property, plant and equipment have been assessed as follows:

Item	Average useful life
Plant and machinery	1 - 6 years
Furniture and fixtures	2 - 8 years
Motor vehicles	1 - 6 years
Office equipment	3 - 5 years
IT equipment	1 - 3 years
Computer software	2 - 4 years
Leasehold improvements	5 - 8 years

Accounting Policies

1.2 Property, plant and equipment (continued)

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

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

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

1.3 Goodwill

Goodwill is initially measured at cost, being the excess of the business combination over the company's interest of the net fair value of the identifiable assets, liabilities and contingent liabilities.

Subsequently goodwill is carried at cost less any accumulated impairment. Goodwill is tested for impairment annually and whenever there is an indication of impairment and is not amortised.

The excess of the company's interest in the net fair value of the identifiable assets, liabilities and contingent liabilities over the cost of the business combination is immediately recognised in profit or loss.

Internally generated goodwill is not recognised as an asset.

1.4 Intangible assets

An intangible asset is recognised when:
- 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 which are separately acquired are initially recognised at cost, being their purchase prices after adding any directly attributable costs of preparing the assets to be capable of operating in the manner intended by management.

Software development costs, which are generated internally, are measured at cost, being all directly attributable costs necessary to create, produce, and prepare the asset to be capable of operating in the manner intended by management, after taking into account any accumulated amortisation and accumulated impairment losses, where applicable.

An intangible asset arising from development (or from the development phase of an internal project) is recognised when:
- 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 available technical, financial and other resources to complete the development and to use or sell the asset.
- the expenditure attributable to the asset during its development can be measured reliably.

Amortisation is calculated on the straight line method at a rate considered appropriate to reduce the book value of the software development costs over their useful lives to their residual values.

The useful life of the billing system was assessed by management at year end. Based on the terms of the service contract to which the intangible relates, a notice period of 1 year is required to terminate the contract. As the contract has not been terminated, the intangible is assumed to have a carrying value of at least one more year.

Management has assessed that the useful life of the eCCR system will be 3 years.

Accounting Policies

1.5 Investments in subsidiaries

Company annual financial statements

In the company's separate annual financial statements, investments in subsidiaries are carried at fair value through profit or loss.

The cost of an investment in a subsidiary is the aggregate of:
- the fair value, at the date of exchange, of assets given, liabilities incurred or assumed, and equity instruments issued by the company; plus
- any costs directly attributable to the purchase of the subsidiary.

The fair value of the investments in subsidiaries is determined by using discounted cash flow analysis.

Group annual financial statements

The Group's annual financial statements include those of the holding company, its subsidiaries and joint ventures. The results of the subsidiaries are included from the effective date of acquisition.

On acquisition 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.

1.6 Financial instruments

Initial recognition

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

Financial assets and financial liabilities are recognised on the group's statement of financial position when the group becomes party to the contractual provisions of the instrument.

The group's principal financial assets are various investments, long term loans receivable, trade and other current receivables and bank and cash balances. The group's financial liabilities are long term interest bearing and non interest bearing loans payable and non trade and other payables.

Offsetting

Financial assets and financial liabilities are only offset if there is a legally enforceable right to off set the recognised amounts and there is an intention to either settle on a net basis or realise the asset and settle the liability simultaneously.

Subsequent measurement

Financial instruments at fair value through profit or loss are subsequently measured at fair value, with gains and losses arising from changes in fair value being included in profit or loss for the period.

Loans and receivables are subsequently measured at amortised cost, using the effective interest rate method, less accumulated impairment losses.

Gains and losses arising from changes in fair value are recognised directly in equity until the asset is disposed of or determined to be impaired. Interest on available for sale financial assets calculated using the effective interest rate method is recognised in profit or loss as part of other income. Dividends received on available-for-sale equity instruments are recognised in profit or loss as part of other income when the group's right to receive payment is established.

Financial liabilities at amortised cost are subsequently measured at amortised cost, using the effective interest rate method.

Derecognition

Financial assets are derecognised when the rights to receive cash flows from the investments have expired or have been transferred and the group has transferred substantially all risks and rewards of ownership.

Accounting Policies

1.6 Financial instruments (continued)

Impairment of financial assets

At each statement of financial position date the group assesses all financial assets, other than those at fair value through profit or loss, to determine whether there is objective evidence that a financial asset or group of financial assets has been impaired.

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 indicators of impairment.

Impairment losses are recognised in profit or loss.

Reversals of impairment losses are recognised in profit or loss.

Loans to (from) group companies

These include loans to and from holding companies, fellow subsidiaries, subsidiaries, joint ventures and associates and are recognised initially at fair value plus direct transaction costs.

Subsequently these loans are measured at amortised cost using the effective interest rate method, less any impairment loss recognised to reflect irrecoverable amounts.

Impairment losses are reversed in subsequent period when an increase in the loans recoverable amount can be related objectively to an event occurring after the impairment was recognised, subject to the restriction that the carrying amount of the loan at the date of impairment is reversed shall not exceed what the amortised cost would have been had the impairment not been recognised.

Loans from group companies are classified as financial liabilities measured at amortised cost.

Trade and other receivables

Trade receivables are measured at initial recognition at fair value and direct transaction costs, and are subsequently measured at amortised cost using the effective interest rate method. Appropriate allowances for estimated irrecoverable amounts are recognised in profit or loss when there is objective evidence that the asset is impaired. Significant financial difficulties of the debtor, probability that the debtor will enter bankruptcy or financial reorganisation, and default or delinquency in payments (more than 60 days overdue) are considered indicators that the trade receivable is impaired. The allowance recognised is measured as the difference between the asset's carrying amount and the present value of estimated future cash flows discounted at the effective interest rate computed at initial recognition.

The carrying amount of the asset is reduced through the use of an allowance account, and the amount of the loss is recognised in the income statement within operating expenses. When a trade receivable is uncollected, it is written off against the allowance account for trade receivables. Subsequent recoveries of amounts previously written off are credited against operating expenses in the income statement.

Trade and other receivables are classified as loans and receivables.

Accounting Policies

1.6 Financial instruments (continued)

Trade and other payables

Trade payables are initially measured at fair value, including any transaction costs that are directly attributable to the acquisition of these financial liabilities, and are subsequently measured at amortised cost, using the effective interest rate method. Any amortisation gains or losses on subsequent measurement are included in the calculation of net profit or loss for the period in which the change arises, while the net profit or loss for the period in which the relevant liability is derecognised is also adjusted.

Cash and cash equivalents

Cash and cash equivalents comprise cash on hand and demand deposits, and other short-term highly liquid investments that are readily convertible to a known amount of cash and are subject to an insignificant risk of changes in value. These are initially and subsequently recorded at fair value. The group does not assess these financial assets for impairment at every balance sheet date. All regular way purchases and sales are accounted for at trade date.

Bank overdraft and borrowings

Bank overdrafts and borrowings 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.

1.7 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 balance sheet date.

Current tax assets and liabilities are offset if, and only if, there is a legally enforceable right to set off the recognised amounts and there is an intention to settle on a net basis, or to realise the asset and settle the liability simultaneously.

Deferred tax assets and liabilities

A deferred tax liability is recognised for all taxable temporary differences, except to the extent that the deferred tax liability arises from the initial recognition of an asset or liability in a transaction which at the time of the transaction, affects neither accounting profit nor taxable profit (tax loss).

A deferred tax asset is recognised for all deductible temporary differences to the extent that it is probable that taxable profit will be available against which the deductible temporary difference can be utilised. A deferred tax asset is not recognised when it arises from the initial recognition of an asset or liability in a transaction at the time of the transaction, affects neither accounting profit nor taxable profit (tax loss).

A deferred tax asset is recognised for the carry forward of unused tax losses and unused STC credits to the extent that it is probable that future taxable profit will be available against which the unused tax losses and unused STC credits can be utilised.

Deferred tax assets and liabilities are measured at the tax rates that are expected to apply to the period when the asset is realised or the liability is settled, based on tax rates (and tax laws) that have been enacted or substantively enacted by the end of the reporting period.

Accounting Policies

1.7 Tax (continued)

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, to other comprehensive income, or
- a business combination.

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.

1.8 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.

Operating leases – lessee

Operating lease payments are recognised as an expense on a straight-line basis over the lease term. Any contingent rents are expensed in the period they are incurred.

1.9 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.

Accounting Policies

1.10 Impairment of 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.

Irrespective of whether there is any indication of impairment, the group also:
- tests intangible assets with an indefinite useful life or intangible assets not yet available for use for impairment annually by comparing its carrying amount with its recoverable amount. This impairment test is performed during the annual period and at the same time every period.
- tests goodwill acquired in a business combination for impairment annually.

If there is any indication that an asset may be impaired, the recoverable amount is estimated for the individual 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.

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. That reduction is an impairment loss.

An impairment loss of assets carried at cost less any accumulated depreciation or amortisation is recognised immediately in profit or loss. Any impairment loss of a revalued asset is treated as a revaluation decrease.

An entity assesses at each reporting date whether there is any indication that an impairment loss recognised in prior periods for assets other than goodwill 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 other than goodwill 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 amortisation other than goodwill is recognised immediately in profit or loss. Any reversal of an impairment loss of a revalued asset is treated as a revaluation increase.

1.11 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.

The amount of a provision is the present value of the expenditure expected to be required to settle the obligation.

Where some or all of the expenditure required to settle a provision is expected to be reimbursed by another party, the reimbursement shall be recognised when, and only when, it is virtually certain that reimbursement will be received if the entity settles the obligation. The reimbursement shall be treated as a separate asset. The amount recognised for the reimbursement shall not exceed the amount of the provision.

Provisions are not recognised for future operating losses.

If an entity has a contract that is onerous, the present obligation under the contract shall be recognised and measured as a provision.

Contingent assets and contingent liabilities are not recognised.

Accounting Policies

1.12 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.

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 of the expenses recognised that are recoverable.

Service revenue is recognised by reference to the stage of completion of the transaction at the end of the reporting period.

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.

Interest is recognised, in profit or loss, using the effective interest rate method.

Dividends are recognised, in profit or loss, when the company's right to receive payment has been established.

Service fees included in the price of the product are recognised as revenue over the period during which the service is performed.

1.13 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.

1.14 Borrowing costs

Borrowing costs are recognised as an expense in the period in which they are incurred.

1.15 Translation of foreign currencies

Foreign currency transactions

A foreign currency transaction is recorded, on initial recognition in Rands, by applying to the foreign currency amount the spot exchange rate between the functional currency and the foreign currency at the date of the transaction.

At the end of the reporting period:

- foreign currency monetary items are translated using the closing rate;
- non-monetary items that are measured in terms of historical cost in a foreign currency are translated using the exchange rate at the date of the transaction; and
- non-monetary items that are measured at fair value in a foreign currency are translated using the exchange rates at the date when the fair value was determined.

Accounting Policies

1.15 Translation of foreign currencies (continued)

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 annual financial statements are recognised in profit or loss in the period in which they arise.

Cash flows arising from transactions in a foreign currency are recorded in Rands by applying to the foreign currency amount the exchange rate between the Rand and the foreign currency at the date of the cash flow.

1.16 Consolidation

Basis of consolidation

The consolidated annual financial statements incorporate the annual financial statements of the group and all investees which are controlled by the group.

The Group has control of an investee when it has power over the investee; it is exposed to or has rights to variable returns from involvement with the investee; and it has the ability to use its power over the investee to affect the amount of the investor's returns.

The results of subsidiaries are included in the consolidated annual financial statements from the effective date of acquisition to the effective date of disposal.

Adjustments are made when necessary to the annual financial statements of subsidiaries to bring their accounting policies in line with those of the group.

All intra-group transactions, balances, income and expenses are eliminated in full on consolidation.

Non-controlling interests in the net assets of consolidated subsidiaries are identified and recognised separately from the Group's interest therein, and are recognised within equity. Losses of subsidiaries attributable to non-controlling interests are allocated to the non-controlling interest even if this results in a debit balance being recognised for non-controlling interest.

Transactions which result in changes in ownership levels, where the Group has control of the subsidiary both before and after the transaction are regarded as equity transactions and are recognised directly in the statement of changes in equity.

The difference between the fair value of consideration paid or received and the movement in non-controlling interest for such transactions is recognised in equity attributable to the owners of the parent.

Where a subsidiary is disposed of and a non-controlling shareholding is retained, the remaining investment is measured to fair value with the adjustment to fair value recognised in profit or loss as part of the gain or loss on disposal of the controlling interest.

1.17 Joint arrangements

Company annual financial statements

Joint ventures

An investment in a joint venture is carried at cost less any accumulated impairment.

Joint operations

The group recognises the following in relation to its interests in joint operations:

- the profits accumulated from the joint venture on an equity basis as a single line item on the statement of financial position.

1.18 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.

2. New standards and interpretations

There are no IFRS's or IFRIC interpretations that are effective for the first time for the financial year that have a material impact on the company.

2.1 Standards and interpretations not yet effective

The directors anticipate that the adoption of these Standards and Interpretations in future periods will have no material impact on the financial statements of the company.

Standard	Details of Amendment	Annual periods beginning on or after
IFRS 5 Non-current Assets Held for Sale and Discontinued Operations	Annual Improvements 2012 – 2014 Cycle: Amends IFRS 5 to clarify that when an entity reclassifies an asset (or disposal group) directly from being held for sale to being held for distribution (or vice-versa), the accounting guidance in paragraphs 27-29 of IFRS 5 does not apply. The amendments also state that when an entity determines that the asset (or disposal group) is no longer available for immediate distribution or that the distribution is no longer highly probable, it should cease held-for-distribution accounting and apply the guidance in paragraphs 27-29	1 July 2016
IFRS 7 Financial Instruments: Disclosures	Annual Improvements 2012 – 2014 Cycle: The amendments provide additional guidance to help entities identify the circumstances under which a servicing contract is considered to be 'continuing involvement' for the purposes of applying the disclosure requirements in paragraphs 42E - 42H of IFRS 7. Such circumstances commonly arise when, for example, the servicing fee is dependent on the amount or turning of the cash flows collected from the transferred financial asset or when a fixed fee is not paid in full due to non-performance of that asset. Annual Improvements 2012 – 2014 Cycle: These amendments clarify that the additional disclosure required by the recent amendments to IFRS 7 Disclosure--Offsetting Financial Assets and Financial Liabilities is not specifically required for all interim periods. However, the additional disclosure is required to be given in condensed interim financial statements that are prepared in accordance with IAS 34 Interim Financial Reporting when its inclusion would be necessary in order to meet the general principles of IAS 34.	1 July 2016

Notes to the Annual Financial Statements

	Group		Company	
Figures in Rand	2016	2015	2016	2015

2. New standards and interpretations (continued)

IFRS 9 Financial Instruments	IFRS 9 'Financial Instruments (2014)' replaces IAS 39 'Financial Instruments: Recognition and Measurement'	1 January 2018
IFRS 10 Consolidated Financial Statements	Amendments to address an acknowledged inconsistency between the requirements in IFRS 10 'Consolidated Financial Statements' and those in IAS 28 (2011) 'Investments in Associates' in dealing with the sale or contribution of a subsidiary Amendments confirming that the IFRS 10.4(a) consolidation exemption is also available to parent entities which are subsidiaries of investment entities where the investment entity measures its investments at fair value in terms of IFRS 10.31 Amendments modifying IFRS 10.32 to state that the consolidation requirement only applies to subsidiaries who are not themselves investment entities and whose main purpose is to provide services which relate to the investment entity's investment activities. Amendments providing relief to non-investment entity investors in associates or joint ventures that are investment entities by allowing the non-investment entity investor to retain, when applying the equity method, the fair value measurement applied by the investment entity associates or joint ventures to their interests in subsidiaries.	1 January 2016
IFRS 11 Joint arrangements	Amendments to provide guidance on the accounting for the acquisition of an interest in a joint operation in which the activity of the joint operation constitutes a business.	1 January 2016
IFRS 15 Revenue from Contracts with Customers	New guidance on recognition of revenue that requires recognition of revenue in a manner that depicts the transfer of goods or services to customers at an amount that reflects the consideration the entity expects to be entitled to in exchange for those goods or services.	1 January 2018

Notes to the Annual Financial Statements

	Group		Company	
Figures in Rand	2016	2015	2016	2015

2. New standards and interpretations (continued)

IFRS 16 Leases	IFRS 16 will require lessees to account for leases "on-balance-sheet' by recognising a 'right-of-use' asset and a lease liability. IFRS 16 also: - Changes the definition of a lease -Set requirements on how to account for the asset and liability, including complexities such as non-lease elements, variable lease payments and option periods. - provides exemptions for short-term leases and leases of low value assets. - Changes the accounting for sale and leaseback arrangements - Largely retains IAS 17's approach to lessor accounting. - Introduces new disclosure requirements.	1 January 2016
IAS 1 Presentation of Financial Statements	Amendments clarifying IAS 1's specified line items on the statement(s) of profit and loss and other comprehensive income and the statement of financial position can be disaggregated. Additional requirements of how entities should present subtotals in the statement(s) of profit or loss and other comprehensive income and the statement of financial position. Clarification that entities have flexibility as to the order in which they present their notes to the financial statements, but also emphasising the need to consider fundamental principles of comparability and understandability in determining the order.	1 January 2016
IAS 16 Property, Plant and Equipment	Amendments to prohibit the use of a revenue-based depreciation method for property, plant and equipment, as well as guidance in the application of the diminishing balance method for property, plant and equipment. Amendments specifying that because the operation of bearer plants is similar in nature to manufacturing, they should be accounted for under IAS 16 rather than IAS 41. The produce growing on the bearer plants will continue to be within the scope of IAS 41.	1 January 2016
IAS 27 Consolidated and Separate Financial Statements	Amendments to introducing a third option which allows entities to account for investments in subsidiaries, joint ventures and associates under the equity method in their separate financial statements.	1 January 2016

Notes to the Annual Financial Statements

	Group		Company	
Figures in Rand	2016	2015	2016	2015

2. New standards and interpretations (continued)

IAS 28 Investments in Associates	Amendments to address an acknowledged inconsistency between the requirements in IFRS 10 'Consolidated Financial Statements' and those in IAS 28 (2011) 'Investments in Associates' in dealing with the sale or contribution of a subsidiary. In addition IAS 28 (2011) has been amended to clarify that when determining whether assets that are sold or contributed constitute a business, an entity shall consider whether the sale or contribution of those assets is part of multiple arrangements that should be accounted for as a single transaction.	1 January 2016
IAS 38 Intangible Assets	Amendments present a rebuttable presumption that a revenue-based amortisation method for intangible assets is inappropriate except in two limited circumstances, as well as provide guidance in the application of the diminishing balance method for intangible assets.	1 January 2016

There are Standards and Interpretations in issue that are not yet effective. The directors have considered all of these Standards and Interpretations and found none to be applicable to the business of the company and therefore expect none to have a significant impact on future financial statements.

3. Property, plant and equipment

Group	2016			2015		
	Cost	Accumulated depreciation	Carrying value	Cost	Accumulated depreciation	Carrying value
Furniture and fixtures	926,641	(779,639)	147,002	921,028	(697,952)	223,076
Office equipment	485,548	(377,614)	107,934	409,149	(328,942)	80,207
IT equipment	3,937,636	(3,043,645)	893,991	5,862,040	(4,913,842)	948,198
Computer software	1,829,524	(1,053,556)	775,968	1,521,255	(365,012)	1,156,243
Leasehold improvements	1,722,446	(1,152,964)	569,482	1,673,466	(901,307)	772,159
Total	**8,901,795**	**(6,407,418)**	**2,494,377**	**10,386,938**	**(7,207,055)**	**3,179,883**

Company	2016			2015		
	Cost	Accumulated depreciation	Carrying value	Cost	Accumulated depreciation	Carrying value
Furniture and fixtures	162,694	(155,779)	6,915	162,694	(153,660)	9,034
Office equipment	6,489	(6,489)	-	6,489	(6,489)	-
IT equipment	263,482	(263,482)	-	263,482	(263,482)	-
Total	**432,665**	**(425,750)**	**6,915**	**432,665**	**(423,631)**	**9,034**

3. Property, plant and equipment (continued)

Reconciliation of property, plant and equipment - Group - 2016

	Opening balance	Additions	Dispo
Plant and machinery	-	17,860	
Furniture and fixtures	223,076	19,572	
Office equipment	80,207	76,398	
IT equipment	948,198	602,210	(2
Computer software	1,156,243	355,969	(4
Leasehold improvements	772,159	48,980	
	3,179,883	**1,120,989**	**(7**

Reconciliation of property, plant and equipment - Group - 2015

	Opening balance	Additi
Furniture and fixtures	323,638	7
Office equipment	127,647	
IT equipment	962,857	63
Computer software	162,706	1,13
Leasehold improvements	850,730	30
	2,427,578	**2,14**

3. Property, plant and equipment (continued)

Reconciliation of property, plant and equipment - Company - 2016

	Opening balance	Depreciation	Total
Furniture and fixtures	9,034	(2,119)	6,915

Reconciliation of property, plant and equipment - Company - 2015

	Opening balance	Depreciation	Total
Furniture and fixtures	11,153	(2,119)	9,034
IT equipment	18	(18)	-
	11,171	**(2,137)**	**9,034**

A register containing the information required by Regulation 25(3) of the Companies Regulations, 2011 is available for inspection at the registered office of the company.

4. Goodwill

Group	2016			2015		
	Cost	Accumulated impairment	Carrying value	Cost	Accumulated impairment	Carrying value
Goodwill	17,682,873	(380,694)	17,302,179	17,682,873	(380,694)	17,302,179

Reconciliation of goodwill - Group - 2016

	Opening balance	Total
Goodwill	17,302,179	17,302,179

Reconciliation of goodwill - Group - 2015

	Opening balance	Total
Goodwill	17,302,179	17,302,179

Notes to the Annual Financial Statements

	Group		Company	
Figures in Rand	2016	2015	2016	2015

4. Goodwill (continued)

Other information

Goodwill relates to the group's interest in Health System Technologies Proprietary Limited and the Saratoga Software Proprietary Limited Group. The group performs an annual valuation for purposes of valuing the shares in its investments. The valuation method is the basis for valuing the goodwill which is allocated to Health System Technologies Proprietary Limited and the Saratoga Software Proprietary Limited Group as cash generating units (CGU).

The value of the CGU to which the goodwill was allocated has been determined based on the value in use calculations using management generated cash flows projections. The carrying value has been calculated to be more than the recoverable amount and therefore no impairment has been recognised.

The following significant assumptions were used:

Number of years of cashflows:	5 - 7years
Terminal growth rate	4 - 6%
Beta	1.5
Specific risk premium (in %):	1 - 5%

Goodwill acquired through business combinations has been allocated to individual cash-generating units for impairment testing as follows:

Investment in Health System Technologies	R 2,157,275
Investment in Saratoga Software Group	R 3,784,331
Investment in Saratoga Software subsidiaries	R 11,360,573

5. Intangible assets

Group	2016			2015		
	Cost	Accumulated amortisation	Carrying value	Cost	Accumulated amortisation	Carrying value
Billing system	8,818,908	(8,747,931)	70,977	8,818,908	(8,747,931)	70,977
eCCR System	2,487,439	(377,670)	2,109,769	1,996,572	-	1,996,572
Total	**11,306,347**	**(9,125,601)**	**2,180,746**	**10,815,480**	**(8,747,931)**	**2,067,549**

Reconciliation of intangible assets - Group - 2016

	Opening balance	Additions	Internally generated	Disposals through sale of subsidiary	Amortisation	Total
Patents and trademarks	-	1,354,016	-	(1,354,016)	-	-
Billing system	70,977	-	-	-	-	70,977
eCCR System	1,996,572	133,671	357,196	-	(377,670)	2,109,769
	2,067,549	**1,487,687**	**357,196**	**(1,354,016)**	**(377,670)**	**2,180,746**

Reconciliation of intangible assets - Group - 2015

	Opening balance	Internally generated	Total
Billing system	70,977	-	70,977
eCCR System	-	1,996,572	1,996,572
	70,977	**1,996,572**	**2,067,549**

Notes to the Annual Financial Statements

	Group		Company	
Figures in Rand	2016	2015	2016	2015

5. Intangible assets (continued)

Other information

The useful life of the intangible assets were assessed by management at year end.

Based on the terms of the service contract to which the billing system relates, a notice period of 1 year is required to terminate the contract. As the contract has not been terminated, the billing system is assumed to have a carrying value of at least one more year.

The eCCR system was internally developed and phase 1 was completed during the year. The product went live on 01 March 2016. Phase 2 will begin in October 2016 which entails further development of the product. Management has assessed that the eCCR system has a useful life of 3 years.

There are no research and development expenses recognised as an expense in the current year.

6. Investments in subsidiaries

The following table lists the entities which are controlled by the group, either directly or indirectly through subsidiaries.

Company

Name of company	Held by	% holding 2016	% holding 2015	Carrying amount 2016	Carrying amount 2015
Sekunjalo Medical Services Proprietary Limited	Sekunjalo Technology Solutions Limited	100.00 %	100.00 %	279,196,674	59,847,525
Saratoga Software Proprietary Limited	Sekunjalo Technology Solutions Limited	42.59 %	42.59 %	22,585,528	10,240,023
Wynberg Pharmaceuticals Proprietary Limited	Sekunjalo Technology Solutions Limited	- %	100.00 %	-	8,854,831
Sekunjalo Health and Medical Commodities Proprietary Limited	Sekunjalo Technology Solutions Limited	- %	100.00 %	-	-
				301,782,202	78,942,379

Subsidiaries for which control was lost during the year

The group disposed of its interest in Wynberg Pharmaceuticals Proprietary Limited and Sekunjalo Health and Medical Commodities Proprietary Limited as at 31 August 2016.

Notes to the Annual Financial Statements

	Group		Company	
Figures in Rand	2016	2015	2016	2015

6. Investments in subsidiaries (continued)

Subsidiaries with material non-controlling interests

The following information is provided for subsidiaries with non-controlling interests which are material to the reporting company. The summarised financial information is provided prior to intercompany eliminations.

Subsidiary	Country of incorporation	% Ownership interest held by non-controlling interest 2016	2015
Saratoga Software Proprietary Limited Group	Saratoga Software Proprietary Limited Group	42.59%	42.59%

Summarised statement of financial position

	Saratoga Software Proprietary Limited Group 2016	2015
Assets		
Non-current assets	13,989,625	14,196,727
Current assets	28,402,620	26,835,657
	42,392,245	41,032,384
Liabilities		
Non-current liabilities	805,475	801,274
Current liabilities	12,382,519	14,208,376
	13,187,994	15,009,650
Total net assets	29,204,251	26,022,734
Carrying amount of non-controlling interest	17,852,345	15,967,166

Summarised statement of comprehensive income

	Saratoga Software Proprietary Limited Group 2016	2015
Revenue	117,324,532	112,505,977
Other income and expenses	(110,664,356)	(105,654,179)
Operating profit/(loss)	6,660,176	6,851,798
Profit (loss)	6,660,176	6,851,798
Total comprehensive income	6,660,176	6,851,798

Notes to the Annual Financial Statements

	Group		Company	
Figures in Rand	2016	2015	2016	2015

6. Investments in subsidiaries (continued)

Summarised statement of cash flows

	Saratoga Software Proprietary Limited Group	
	2016	2015
Cash flows from operating activities	4,222,913	419,720
Cash flows from investing activities	(279,783)	(966,396)
Cash flows from financing activities	(4,117,902)	(2,843,547)
Net increase(decrease) in cash and cash equivalents	(174,772)	(3,390,223)

7. Joint arrangements

Joint ventures

The following table lists all of the joint ventures in the group:

Group

Name of company	Held by	% ownership interest	% ownership interest	Carrying amount	Carrying amount
		2016	2015	2016	2015
Exaro HST Proprietary Limited	Health System Technologies Proprietary Limited	50.00 %	50.00 %	32,669	32,669

Exaro HST Limited is a jointly controlled entity and is incorporated and operates principally in West Africa. The investment in the joint venture is measured using the equity method.

7. Joint arrangements (continued)

Summarised financial information of material joint ventures

Summarised Statement of Comprehensive Income	Exaro HST Limited	
	2016	2015
Depreciation and amortisation	(62,662)	(62,535)
Other income and expenses	(3,409,873)	(921,930)
Profit before tax	(3,472,535)	(984,465)
Profit (loss) from continuing operations	(3,472,535)	(984,465)
Total comprehensive income	(3,472,535)	(984,465)

Summarised Statement of Financial Position	Exaro HST Limited	
	2016	2015
Assets		
Non current	2,288,209	310,659
Current		
Cash and cash equivalents	49,862	33,333
Total current assets	49,862	33,333
Liabilities		
Current		
Current financial liabilities (excluding trade payables and provisions)	7,008,240	923,929
Total current liabilities	7,008,240	923,929
Total net assets	(4,670,169)	(579,937)
Reconciliation of net assets to equity accounted investments in joint ventures		
Interest in joint venture at percentage ownership	32,669	32,669
Carrying value of investment in joint venture	32,669	32,669
Investment at beginning of period	32,669	-
Acquisitions	-	32,669
Investment at end of period	32,669	32,669

Restrictions relating to joint ventures

There are currently no restrictions relating to the joint ventures.

Unrecognised losses

The company has not recognised its share of the losses of Exaro HST Limited as the company has no obligation for any losses of the joint venture.

The total unrecognised losses for the current year amount to R4,670,169. The accumulated unrecognised losses for the current period amount to R 5,250,106 (2015: R 579,937)

Notes to the Annual Financial Statements

	Group		Company	
Figures in Rand	2016	2015	2016	2015

8. Investments in associate

The following table lists all of the associates in the group:

Group

Name of company	% ownership interest 2016	% ownership interest 2015	Carrying amount 2016	Carrying amount 2015
Emergent Energy Proprietary Limited	33.00 %	33.00 %	319,272	8,797

Company

Name of company	Held by	% ownership interest 2016	% ownership interest 2015	Carrying amount 2016	Carrying amount 2015
Emergent Energy Proprietary Limited	Sekunjalo Technology Solutions Limited	33.00 %	33.00 %	30	30

Summarised financial information of material associates

Summarised Statement of Comprehensive Income	Emergent Energy Proprietary Limited	
	2016	2015
Revenue	25,010,521	18,959,801
Other income and expenses	(24,069,689)	(17,787,519)
Profit (loss) from continuing operations	940,832	1,172,282
Total comprehensive income	940,832	1,172,282

Summarised Statement of Financial Position	Emergent Energy Proprietary Limited	
	2016	2015
Assets		
Non current	257,452	1,329,389
Current	8,128,359	10,559,531
Total assets	8,385,811	11,888,920
Liabilities		
Non current	-	970,837
Current	6,096,109	9,569,213
Total liabilities	6,096,109	10,540,050
Total net assets	2,289,702	1,348,870

Emergent Energy Proprietary Limited is a company incorporated and operates principally in South Africa. The investment in the associate is measured using the equity method. No active market exists for this investment. The summarised information presented above reflects the financial statements of the associates.

	Group		Company	
Figures in Rand	2016	2015	2016	2015

8. Investments in associate (continued)

Restrictions relating to associates

There are currently no restrictions relating to the associate.

9. Loans to (from) group companies

Subsidiaries

Wynberg Pharmaceuticals Proprietary Limited	-	-	-	2,067,081
Sekunjalo Medical Services Proprietary Limited	-	-	30,799	23,698
Sekunjalo Health and Medical Commodities Proprietary Limited	-	-	-	74,001
Sekunjalo Health and Medical Commodities Proprietary Limited	-	-	(212,228)	(23,276)
Wynberg Pharmaceuticals Proprietary Limited	-	-	-	(334,453)
	-	-	(181,429)	1,807,051
Impairment of loans to subsidiaries	-	-	-	(408,452)
	-	**-**	**(181,429)**	**1,398,599**

The company has granted the unconditional right to defer payment of the outstanding amount for at least 12 months. The carrying amount of the above loans approximate their fair value. As the above loans have no repayment terms, they are not considered to be past due.

Sekunjalo Technology Solutions Limited has agreed to subordinate loans to certain group companies until such time as the subsidiaries assets, fairly valued, exceed their liabilities.

The subordinations are as follows:

Wynberg Pharmaceuticals Proprietary Limited	-	-	-	2,067,081
Sekunjalo Health and Medical Commodities Proprietary Limited	-	-	-	74,001
Sekpharma Proprietary Limited	-	15,111,248	-	15,111,248
Sekunjalo Medical Services Proprietary Limited	-	-	30,799	23,698
	-	**15,111,248**	**30,799**	**17,276,028**

Joint ventures

Digital Health Africa Proprietary Limited The loan is unsecured, bears no interest and has no repayment terms.	8,299	-	-	-

Holding company

African Equity Empowerment Investments Limited The loan is unsecured with no fixed terms of repayment. Interest is charged at prime plus 3%.	(67,610,129)	(76,960,783)	(67,610,129)	(76,960,367)
African Equity Empowerment Investments Limited The loan is unsecured and interest is charged at prime overdraft rate. There are no fixed terms of repayment.	2,084,357	3,671,656	-	-
	(65,525,772)	**(73,289,127)**	**(67,610,129)**	**(76,960,367)**

Notes to the Annual Financial Statements

	Group		Company	
Figures in Rand	2016	2015	2016	2015

9. Loans to (from) group companies (continued)

The above loans payable have been subordinated in favour of other creditors, until the assets of the group and the company, fair valued, exceed the liabilities.The company has granted the unconditional right to defer payment of the outstanding amount for at least 12 months.

Fellow subsidiaries

Sekpharma Proprietary Limited The loan is unsecured and has no fixed term of repayment. Interest is charged at prime rate plus 3%.	(118,564)	15,111,248	(118,564)	15,111,248
Saratoga Private Equity Proprietary Limited The loan is unsecured, bears no interest and repayable on demand.	(762)	(862)	-	-
	(119,326)	15,110,386	(118,564)	15,111,248
Impairment of loans to fellow subsidiaries	-	(15,111,248)	-	(15,111,248)
	(119,326)	**(862)**	**(118,564)**	**-**

Non-current assets	2,092,656	3,765,465	30,799	2,090,779
Non-current liabilities	(67,729,455)	(77,055,456)	(67,940,921)	(77,318,096)
	(65,636,799)	**(73,289,991)**	**(67,910,122)**	**(75,227,317)**

Credit quality of loans to group companies

The credit quality of loans to group companies that are neither past due nor impaired can be assessed by reference to historical information about counterparty default rates.

10. Other financial assets

At fair value through profit or loss - designated				
Cadiz Life Investment Enterprise Development Fund The fund is an innovative new investment whereby corporate clients can now earn the required Enterprise Development points in terms of the DTI scorecard, and at the same time earn real returns from a once-off investment.	1,129,373	985,000	-	-
Held to maturity				
Forward exchange contract A six month forward exchange contracts was entered into which expires on 17 February 2017 to purchase $ 75,324.83 at an exchange rate of 14.0825.	29,544	-	-	-

Notes to the Annual Financial Statements

	Group		Company	
Figures in Rand	2016	2015	2016	2015

10. Other financial assets (continued)

Loans and receivables				
SA Components Close Corporation The receivable is for plant and equipment sold to SA Components and is payable in January 2017.	2,757,553	2,499,996	2,757,553	2,499,996
Kudakwashe Kandemiiri The above loan is unsecured, bears no interest and has no fixed repayment terms.	3,468	-	-	-
Afrozaar Limited (UK) The above loan is unsecured, bears no interest and has no fixed repayment terms	30,072	-	-	-
Ragna CC The above loan is unsecured, bears no interest and has no fixed repayment terms.	760,646	-	-	-
SAEBEX Proprietary Limited The above loan is unsecured, bears no interest and is repayable on demand.	650	2,499	-	-
	3,552,389	**2,502,495**	**2,757,553**	**2,499,996**
Total other financial assets	**4,711,306**	**3,487,495**	**2,757,553**	**2,499,996**
Non-current assets				
At fair value through profit or loss - designated	1,129,373	985,000	-	-
Loans and receivables	-	2,499,996	-	2,499,996
	1,129,373	**3,484,996**	**-**	**2,499,996**
Current assets				
Held to maturity	29,544	-	-	-
Loans and receivables	3,552,389	2,499	2,757,553	-
	3,581,933	**2,499**	**2,757,553**	**-**
	4,711,306	**3,487,495**	**2,757,553**	**2,499,996**

The fair values of the financial assets were determined as follows:

- The fair values of listed or quoted investments are based on the quoted market price.
- The fair values on investments not listed or quoted are estimated using the discounted cash flow analysis.

Fair values are determined annually at balance sheet date.

For debt securities classified as at fair value through profit or loss, the maximum exposure to credit risk at the reporting date is the carrying amount.

The group has not reclassified any financial assets from cost or amortised cost to fair value, or from fair value to cost or amortised cost during the current or prior year.

There were no gains or losses resalised on the disposal of held to maturity financial assets in 2016 and 2015, as all the financial assets were disposed of at their redemption date.

The group has not reclassified any financial assets from cost or amortised cost to fair value, or from fair value to cost or amortised cost during the current or prior year.

Notes to the Annual Financial Statements

	Group		Company	
Figures in Rand	2016	2015	2016	2015

10. Other financial assets (continued)

There were no gains or losses realised on the disposal of held to maturity financial assets in 2016 and 2015, as all the financial assets were disposed of at their redemption date.

11. Deferred tax

Deferred tax asset/(liability)

Provision for doubtful debts	1,122,211	578,006	-	(12,827,786)
Provisions	2,287,397	2,295,765	8,597	-
Tax losses available for set off against future taxable income	8,110,112	-	8,110,112	-
Fixed assets	(1,936)	-	(1,936)	-
Intangibles	(72,748)	80,906	-	-
Prepaid expenses	(589,476)	(833,691)	-	-
Income received in advance	210,990	1,582,613	-	-
Investment in subsidiaries	-	-	(65,175,941)	10,620,156
Total deferred tax liability	**11,066,550**	**3,703,599**	**(57,059,168)**	**(2,207,630)**

Deferred tax liability	(664,160)	(833,692)	(65,177,877)	(12,827,786)
Deferred tax asset	11,730,710	4,537,291	8,118,709	10,620,156
Total net deferred tax asset (liability)	**11,066,550**	**3,703,599**	**(57,059,168)**	**(2,207,630)**

Reconciliation of deferred tax asset / (liability)

At beginning of year	3,703,600	4,378,932	(2,207,630)	(2,690,014)
Increase/(Decrease) in tax losses available for set off against future taxable income	8,110,112	(17,128)	8,110,112	1,257,485
Fixed assets	-	-	(1,936)	-
Reversing temporary difference on intangibles	(153,654)	(559,040)	-	-
Originating temporary difference on provisions	(10,304)	(383,380)	8,597	2,076
Fair value of subsidiary	-	-	(75,796,097)	(773,793)
Income received in advance	(1,371,624)	(403,591)	-	-
Prepayments	244,215	109,801	-	(3,384)
Provision for bad debts	544,205	578,006	12,827,786	-
	11,066,550	**3,703,600**	**(57,059,168)**	**(2,207,630)**

12. Inventories

Raw materials, components	-	2,572,962	-	-
Work in progress	-	78,650	-	-
Finished goods	-	432,894	-	-
	-	**3,084,506**	**-**	**-**

13. Trade and other receivables

Trade receivables	24,420,742	52,268,498	6,167,135	3,859,170
Staff loans	93,192	-	-	-
Prepayments	2,105,271	3,895,028	-	-
Deposits	724,872	504,678	-	-
VAT	-	6,694	-	6,313
Accrued income	5,068,054	2,323,859	-	-
	32,412,131	**58,998,757**	**6,167,135**	**3,865,483**

Notes to the Annual Financial Statements

	Group		Company	
Figures in Rand	2016	2015	2016	2015

13. Trade and other receivables (continued)

Of the trade receivables balance at the end of the year, R 12,740,540 (2015: R 33,001,039) is due from three of the group's largest customers in the Information Technology sector.

The credit quality of trade and other receivables that are neither past due nor impaired can be assessed by reference to external credit ratings (if available) or to historical information about counterparty default rates. The average credit period on sales of merchandise goods is 30 days from anniversary date and statement date. No interest has been charged on trade receivables for amounts outstanding longer than the credit period.

Trade and other receivables past due but not impaired

Trade and other receivables which are less than 3 months past due are not considered to be impaired. At 31 August 2016, R 7,350,015 (2015: R 19,782,055) were past due but not impaired. The group has not provided for these debtors as there has not been significant change in credit quality and the amount is still considered recoverable. The group does not hold any collateral over these balances. The receivables past due is considered more than 60 days.

The ageing of amounts past due but not impaired are as follows:

Health Care Segment				
3 months past due	-	973,213	-	-
Information Technology Segment				
1 month past due	5,083,140	9,908,179	-	-
2 months past due	1,854,315	7,972,617	-	-
3 months past due	412,560	928,046	-	-
	7,350,015	**19,782,055**	-	-

Trade and other receivables impaired

As of 31 August 2016, trade and other receivables of the group of R 5,071,448 (2015: R 3,688,788) were impaired and provided for.

In determining the recoverability of a trade receivable, the group considers any change in the credit quality of the trade receivable from the date credit was initially granted up to the reporting date.

Reconciliation of provision for impairment of trade and other receivables

Opening balance	3,688,788	1,294,522	1,273,844	1,273,844
Provision for impairment	5,071,448	2,394,266	-	-
Unused amounts reversed	(3,688,788)	-	-	-
	5,071,448	**3,688,788**	**1,273,844**	**1,273,844**

Fair value of trade and other receivables
The fair value of trade and other receivables approximates their carrying value due to the short-term nature

14. Cash and cash equivalents

Cash and cash equivalents consist of:

Cash on hand	63,330	628,792	54,290	616,305
Bank balances	33,498,436	21,545,908	58,448	17,186
Other cash and cash equivalents	-	11,000	-	-
	33,561,766	**22,185,700**	**112,738**	**633,491**

Notes to the Annual Financial Statements

	Group		Company	
Figures in Rand	2016	2015	2016	2015

14. Cash and cash equivalents (continued)

The bank overdraft is with ABSA Bank Limited and is secured with unlimited cross suretyship between African Equity Empowerment Investments Limited, Health System Technologies Proprietary Limited and Premier Fishing SA Proprietary Limited supported by cession of loan accounts.

The following facilities are also held with ABSA Bank Limited
Primary Lending = R 5,000,000
Term Loan = R 5,800,000
Credit card = R 202,000
Forward Exchange Contracts (Nominal Value) = R 10,000,000
Foreign exchange settlement = R 5,000,000

15. Share capital

Authorised				
500 000 Ordinary shares of R 0.004 each	2,000	2,000	2,000	2,000
300 000 000 "N" Ordinary shares of R 0.004 each	1,200,000	1,200,000	1,200,000	1,200,000
50 000 Redeemable Preference shares of R 0.01 each	500	500	500	500
	1,202,500	**1,202,500**	**1,202,500**	**1,202,500**

Unissued ordinary shares are under the control of the directors in terms of a resolution of members passed at the last annual general meeting. This authority remains in force until the next annual general meeting.

Issued				
497 813 Ordinary shares of R 0.004 each	1,991	1,991	1,991	1,991
201 654 147 "N" Ordinary shares of R 0.004 each	806,616	806,616	806,616	806,616
Share premium	168,019,480	168,019,480	168,019,480	168,019,480
	168,828,087	**168,828,087**	**168,828,087**	**168,828,087**

16. Other financial liabilities

Held at amortised cost				
Amrichprop 27 Properties Proprietary Limited This comprises of the loan granted to World Wide Creative on 01 March 2015 by the landlord of R108,000 in order to effect improvements to the leased premises in Cape Town. The repayment terms are R2,000 per month for 54 months	72,000	96,000	-	-
Loans from directors of subsidiary The loan is unsecured, interest free and repayable on demand.	205,431	185,760	-	-
	277,431	**281,760**	**-**	**-**

Non-current liabilities				
At amortised cost	277,431	281,760	-	-

Notes to the Annual Financial Statements

	Group		Company	
Figures in Rand	2016	2015	2016	2015

17. Trade and other payables

Trade payables	4,455,449	17,242,375	675,924	184,192
Amounts received in advance	1,075,927	380,429	-	-
VAT	1,699,017	3,190,524	9,997	-
Payroll accruals	1,929,295	2,133,973	-	-
Accrued expenses	3,088,779	10,335,700	119,097	128,750
Operating lease payables (if immaterial)	272,787	188,306	-	-
Deposits received	21,787	-	-	-
Other payables	233,576	-	-	-
	12,776,617	**33,471,307**	**805,018**	**312,942**

The average credit period on purchases of certain goods is 30 - 45 days. No interest is charged on trade payables. The group has financial risk management policies in place to ensure that all payables are paid within a reasonable time of the credit time frame.

The fair value of trade and other payables approximates its carrying value due to its short term nature.

18. Deferred income

The deferred income relates to licence and maintenance contracts billed to customers which will only be delivered after financial year-end.

Current liabilities	1,186,060	10,474,141	-	-
	1,186,060	**10,474,141**	**-**	**-**

19. Provisions

Reconciliation of provisions - Group - 2016

	Opening balance	Additions	Utilised during the year	Disposal of subsidiary	Reversed during the year	Total
Provision for leave pay	3,187,863	2,158,176	(1,577,827)	(133,298)	-	3,634,914
Provision for bonuses	2,905,540	3,376,330	(2,856,169)	-	(215,391)	3,210,310
Provision for warranty	3,322,053	-	(782,277)	-	(2,116,182)	423,594
Provision for debtor claims	16,000	-	(16,000)	-	-	-
	9,431,456	**5,534,506**	**(5,232,273)**	**(133,298)**	**(2,331,573)**	**7,268,818**

	Group		Company	
Figures in Rand	2016	2015	2016	2015

19. Provisions (continued)

Reconciliation of provisions - Group - 2015

	Opening balance	Additions	Utilised during the year	Total
Provision for leave pay	3,286,885	3,187,863	(3,286,885)	3,187,863
Provision for bonuses	4,846,821	2,905,540	(4,846,821)	2,905,540
Provision for warranty	4,856,915	-	(1,534,862)	3,322,053
Provision for debtor claims	-	16,000	-	16,000
	12,990,621	**6,109,403**	**(9,668,568)**	**9,431,456**

Reconciliation of provisions - Company - 2016

	Opening balance	Utilised during the year	Total
Provision for leave pay	47,331	(16,628)	30,703
Provision for debtor claims	16,000	(16,000)	-
	63,331	**(32,628)**	**30,703**

Reconciliation of provisions - Company - 2015

	Opening balance	Additions	Utilised during the year	Total
Provision for leave pay	42,566	47,331	(42,566)	47,331
Provision for debtor claims	-	16,000	-	16,000
	42,566	**63,331**	**(42,566)**	**63,331**

The provision for leave pay is based on the amount of paid leave days owed to employees at the end of the year. The policy of the company is to limit the number of leave days to twenty five. The leave pay provision is calculated in accordance with the policy per employee.

The provision for bonuses are provided for when they accrue to employees with reference to services rendered up to the balance sheet date. The above provision represents management's best estimate of the companies liabilities based on prior experience.

The provision for warranty payments relates to the acquisitions of World Wide Creative Proprietary Limited and Afrozaar Consulting Proprietary Limited during the prior years. The above provisions were estimated resulting from the agreement entered into.

20. Revenue

Sale of goods	20,871,291	45,484,004	-	-
Rendering of services	194,495,457	177,135,634	6,654,969	7,028,499
	215,366,748	**222,619,638**	**6,654,969**	**7,028,499**

Notes to the Annual Financial Statements

	Group		Company	
Figures in Rand	2016	2015	2016	2015

21. Operating profit

Operating profit for the year is stated after accounting for the following:

Operating lease charges				
Premises				
• Straight line	4,708,586	4,117,112	-	-
Equipment				
• Straight line	2,318	-	2,318	-
	4,710,904	**4,117,112**	**2,318**	**-**

Profit on sale of asset	(13,677)	550,718	100	541,888
Impairments	-	436,309	-	436,309
Impairment on loans to group companies	85,610	33,021	11,610	370,649
Loss on exchange difference	1,006,602	1,943,556	-	-
Loss on sale of subsidiary	(11,168,929)	-	-	-
Amortisation on intangible assets	377,670	-	-	-
Depreciation on property, plant and equipment	1,567,355	1,216,178	2,119	2,137
Employee costs	99,447,719	74,755,720	602,672	843,230

22. Investment revenue

Dividend revenue				
Subsidiaries - Local	-	-	4,277,726	5,171,249
Interest revenue				
Loans to group companies	826,661	563,615	532,157	182,760
Bank	422,023	653,813	262,093	12,251
Interest charged on trade and other receivables	1,235,587	-	-	-
Other interest	946,940	595,058	-	-
	3,431,211	**1,812,486**	**794,250**	**195,011**
	3,431,211	**1,812,486**	**5,071,976**	**5,366,260**

23. Fair value adjustments

Investment in subsidiaries	-	-	231,694,655	4,145,318
Other financial assets	14,470	28,203	-	-
	14,470	**28,203**	**231,694,655**	**4,145,318**

Notes to the Annual Financial Statements

	Group		Company	
Figures in Rand	2016	2015	2016	2015

24. Sale of businesses

Wynberg Pharmaceuticals Proprietary Limited and Sekunjalo Health and Medical Commodities Proprietary Limited were sold on 31 August 2016.

24.1 Sale of subsidiary
Carrying value of assets sold

	Group 2016	Group 2015	Company 2016	Company 2015
Wynberg Pharmaceuticals Proprietary Limited				
Property, plant and equipment	37,794	-	-	-
Intangible assets	1,354,016	-	-	-
Other non-current assets	150	-	-	-
Inventories	2,117,199	-	-	-
Trade and other receivables	2,915,017	-	-	-
Trade and other payables	(1,830,088)	-	-	-
Tax assets / liabilities	(419,986)	-	-	-
Borrowings	(6,553,635)	-	-	-
Cash	207,280	-	-	-
Provisions	(133,298)	-	-	-
Sekunjalo Health and Medical Commodities Proprietary Limited				
Trade and other receivables	790	-	-	-
Cash	294	-	-	-
Trade and other payables	(9,631)	-	-	-
Total net assets sold	(2,314,098)	-	-	-
Net assets sold	(2,314,098)	-	-	-
Consideration received	(8,854,831)	-	-	-
Profit on sale of subsidiaries	**(11,168,929)**	**-**	**-**	**-**
Net cash outflow on disposal				
Cash sold	207,280	-	-	-

25. Finance costs

	Group 2016	Group 2015	Company 2016	Company 2015
Ultimate Shareholder	8,284,340	7,692,662	8,206,023	7,626,969
Bank	128,736	91,054	-	-
Interest paid	-	248,355	-	-
	8,413,076	**8,032,071**	**8,206,023**	**7,626,969**

Notes to the Annual Financial Statements

	Group		Company	
Figures in Rand	2016	2015	2016	2015

26. Taxation

Major components of the tax (income) expense

Current				
SA Normal tax - current period	5,880,847	5,354,220	-	-
SA Normal tax - prior period	646,634	540,216	-	-
	6,527,481	**5,894,436**	**-**	**-**
Deferred				
Current year	(7,362,949)	773,215	54,851,538	(482,384)
	(835,468)	**6,667,651**	**54,851,538**	**(482,384)**

Reconciliation of the tax expense

Reconciliation between accounting profit and tax expense.

Accounting profit	33,970,639	18,624,382	231,733,907	4,557,009
Tax at the applicable tax rate of 28% (2015: 28%)	9,511,779	5,214,827	64,885,494	1,275,963
Tax effect of adjustments on taxable income				
Investment in subsidiaries	-	-	3,450,540	-
Permanent differences	286,767	1,452,823	498,117	(526,660)
Tax losses utilised	(10,484,258)	-	(1,725,497)	(1,231,687)
Prior period tax recognised in current year	(149,756)	-	(4,890)	-
	(835,468)	**6,667,650**	**67,103,764**	**(482,384)**
Deductible temporary differences, unused tax losses and unused tax credits for which no deferred tax asset has been recognised.	(28,964,687)	(30,751,260)	-	-

27. Discontinued operations

Wynberg Pharmaceuticals Proprietary Limited and Sekunjalo Health and Medical Commodities Proprietary Limited were sold on 31 August 2016.

Profit and loss

Revenue	4,467,411	-	-	-
Expenses	(2,978,766)	-	-	-
	1,488,645	**-**	**-**	**-**

28. Auditors' remuneration

Fees	741,618	656,777	105,000	157,994

Notes to the Annual Financial Statements

	Group		Company	
Figures in Rand	2016	2015	2016	2015

29. Cash generated from operations

Profit before taxation	33,970,639	18,624,382	231,733,907	4,557,009
Adjustments for:				
Depreciation and amortisation	1,959,192	1,216,178	2,119	2,137
Loss (profit) on sale of assets	13,677	(550,718)	-	(541,888)
Profit on discontinued operations	(11,168,929)	-	-	-
Profit on foreign exchange	-	(8,750)	-	-
Income from equity accounted investments	(310,475)	(8,767)	-	-
Dividends received	-	-	(4,277,726)	(5,171,249)
Interest received - investment	3,540,417	(1,812,486)	(794,250)	(195,011)
Finance costs	2,852,309	8,032,071	8,206,023	7,626,969
Fair value adjustments	(14,470)	(28,203)	(231,694,655)	(4,145,318)
Impairment loss	85,010	469,330	11,610	806,958
Movements in operating lease assets and accruals	8,530	512,760	-	-
Movements in provisions	(2,013,340)	(3,559,165)	(32,628)	20,765
Depreciation included in cost of sales	113,447	-	-	-
Changes in working capital:				
Inventories	967,307	(731,811)	-	-
Trade and other receivables	15,010,044	(5,604,538)	(2,301,652)	846,096
Trade and other payables	(13,715,619)	3,520,284	492,076	(2,161,153)
Deferred income	(8,604,568)	(6,042,069)	-	-
	22,693,171	**14,028,498**	**1,344,824**	**1,645,315**

30. Related parties

Relationships	
Ultimate holding company	African Equity Empowerment Investments Limited
Subsidiaries	Saratoga Software Proprietary Limited Sekunjalo Medical Services Proprietary Limited Health System Technologies Proprietary Limited Digital Matter Proprietary Limited World Wide Creative Proprietary Limited Afrozaar Consulting Proprietary Limited
Joint venture	Exaro HST Proprietary Limited
Fellow subsidiaries	Premier Fishing SA Proprietary Limited esp Afrika Proprietary Limited African Equity Empowerment Investments Properties Proprietary Limited Wynberg Pharmaceuticals Proprietary Limited Sekunjalo Health and Medical Care Proprietary Limited Sekpharma Proprietary Limited
Associate	Emergent Energy Proprietary Limited

Notes to the Annual Financial Statements

	Group		Company	
Figures in Rand	2016	2015	2016	2015
30. Related parties (continued)				
Related party balances				
Loan accounts - Owing (to) by related parties				
African Equity Empowerment Investments Limited	(67,792,788)	(76,967,433)	(67,710,129)	(76,960,367)
Health System Technologies Proprietary Limited	-	-	(212,228)	(23,276)
Sekpharma Proprietary Limited	(118,564)	15,111,248	(118,564)	15,111,248
Sekunjalo Health and Medical Commodities Proprietary Limited	-	-	-	74,001
Wynberg Pharmaceuticals Proprietary Limited	-	-	-	2,067,081
Sekunjalo Medical Services Proprietary Limited	-	-	30,799	23,698
Saratoga Private Equity Proprietary Limited	(762)	(762)	-	-
Amounts included in Trade receivable (Trade Payable) regarding related parties				
Sekpharma Proprietary Limited	57,000	29,845	-	-
African Equity Empowerment Investments Limited	-	-	-	(56,060)
Exaro HST Proprietary Limited	4,702,927	3,477,389	-	-
Health System Technologies Proprietary Limited	-	-	5,615,103	3,527,651
Premier Fishing SA Proprietary Limited	(388)	(730,438)	-	-
Surplus funds invested with holding company				
African Equity Empowerment Investments Limited	-	-	54,290	616,305
Related party transactions				
Interest paid to (received from) related parties				
African Equity Empowerment Investments Limited	-	1,928,720	8,206,023	7,626,969
African Equity Empowerment Investments Limited	(294,504)	-	(37,491)	(16,305)
Wynberg Pharmaceuticals Proprietary Limited	-	-	(494,666)	(166,454)
Administration fees paid to (received from) related parties				
African Equity Empowerment Investments Limited	-	-	(5,491,263)	3,323,318
Health Systems Technology Proprietary Limited	-	-	(6,023,390)	(6,407,446)
African Equity Empowerment Investments Limited	(631,579)	(621,053)	(631,579)	(621,053)
Commission paid to (received from) related parties				
African Equity Empowerment Investments Limited	5,615,103	4,722,114	-	-
Sales				
Sekpharma Proprietary Limited	(160,755)	-	-	-
Exaro HST Proprietary Limited	(1,255,538)	-	-	-
Premier Fishing SA Proprietary Limited	(41,280)	(56,308)	-	-
Purchases				
Premier Fishing SA Proprietary Limited	28,763,551	10,067,023	-	-
African Equity Empowerment Investments Limited	3,860,825	70,536	-	-
Compensation to prescribed officers				
Key management	23,889,934	24,849,446	1,218,369	842,230
Dividends received				
Sekunjalo Medical Services Proprietary Limited	-	-	(3,000,000)	(4,000,000)
Saratoga Software Proprietary Limited	-	-	(1,277,726)	(1,171,249)

	Group		Company	
Figures in Rand	2016	2015	2016	2015

30. Related parties (continued)

Compensation to directors and other key management				
Directors fees and short-term benefits - A. Wolmarans	-	-	1,218,369	842,230
Directors fees and short term beneifts - Group	23,889,934	24,849,446	-	-
	23,889,934	**24,849,446**	**1,218,369**	**842,230**

31. Risk management

Financial risk management

The group holds financial instruments to finance its operations and to manage the financial risk that arises from these operations. The group's activities expose it to a variety of financial risks: market risk (including currency risk, price risk and fair value interest rate risk), credit risk and liquidity risk. Risk management is carried out by the group under policies approved by the board.

Liquidity risk

The group's liquidity risk is a result of the funds available to cover future commitments. The group manages liquidity risk through an ongoing review of future commitments and credit facilities. African Equity Empowerment Investments Limited has subordinated their loan and gives support to the group which reduces the liquidity risk of the group.

Cash flow forecasts are prepared and adequate utilised borrowing facilities are monitored.

The table below analyses the group's financial liabilities into relevant maturity groupings based on the remaining period at the balance sheet to the contractual maturity date. The amounts disclosed in the table are the contractual undiscounted cash flows. Balances due within 12 months equal their carrying balances as the impact of discounting is not significant.

Group

At 31 August 2016	Less than 1 year	Between 1 and 2 years	Between 2 and 5 years	Over 5 years
Other financial liabilities	277,431	-	-	-
Trade and other payables	8,072,378	-	-	-
Loans from group companies	13,545,891	13,545,891	40,637,673	-

At 31 August 2015	Less than 1 year	Between 1 and 2 years	Between 2 and 5 years	Over 5 years
Other financial liabilities	281,760	-	-	-
Trade and other payables	27,766,381	-	-	-
Loans from group companies	9,325,999	13,545,891	13,545,891	40,637,673

Company

At 31 August 2016	Less than 1 year	Between 1 and 2 years	Between 2 and 5 years	Over 5 years
Trade and other payables	129,097	-	-	-
Loans from group companies	13,624,076	13,624,076	40,692,769	-

At 31 August 2015	Less than 1 year	Between 1 and 2 years	Between 2 and 5 years	Over 5 years
Trade and other payables	128,752	-	-	-
Loans from group companies	9,377,175	13,624,076	13,624,076	40,692,769

31. Risk management (continued)

Credit risk

Credit risk is the risk that a counter-party to a financial instrument will fail to discharge an obligation, and cause the company to incur a financial loss.

Credit risk consists mainly of cash deposits, cash equivalents, derivative financial instruments, trade debtors and loans to group companies. The company only deposits cash with major banks with high quality credit standing and limits exposure to any one counter-party.

The company utilises the services of ABSA Bank Limited and First National Bank, of which the credit ratings are as follows:

	Moody's Ratings	**Standard & Poor's Ratings**	
	ABSA Group	***ABSA Bank Ltd***	***FirstRand Bank Ltd***
Long-term	Aa1.za	zaAA-	BBB-
Outlook	-	Stable	Negative

Management evaluated 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 limits set by the board. The utilisation of credit limits is regularly monitored. Sales to retail customers are settled in cash.

The Group is also potentially subject to concentrations of credit risk in its accounts receivable. Credit risk with respect to receivables is limited due to the number of debtors comprising the Group's customer base. Although the Group is directly affected by the financial condition of its customers, management does not believe significant credit risks exist at 31 August 2016. Generally, the Group does not require collateral or other securities to support its accounts receivable.

Loans to group companies are managed at group level by the group treasury function. Regular reviews of subsidiary cash flows and loan repayments are monitored on an on going basis. Advances and repayments are assessed against pre arranged terms. Where there are any deviations, this is brought to the attention of the group treasury function and the company's board of directors.

Financial assets exposed to credit risk at year end were as follows:

Financial instrument	Group - 2016	Group - 2015	Company - 2016	Company - 2015
Cash and cash equivalents	33,561,766	22,185,700	112,738	633,491
Trade and other receivables	32,412,131	58,998,757	6,167,135	3,865,483
Other financial assets	4,711,306	3,487,495	2,757,553	2,499,996
Loans to group companies	2,092,656	3,765,465	30,799	2,090,779

Foreign exchange risk

Management has set up a policy which requires the company to manage their foreign exchange risk against their functional currency. The company is required to hedge its entire foreign exchange risk exposure. To manage its foreign exchange risk arising from future commercial transactions and recognised assets and liabilities, the company uses forward contracts. Foreign exchange risk arises when future commercial transactions or recognised assets or liabilities are denominated in a currency that is not the entity's functional currency.

The group was exposed to both US Dollars and British Pounds during the year. At year end, only a US Dollar balance existed and was restated.

Foreign currency exposure at balance sheet date

Liabilities				
Current payables, USD 100,024 (2015 : USD 786,644)	1,449,141	10,308,811	-	-

	Group		Company	
Figures in Rand	2016	2015	2016	2015

31. Risk management (continued)

Exchange rates used for conversion of foreign items were:

USD	14.4880	13.1048		

At 31 August 2016, if the currency had been 10% higher or lower against the US dollar with all other variables held constant, post-tax profit for the year would have been R 100,660 higher or lower (2015: R 194,356), mainly as a result of foreign exchange gains/losses on translation of US dollar-denominated trade payables.

The group reviews its foreign currency exposure, including commitments on an ongoing basis. The group expects its foreign exchange contracts to hedge foreign exchange exposure.

Price risk

Price risk is the risk that the fair value of future cash flows of financial instruments will fluctuate because of changes in market prices (other than those arising from interest rate or currency risk), whether the changes are caused by factors specific to the individual financial instrument or its issuer, or factors affecting similar financial instruments traded in the market.

Post-tax profit for the year would increase/decrease as a result of gains/losses on equity securities classified as at fair value through profit or loss. Other components of equity would increase/decrease as a result of gains/losses on equity securities classified a available for sale.

32. Tax paid

Balance at beginning of the year	(704,813)	(1,510,755)	-	-
Current tax for the year recognised in profit or loss	(6,527,481)	(5,894,436)	-	-
Disposal of subsidiaries	419,986	-	-	-
Balance at end of the year	(699,088)	704,813	-	-
	(7,511,396)	**(6,700,378)**	**-**	**-**

Notes to the Annual Financial Statements

	Group		Company	
Figures in Rand	2016	2015	2016	2015

33. Financial assets by category

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

Group - 2016

	Loans and receivables	Fair value through profit or loss - designated	Total
Loans to group companies	2,092,656	-	2,092,656
Trade and other receivables	32,412,131	-	32,412,134
Cash and cash equivalents	33,561,766	-	33,561,766
Other financial assets	4,711,306	-	4,711,306
	72,777,859	**-**	**72,777,862**

Group - 2015

	Loans and receivables	Fair value through profit or loss - designated	Total
Loans to group companies	3,765,465	-	3,765,465
Loans to shareholders	36,427	-	36,427
Other financial assets	-	3,487,495	3,487,495
Trade and other receivables	54,915,343	-	54,915,343
Cash and cash equivalents	22,185,700	-	22,185,700
Other financial assets	3,487,495	-	3,487,495
	84,390,430	**3,487,495**	**87,877,925**

Company - 2016

	Loans and receivables	Fair value through profit or loss - designated	Total
Loans to group companies	30,799	-	30,799
Investments in subsidiaries	-	82,992,457	82,992,457
Trade and other receivables	9,022,888	-	9,022,888
Cash and cash equivalents	112,738	-	112,738
Other financial assets	2,757,553	-	2,757,553
	11,923,978	**82,992,457**	**94,916,435**

Company - 2015

	Loans and receivables	Fair value through profit or loss - designated	Total
Loans to group companies	2,090,779	-	2,090,779
Investments in subsidiaries	-	76,248,382	76,248,382
Trade and other receivables	3,681,291	-	3,681,291
Cash and cash equivalents	633,491	-	633,491
Other financial assets	2,499,996	-	2,499,996
	8,905,557	**76,248,382**	**85,153,939**

34. Financial liabilities by category

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

Group - 2016

	Financial liabilities at amortised cost	Total
Loans from group companies	67,729,455	67,729,455
Other financial liabilities	277,431	277,431
Trade and other payables	8,072,378	8,072,378
	76,079,264	**76,079,264**

Group - 2015

	Financial liabilities at amortised cost	Total
Loans from group companies	77,055,456	77,055,456
Other financial liabilities	281,760	281,760
Trade and other payables	27,766,381	27,766,381
	105,103,597	**105,103,597**

Company - 2016

	Financial liabilities at amortised cost	Total
Loans from group companies	68,120,380	68,120,380
Trade and other payables	675,924	675,924
	68,796,304	**68,796,304**

Company - 2015

	Financial liabilities at amortised cost	Total
Loans from group companies	77,446,845	77,446,845

	Group		Company	
Figures in Rand	2016	2015	2016	2015

35. Segmental report

2016	Health Care	Information Technology	Total
Revenue			
External sales	6,654,969	215,660,706	222,387,675
Segment results			
Operating profit / (loss)	17,185,257	25,198,458	42,363,715
Included in segment results :			
Profit/Loss from equity accounted investments	310,475	-	310,475
Depreciation and amortisation	465,399	1,565,236	2,030,635
Administration fee paid	-	5,459,640	5,459,640
	775,874	**7,024,876**	**7,800,750**
Carrying value of assets	-	107,131,107	107,131,109
Carrying value of liabilities	-	(90,027,994)	(90,027,994)
Capital expenditure	-	2,965,872	2,965,872

2015	Health Care	Information Technology	Total
Revenue			
External sales	6,654,969	208,711,779	215,366,748
Segment results			
Operating profit / (loss)	17,185,257	25,198,458	42,383,715
Included in segment results :			
Depreciation and amortisation	(465,399)	(1,565,236)	(2,030,635)
Administration fee paid	(3,323,318)	(465,978)	(3,789,296)
	(3,788,717)	**(2,031,214)**	**(5,819,931)**
Carrying value of assets	18,218,895	100,542,079	118,760,974
Carrying value of liabilities	(84,215,276)	(48,559,110)	(132,774,386)
Capital expenditure	22,487	2,123,294	2,145,781

	Group		Company	
Figures in Rand	2016	2015	2016	2015

36. Fair value information

Fair value hierarchy

Financial assets, financial liabilities and non-financial assets measured at fair value in the statement of financial position, are grouped into three levels of fair value hierarchy. The three levels are defined based on the observability of significant inputs to the measurement, as follows:

Level 1: Quoted unadjusted prices in active markets for identical assets or liabilities that the group can access at measurement date.

Level 2: Inputs other than quoted prices included in level 1 that are observable for the asset or liability either directly or indirectly.

Level 3: Unobservable inputs for the asset or liability.

The following table shows the carrying amounts and fair values of financial assets and financial liabilities including their levels in the fair value hierarchy. It does not include fair value information for financial assets and financial liabilities not measured at fair value if the carrying amount is a reasonable approximation of fair value.

Levels of fair value measurements

Level 3

Recurring fair value measurements

Assets	Notes				
Investments in subsidiaries at fair value	6				
Investments in unlisted subsidiaries		-	-	301,782,202	78,942,379
Financial assets designated at fair value through profit or loss	10				
Cadiz Life Endowment		1,129,373	985,000	-	-
Total		**1,129,373**	**985,000**	**301,782,202**	**78,942,379**

There were no transfers of assets and liabilities between Levels 1, 2 or 3 of the fair value hierarchy.

Reconciliation of assets and liabilities measured at level 3

	Note(s)	Opening balance	Gains/losses recognised in profit or loss	Sales	Closing balance
Company - 2016					
Assets					
Investments in subsidiaries at fair value	6				
Investments in unlisted subsidiaries		78,942,379	231,694,654	(8,854,831)	301,782,202
Total		**78,942,379**	**231,694,654**	**(8,854,831)**	**301,782,202**

Notes to the Annual Financial Statements

Company - 2015

Assets

	Note				
Investments in subsidiaries at fair value	6				
Investments in unlisted subsidiaries		74,797,060	4,145,318	-	78,942,378
Total		**74,797,060**	**4,145,318**	**-**	**78,942,378**

Gains and losses recognised in profit or loss are included in fair value adjustments on the Statement of Comprehensive Income.

Financial Instruments measured at cost for which a fair value is disclosed

Financial assets that are not measured at fair value, namely trade and other receivables, cash and cash equivalents, loans receivables and other financial assets are categorised as loans and receivables. It has been concluded that the carrying amount of these assets approximate their fair value.

Financial liabilities that are not measured at fair value, namely loans, trade and other payables and other financial liabilities are categorised as other fiancial liabilities. It has been concluded that the carrying amount of these liabilities approximate fair value.

Information about valuation techniques and inputs used to derive level 3 fair values

Investments in subsidiaries

The value of investments in subsidiaries is determined using a discounted cash flow technique. A capital asset pricing model is used in which the present value of expected cash flows of the subsidiary are determined. The expected cash flows are determined by considering the current and planned operational activities of each subsidiary. The following rates were used in the valuation model:

Revenue growth rate: 5% - 15%
Terminal growth rate: 4% - 10%
Weighted average cost of capital: 15% - 35%
Specific risk premium: 1% - 5%

The potential effect of using reasonably possible aternative assumptions in the valuation, based on a change in the most significant input by 1% while holding all other variables constant, is shown in the following table:

	Profit after tax	
	1% increase	1% decrease
Beta	(91,472,666)	329,973,905
Weighted average cost of capital	(27,479,852)	34,221,069
Specific risk premium	(27,479,852)	34,221,069
Terminal growth rate	63,033,870	8,479,307

Valuation processes applied by the Group

The fair value calculations of Investments in subsidiaries are performed by the Group's finance department and operations team, on a yearly basis. The valuation reports are discussed with the Board of Directors in accordance with the Group's reporting policies. and operations team, on a quarterly basis.

37. Business combinations subsequent to financial year end before reporting period

On 1 September 2016, the Group acquired 51% of the voting rights of Kalula Communications Proprietary Limited ("Headset Solutions") for a consideration of R 14,000,000 with a cash portion of R 4,700,000 payable on the effective date and the balance settled with an issue of Sekunjalo Technology Solutions Limited shares. The Company is involved in headsets and communication devices which enhances the Group's strategy to diversify its IT portfolio.

On 1 October 2016, the Group concluded the acquisition of 57% of the voting rights of Puleng Technologies Proprietary Limited ("Puleng") which resulted in the IT division obtaining control over the company. Puleng is involved with software development which complements the other IT businesses.

The Board is of the view that good synergies will arise from these acquisitions which will provide scale for the IT division as we expect to double the revenue in 2017.

The Group is unable to quantify the revenue, profit or loss related to the above mentioned acquisitions at the acquisition date due to the business integration with these acquired companies.

Due to the impracticality of the acquisitions close to financial year-end, the fair values of the acquired assets and liabilities are provisional. Additionally, the uncertainty and nature in calculating the warranty and other provisions will be finalised during the measurement period.

Detailed Statement of Financial Performance

		Group		Company	
Figures in Rand	Note(s)	2016	2015	2016	2015
Continuing operations					
Revenue					
Sale of goods		20,871,291	45,484,004	-	-
Rendering of services		194,495,457	177,135,634	6,654,969	7,028,499
	20	**215,366,748**	**222,619,638**	**6,654,969**	**7,028,499**
Cost of sales					
Opening stock		(432,894)	(514,778)	-	-
Purchases		(148,021,197)	(151,953,198)	-	-
Cost of manufactured goods		-	(1,302,237)	-	-
Closing stock		-	432,894	-	-
		(148,454,091)	**(153,337,319)**	**-**	**-**
Gross profit		**66,912,657**	**69,282,319**	**6,654,969**	**7,028,499**
Other income					
Recoveries		26,505	627,793	-	-
Sundry income		2,128,030	740,897	-	-
Gain or loss on recognition of investments		-	(118,341)	-	-
Reversal of prior year overprovisions		-	-	(2,879,820)	-
Other income		-	578,095	-	-
Movement in warranty provision		1,116,182	-	-	-
Reversal of Impairments		-	436,309	334,451	436,309
Commission income		-	-	5,615,103	-
Dividends received	22	-	-	4,277,726	5,171,249
Interest received	22	3,431,211	1,812,486	794,250	195,011
Gains on disposal of assets		3,609	550,718	100	541,888
Profit and loss on exchange differences		110,974	10,522	-	-
Fair value adjustments	23	14,470	28,203	231,694,655	4,145,318
Income from equity accounted investments		310,475	8,767	-	-
Profit on sale of subsidiaries		11,168,929	-	-	-
		18,310,385	**4,675,449**	**239,836,465**	**10,489,775**
Expenses (Refer to page 59)		**(42,839,327)**	**(47,301,315)**	**(6,551,504)**	**(5,334,296)**
Operating profit	21	**42,383,715**	**26,656,453**	**239,939,930**	**12,183,978**
Finance costs	25	(8,413,076)	(8,032,071)	(8,206,023)	(7,626,969)
Profit before taxation		**33,970,639**	**18,624,382**	**231,733,907**	**4,557,009**
Taxation	26	(835,468)	6,667,651	54,851,538	(482,384)
Profit for the year from continuing operations		**34,806,107**	**11,956,731**	**176,882,369**	**5,039,393**
Discontinued operations		(1,488,645)	-	-	-
Profit for the year		**33,317,462**	**11,956,731**	**176,882,369**	**5,039,393**

Detailed Statement of Financial Performance

		Group		Company	
Figures in Rand	Note(s)	2016	2015	2016	2015
Operating expenses					
Accounting fees		306,715	256,193	-	-
Administration and management fees		5,459,640	3,789,295	5,491,263	3,323,317
Advertising		1,908,699	1,700,842	-	-
Auditors remuneration	28	741,618	656,777	105,000	157,994
Bad debts		1,382,660	2,449,564	-	-
Bank charges		182,408	183,898	1,379	2,730
Cleaning		29,629	42,257	-	-
Commission paid		193,489	4,192,222	-	-
Computer expenses		492,831	617,643	34,276	10,470
Conferences		161,394	966,699	-	-
Consulting and professional fees		948,683	1,266,128	-	20,250
Consumables		87,408	100,978	-	-
Depreciation, amortisation and impairments		2,030,635	1,685,508	13,729	809,095
Discount allowed		209	-	-	-
Donations		163,881	443,730	-	-
Employee costs		14,264,015	13,375,993	602,672	843,230
Entertainment		420,614	417,270	-	-
Equipment under R 7,000		70,444	120,949	-	-
Fines and penalties		(73,016)	254,678	-	-
Gifts		15,527	35,663	-	-
Guarantee expense		71,966	216,404	-	-
Hire		7,293	4,635	-	-
IT expenses		490,522	376,817	-	-
Insurance		242,128	470,294	70,127	57,635
Lease rentals on operating lease		4,710,904	4,117,112	2,318	-
Legal expenses		360,573	686,506	187,730	5,135
Licence fees		-	58,434	-	-
Magazines, books and periodicals		526	1,268	-	-
Motor vehicle expenses		182,502	171,772	-	-
Municipal expenses		307,948	494,416	-	-
Office equipment		146,091	452,945	-	-
Petrol and oil		223	57,075	223	884
Placement fees		429,594	636,093	-	-
Postage		49,310	86,369	5,283	1,172
Printing and stationery		149,198	333,302	2,977	43,463
Profit and loss on exchange differences		1,117,576	1,954,078	-	-
Profit and loss on sale of assets and liabilities		17,286	-	-	-
Relocation expenses		119,804	33,826	-	-
Repairs and maintenance		193,748	210,828	-	-
Secretarial fees		1,416	19,424	-	13,324
Security		157,593	167,194	-	-
Staff welfare		533,762	381,010	-	-
Storage charges		785	-	-	-
Subscriptions		464,494	422,340	24,196	22,434
Telephone and fax		1,324,196	1,240,760	7,731	7,882
Tenders		7,989	13,823	-	-
Training		532,940	507,553	2,600	15,281
Travel - local		1,566,863	1,483,125	-	-
Travel - overseas		864,614	147,625	-	-
		42,839,327	**47,301,315**	**6,551,504**	**5,334,296**

Supplementary information

SUSTAINABILITY REPORT

As a niche market enterprise, Sekunjalo Technology Solutions Limited and its subsidiaries provides effective information communication technology (ICT) business solutions and services that enhance business performance in government and corporate customers. The group comprises businesses that are leaders in their respective niche markets, have solid client bases and achieve high levels of sustained organic growth.

The group offers a range of ICT solutions well suited to the healthcare industry, hospital information and laboratory systems, pharmacy information systems. This is backed by the necessary professional services such as consulting, technical expertise, professional services, system integration, engineering of bespoke solutions, business intelligence, software development and engineering. Included in this sector is mobile inspection management, mobile field service, property inspections, franchise evaluations, cloud solution architecture, mobile banking and commissioning. Digital marketing, digital content redistribution for the publishing and media industry as well as commercial, industrial and agricultural solar PV solutions are included in this sector.

The group companies have international partnerships with leading technology suppliers, including Intersystems Corporation, JAC (UK), Microsoft and Fujitsu Computers.

BUSINESS MODEL

The group's business model continually seeks innovative ways to sustain its existing businesses by adapting to changing environments through their acquisitions and new business development approach where at its core; there is a social contract for responsible business between it and society.

This enables the group to add value through their extensive expertise and networks, while promoting an entrepreneurial culture within its various business unit structures and employees. Their businesses become efficient on a sustainable basis with some of the businesses working on a retainer-based and consultancy services approach while generating revenue and cash flow. As part of their services to new investors they provide solutions and ancillary services.

With the group's risk management approach and the impact of changing markets, competitors and the economic environment, management is constantly aware of how they can improve sustainability through constant change. In addition, they consistently broaden their market opportunities by diversifying services in order to spread the risk.

PROSPECTS AND FUTURE OUTLOOK

The group is very successful at retaining its client base in the long term and utilising those as a foundation for future business growth. These strategies have paid dividends and are a cost-effective way of providing short to medium term source of income and growth and remain an integral part of their core strategy to develop new opportunities.

Acquiring and developing their own intellectual property is a key strategic focus area, will ensure better margins with resulting profitability. Increasing revenue is generated through the launch of their own products and services into local and international markets. By extending their footprint into the South African Public Health and Private Sectors and replicating their successes in other parts of Africa will ensure the sustainability of the group's businesses. As a medium term opportunity provide implementation services to first-world countries such as Australia and the United Kingdom. Opportunities are actively pursued to increase their market reach through partnerships and are culturally aligned with complementary businesses.

In the long term, the group needs to ensure that it remains relevant in its various sectors by investing in research and development. Providing niche products and services into selected African countries is seen as a major opportunity. They intend to grow their renewable energy solutions provider business and to position the company as one of the leaders of renewable energy solutions providers in the country.

GOVERNANCE

The group complies with all sound governance and regulatory functions and has had no reported fraud or deviations in the application of these principles in the current period. The continued training and exposure of employees to the ever-changing regulatory environment and regulations of the Companies Act ensure that all employees are fully informed of their responsibilities.

Supplementary information

	Group	Company

STRATEGIC PLANNING AND MONITORING

The group manages its businesses strategically following a process, which includes an annual review of past performance, products/services, markets as well as a review of the internal and external environments. This review is followed by the setting of strategies and action plans, aimed at both growth and sustainability in current markets.

In addition to the annual strategic planning exercise, quarterly reviews of strategy achievement and how changes in the internal and external environments may positively, or negatively, affect each business unit, are held. Strategies and actions are adjusted to ensure the growth and sustainability of each business units.

In this manner, the group can monitor its financial performance against strategies set for the year and evaluate this against the key performance areas of management and key employees. Through this process, the sustainability of operations is ensured.

The Board of each business unit in the group has an approved formal delegated authority schedule, which informs executive management of the necessary levels of approval for all key business transactions. In this way, the group ensures that there is a senior manager or the Board itself reviewing each key business transaction/initiative to ensure that key business activity is aligned with the group strategy, is lawful, will contribute to the Company's sustainability and will not be harmful to any stakeholders and/or the environment.

ECONOMIC SUSTAINABILITY

The group aims to deliver sustainable returns to all of its stakeholders. Trusted relationships with their key clients and increasing the awareness of their brands as innovative and high-quality offerings, positions the group well for continued growth. By increasing the value of their range of activities will result in reducing the cost of products and materials purchased internationally and focus on internally developing and acquiring a set of core products.

A measure of the value created by the group is the amount of value added by its wide range of activities to the cost of products and materials purchased. Trusted relationships with key customers and increasing awareness of their brands as innovative and high-quality offerings position them well for new opportunities and continued growth.

ENVIRONMENTAL SUSTAINABILITY

The various business units in which the group operates is not considered to make particularly heavy demands on the natural environment in which their community stakeholders live. Management is consistently mindful of reducing CO_2 emissions, reducing paper usage and appropriate electronic waste disposal in operating decision-making.

The group has an investment in a renewable energy solutions provider, Emergent Energy (Pty) Ltd, to contribute towards reducing South Africa's consumption of and reliance on fossil fuels and improving its footprint across its value chain. Beyond the inherent benefits of delivering a carbon-free energy production solution, they continuously look at improving their footprint across the whole value chain with specific care being given to internal procedures and practices.

SOCIAL SUSTAINABILITY

The group subscribes to a sustainable approach in conducting its business.

For the group, corporate citizenship goes beyond legislative compliance. It recognises the rights and responsibilities of businesses within a broader societal context and reinforces the mission of the group to implement a social contract between business, government and civil society.

The group is well aware of the critical role that a business has to play in the upliftment and development of the previously disadvantaged majority. It is for this reason that they give back to the communities in which they operate by contributing to the following initiatives:

- Implementation of recruitment policies that encourage the recruitment of appropriately skilled, previously disadvantaged individuals;
- Development of staff within the various business units and to grow human capital;
- Implementation of learnerships to assist with elevating the skill levels of previously disadvantaged individuals;
- Financial and in-kind contributions to the development of various early childhood development, youth centres and adult teacher training;
- Organisational involvement and sponsorship of start-up workshops held annually;
- Partnership with the University of Cape Town's Commerce Faculty to provide relevant, updated course content for their second-year students;
- Participation on the University of the Witwatersrand Information Systems industry advisory board to contribute to the industry relevance of university course content;
- Investment in a number of emerging, black-owned technology enterprises at an enterprise development level through business incubation programmes;
- Learning programmes within the digital space;
- Partnership with the Cape Peninsula University of Technology to provide mentorship and collaborate with previously disadvantaged individuals.

The group is an active member of SETA and strongly believes in internal training and development. During the year under review, staff attended seminars and training programmes in their relevant areas to further grow and develop.

With the changes in the new BBBEE Codes, each business unit continually strives to meet and exceed the benchmarks set by the BBBEE codes of good practice.

KEY CHALLENGES AND RISK MANAGEMENT

Key challenges
At present, their strategic focus is aimed at overcoming the following potential challenges:

Employee skills and retention	• This remains the key challenge, as experience and reputation are critical factors in influencing the market. • High levels of demand and international portability of skills, together with inadequate maths and science education at school level all contribute to a high degree of scarcity of key technical skills. • Limited resources of high-quality personnel make employee mobility one of the highest risk factors.
Technology	• ICT products are evolving and investment is required to develop and acquire new innovative products to remain relevant when compared against competitors' and meeting the ever-increasing client expectations. • The high-tech nature of the industry requires that companies establish a presence in the market and present themselves as stable, professional and sustainable entities. • This is achieved through the quality of information, the professionalism of their employees and the ability to deliver new products to the markets. • Ensuring that technology remains relevant for end-users, addressing areas such as cloud computing, mobility and, at the same time, keeping abreast of integration into increasingly sophisticated medical equipment modules.

Supplementary information

External environment	• The increasing price of energy both for travel and electrification is an external environment trend that drives demand for more energy efficient ICT hardware and the use of collaboration tools. These factors are a consideration in all of their ICT hardware supplied and the operations of their businesses. • The current decline on health ICT spending by Government is a challenge, which is mitigated by developing opportunities in other sectors. • The general economic slowdown has created pressure on rates for services, putting margins under increasing pressure. • Many large companies are insourcing their digital marketing function. • The industry being open to both local and international companies is highly competitive and the biggest challenge is competing with companies who have critical mass and funding.
Employees and community	• The business units focus on the development of individuals. • Creates opportunities for scarce skill areas for the broader community.
Economic conditions	• The general economic slowdown has created pressure on rates for the services, hence putting margins under increasing pressure. • Some clients operate in the Petro-chemical sector and the depressed oil price has impacted capital expenditure on new projects. • Renewable energy systems require a large investment upfront with most of the solutions being imported – the volatility of the Rand also impacts operations. • The price of electricity has a direct influence on savings which the renewable energy systems are able to deliver. • Legal requirements regarding power generation is constantly evolving and could be a threat on the industry.

Risks
Risk management is integrated into each business unit's management process. Each business unit maintains a risk register, which is compiled and maintained by the executive management, with the risk status and execution of planned actions being reviewed monthly. Executive management is responsible for the identification, classification and management of all operational risks.

Significant strategic and going-concern risks can be identified at all levels in each business unit. However, the responsibility for directing the actions necessary to manage these risks is the responsibility of the Board of directors of each business unit. Strategic and going-concern risks are reviewed at the quarterly Board meetings and the executive directors are charged with the execution of approved risk management actions.

In the year under review, although a number of identified risks could not be avoided, the pre-planned management strategies for these risks were successful in mitigating or avoiding the severity of the impact on the respective companies and overall Group financial performance.

Risk identification	**Impact on business**	**Response**
• Acquire products and intellectual property	• Continuous dependence on third-party suppliers for software products	• Their strategy is tocomplement the software offering by: – acquiring controlling stakes in other companies with appropriate software; and – internally developing their own IP • Negotiate Rand based pricing with international suppliers

Supplementary information

	Group	Company

• Slow-down of public sector expenditure on IT	• No new growth opportunities in the public sector in the short term	• Pursue expansion on the range of products and customers
• Dependence on major customers • Loss of major project at a key client	• Potential reduction in revenue • Employee loss	• Pursue extension of client base by: – expansion into Africa; and – acquiring other companies with an existing client base • Diversified project mix and customer base resulting in risks being mitigated through long-term support and maintenance agreements
• Impact on market positioning through lower BBBEE rating as new codes are implemented	• Potential loss of new business • Limited access to new opportunities	• Tactical items implemented during the financial year and strategic planning for further improvement in 2017 taking into account the impact of the new BBBEE codes • Focus on charter requirements to retain or improve current rating
• Key technical resources	• Product modules, implementation support and product growth and stability	• Recruit senior staff to learners and drive delivery in parallel
• Employees retention	• Relationships may be affected together with delivery and associated contractual obligations may be compromised	• Investigate share option scheme

STAKEHOLDER MANAGEMENT

The group recognises the importance of constant engagement with stakeholders. The principal stakeholders for the group are shareholders, employees, customers and suppliers.

A key element of their strategic planning process is the documenting of the values and the culture of their business units.

Stakeholder-oriented values include:

- honesty and integrity;
- passion for customers;
- quality in all that we do;
- development and respect for employees;
- accountability and commitment; and
- protecting/conserving the environment.

The group has various procedures in place with regard to stakeholder management. These are summarised as follows:

Stakeholder	Relationship	Expectation	Expectation managed

Supplementary information

		Group	Company
Shareholders	Owners of the business	• Integrity • Shareholder wealth creation • Ethical business practices • Regular communication	• Sound corporate governance rules are implemented in the business
Customers	Recipients of services rendered by the Group	• Timely and high quality professional delivery of quality goods and services • Competitive pricing • Innovation and strategic advice	• Employ formal project management methodology • Best practice processes to ensure professional, timeous delivery of the contracts, in budget and to the anticipated quality standards • Direct contact with major customers locally and internationally • Innovative solutions and strategic advice • Active management of key accounts • Compliance with laws, regulations and legislation
Suppliers	Procurement of goods and services	• Ethical business relationships • Commitment to BBBEE policies • Prompt payment	• Ensure that business is conducted with other reputable businesses as per the Code of Ethics • Ensure that they support the policy on BBBEE • Negotiate, manage and conclude contracts • Timeous payment • Ensure compliance with agreed contractual terms relating to intellectual property ownership
Communities	Assistance is provided by the Company to the communities	• Provide assistance to black businesses to help them grow and succeed • Provide assistance to the community	• Assist enterprise development beneficiaries with regard to strategy, training, marketing and skills transfer • Involvement in community projects

Supplementary information

		Group	Company
Employees	Employees of the Company	• Develop human capital • Foster growth, productivity and well-being of the employees • Sustainable employment • Competitive salary • Stimulating, cutting-edge project work	• Provident Fund ICT Group Risk Insurance (linked to the provident fund) • Employment equity policies and procedures • Skills development policies and procedures • A disciplinary code • Employee retention programmes • Clear KPIs for performance review and development planning • Regular open forums for discussion • Open door policy for communication at all levels
Regulatory authorities	Comply with regulations, best practices, laws and legislation	• Compliance with laws and regulations of authorities	• Training of employees responsible for compliance with regard to various regulations by authorities • Internal control procedure to ensure compliance • Immediate corrective action noted in the event of findings raised by authorities • Participation in industry working groups • Meeting with industry regulators
Government	Comply with laws, regulations and legislation	• Compliance with laws and regulations of authorities	• Comply with all the laws of South Africa with particular emphasis on the labour and tax laws

REMUNERATION

The group aims to be a competitive and attractive employer in the marketplace. Remuneration and benefits are important drivers, as are career opportunities, personal development, culture and values, leadership, company performance and reputation. The group complies with applicable laws, agreements and industry standards on working hours and compensation.
The group has various incentive schemes in place in order to retain talented and experienced staff.

Detailed information about the group's business model, stakeholders, risks and governance is available on the website at www.aeei.co.za.