JASCO
INSPIRE.INNOVATE.

# CONDENSED PROVISIONAL REVIEWED RESULTS

FOR THE YEAR ENDED 30 JUNE 2021

## Introduction

Jasco's 45th year was no less challenging than the preceding year, with the ongoing impact of the COVID-19 restrictions on the group's operations and market.

During these volatile times, the board and executive team continued to address a number of pressing issues facing the group. The priority was to continue to restore stability to the organisation and put Jasco back on a path of consistent profitability.

The management commends the group's employees on the resilience they have shown in these challenging times and their efforts to ensure that customer satisfaction levels are maintained.

## Context to the results

The disposal transaction of Reflex Solutions (Reflex) was concluded in April 2021. In addition, the Property Technology Management (PTM) business within Intelligent Solutions was disposed of with effect from 1 May 2021. Consequently, the results of Reflex and PTM are separately disclosed as "discontinued operations" for the current and prior reporting periods.

The discussion of the financial performance therefore deals with the discontinued operations separately and is based on the new organisational structure implemented on 1 November 2020.

The new structure is:

| | |
|---|---|
| Communication Solutions | Webb, Datavoice, Carrier Solutions and RAMM Technologies |
| Intelligent Solutions | Enterprise Communications, Broadcast, Hi-Sites, Rooftop Management, Co-location Solutions and Power Solutions |
| Security and Fire Safety | |
| Electrical Manufacturers | |

## Addressing the group's sustainability

Corrective actions taken during the year included:

### Further restructuring and aggressive cost reduction

The group significantly restructured its operational businesses during the first half of the year. The new structure came into effect from 1 November 2020. Refer to the operational review for the performance of the businesses.

The progress made so far is pleasing, with R48 million annual costs removed and an operating structure that is closely aligned to the group's target markets and customers. Customer and supplier relationships were tested by the changes to the business environment, and in many instances the value of long-standing partnerships enabled the group to navigate these conditions.

### Disposals and subsequent reduction in debt

During the year the proceeds of R78,6 million from the disposal of Reflex and PTM was used to reduce borrowings and fund working capital demands across the group.

Interest-bearing debt decreased from R200 million to R150 million following a R25 million repayment on the corporate bond and R15 million to the Bank of China with the proceeds from the sale of Reflex, as well as the normal servicing of the instalment sale agreements and lease liabilities.

Please refer to the corporate actions and financial review for more information.

### The extension of the working capital loan and implementation of a capital raise

Jasco is negotiating the restructure of the group's borrowings and an extension of the working capital loan with the Bank of China. The board also approved a capital raise of R55 million, in the form of a rights offer partly underwritten by a key shareholder, which is expected to be concluded before the end of December 2021. This will fund future growth and improve the gearing ratio through further debt reduction.

### Addressing the underperformance of businesses

With the exception of Security and Fire Safety, all business units achieved an improvement in profitability. Security and Fire Safety continued to be impacted by delays in the team's project execution due to COVID-19-related restrictions at customer sites. Subsequent to year-end, this has improved following the easing of lockdown conditions.

The team focused on an improved gross margin mix and significant cost cutting to ensure the turnaround from losses last year to a profit in the majority of the businesses this year. Refer to the operational review for information on the operational focus areas.

The significant corrective actions taken resulted in earnings attributable to ordinary shareholders improving from a loss of R110,9 million in FY2020 to a profit of R6,5 million in FY2021.

Although the improvement in the group's operating profit is pleasing, it remains lower than the interest charge on borrowings, which makes further debt reduction crucial. Refer to the financial review for information on the group's financial performance.

## Strategy update

A careful review of the group's strategy was undertaken in light of the changing business environment and dynamic trading conditions in the markets that Jasco serves.

These actions, and the anticipated revenue growth off a much lower cost base, are expected to deliver positive results in the new financial year.

The expected growth areas include higher demand for smart technologies (increasingly cloud-based) for application in the smart ecosystems, which encompass smart cities, smart businesses and smart buildings. Jasco's portfolio includes a range of products, services, infrastructure and applications to meet these requirements.

## Corporate actions

### Disposal of Reflex

Jasco acquired its 51% interest in Reflex with effect from 1 May 2017. Due to growing demand for data services from its existing customers, Reflex required additional capital for its ongoing investment in its data centre and network infrastructure. To fund this requirement, the business implemented a rights offer of R10 million in September 2020. The subscription date for the rights offer was 20 September 2020. Jasco did not follow its rights, but entered into a Put Option Agreement to protect its rights in the investment. The share subscription diluted Jasco's majority interest of 51% in Reflex to 47.7%, resulting in Jasco relinquishing control over the investment. This event gave rise to a profit on disposal of R2,2 million in Jasco in the current year.

Following the loss in control, Jasco still retained significant influence over Reflex, and the investment was accordingly reclassified as an investment in an associate and equity-accounted.

The profit on the loss of control reported for December 2020 was R12,9 million. The change in the reported profit is as a result of the increase in costs incurred of R0,2 million, as well as a change in the equity accounted income to R19,2 million compared to the original estimate of R8,4 million, following better than anticipated operating results from the associate.

#### Exercise of the Put Option

Jasco, Myriad Capital Communications Proprietary Limited (Myriad), and Reflex entered into a Put Option Agreement, in terms of which Myriad granted Jasco an option, exercisable at Jasco's sole discretion, that required Myriad to purchase Jasco's entire Reflex shareholding for a transaction consideration of R72 857 143, plus a dividend of R3 233 000.

Jasco exercised its option in terms of the Put Option Agreement on 5 October 2020. This transaction was approved at a shareholders' meeting on 21 April 2021, and the proceeds transferred to Jasco by 7 May 2021.

### Disposal of PTM

PTM was a start-up business in 2013 when its founder, together with his consultancy, Wi-Cloud Proprietary Limited (Wi-Cloud), started consulting to Jasco.

To provide a turnkey solution to property owners, PTM was combined with Jasco to offer property management, design, planning, installation and the management of ICT infrastructure and converged solutions.

Unfortunately, the planned upselling of other Jasco products and services did not materialise in line with expectations. The PTM business has therefore increasingly become a non-core business unit, with pricing pressure from the major property companies in the current environment where their traditional gross lettable area rental income has been challenged.

With effect from 1 May 2021, Jasco therefore sold its interest in the PTM business for R7,5 million to the Reach Group.

The payment plan is:

- R3 million by 7 June 2021. This was received.
- R3 million within seven days of the closing date of the transaction. This was received in July 2021.
- Three tranches of R500 000 each if the purchaser's revenue from 2022 to 2024 exceeds R7 million per annum.

The disposal of the business resulted in a profit of R5,7 million after tax for this year.

### New niche acquisition

Jasco Power Solutions acquired the business of XPertmeter for R0,5 million with effect from 1 February 2021 to bolster the management team of Power Solutions and increase its product offering. The purchase price was allocated to goodwill. Although the acquisition added new technical and management skills to the Power Solutions team, the business unfortunately did not perform as expected due to delays in projects. Therefore, based on the expected losses for the 2022 financial year, it was decided to take a conservative approach and fully impair this goodwill at the June 2021 financial year-end.

## Financial review

### Statement of comprehensive income

#### Continuing operations

Revenue of R658,6 million (2020: R663,1 million) was 0.7% lower, mainly due to the continuing effect of COVID-19-related restrictions. The gross profit improved by 14.3% to R204,6 million (2020: R179,0 million), resulting in a gross margin of 31.1% (2020: 27.0%).

The revenue contribution by segment (excluding intercompany eliminations) was:

| (R'000) | 2021 | 2020 | % change | % of total |
|---|---|---|---|---|
| Communication Solutions | 221,653 | 207,560 | +6.8 | 33 |
| Intelligent Solutions | 198,437 | 221,230 | –10.3 | 30 |
| Security and Fire Safety | 44,034 | 62,543 | –29.6 | 7 |
| Electrical Manufacturers | 200,307 | 181,677 | +10.3 | 30 |

Operating profit improved by 106.6% to a profit of R5,5 million (2020: loss of R82,9 million), mainly due to the significant cost savings across the group, as well as the low comparative base created in 2020 due to impairments of R22,1 million.

Net finance costs of R24,2 million declined from the corresponding period's R27,9 million, following the R15 million decrease in the Bank of China's working capital facility and the R25 million repayment on the corporate bond. The main contributors to finance costs were interest on the corporate bond and interest on the Bank of China's working capital facility, as well as the IFRS 16 interest impact of R9,8 million (2020: R12,7 million).

The taxation charge of R4,7 million compares to R5,3 million in 2020, which included the de-recognition of deferred taxation on assessed losses at subsidiary level. The effective tax rate is higher than the standard rate due to the increased level of non-deductible expenses, which result in a higher taxable income, as well as a change in a prior year estimated expense in RAMM Technologies of R803 000. The main item included in non-deductible expenses is the interest paid on the corporate bond.

The minorities' share of profits decreased from R166 000 to R36 000 due to the lower profits in RAMM Technologies.

#### Discontinued operations

The profit from the discontinued operations consists of the following:

| (R'000) | 2021 | 2020 | % change |
|---|---|---|---|
| Profit after tax – Reflex | 4,869 | 13,250 | –63 |
| Profit on disposal after tax – Reflex | 2,278 | – | +100 |
| Equity-accounted income – Reflex | 19,184 | – | +100 |
| Profit after tax – PTM | 495 | 218 | +127 |
| Profit on disposal after tax – PTM | 5,669 | – | +100 |

The profit after tax contribution for Reflex in the 2021 financial year was only for a period of two months and 22 days. The minorities' share of profits in Reflex therefore decreased to R2,6 million from the R8,1 million reported for 2020.

#### Earnings

The earnings and diluted earnings attributable to ordinary shareholders increased to R6,5 million (2020: loss of R110,9 million) and earnings per share (EPS) increased to 2,9 cents per share (2020: 49,4 cents loss per share). The weighted average number of shares remained at 224,2 million shares.

Headline earnings and diluted headline earnings per share (HEPS) improved to 0,6 cents loss per share from the 43,0 cents loss per share reported for 2020. The prior year HEPS had to be restated to include the adjustment for the impairment of intangible assets that was erroneously excluded from the HEPS calculation in that year.

The difference between the earnings and headline earnings per share relates to the profit on disposal of Reflex and PTM, the impairment of the goodwill arising from the Xpertmeter acquisition in Jasco Power Solutions, as well as an after-tax profit on disposal of fixed assets of R0,4 million.

### Statement of cash flows

The group was able to achieve a net increase in cash and cash equivalents of R2,4 million (2020: decrease of R47,3 million).

Cash generated from operations (continuing and discontinued) reflected an inflow of R18,9 million (2020: R37,9 million). This was offset by net interest payments of R24,6 million (2020: R31,2 million) and income tax of R7,6 million (2020: R10,9 million). This resulted in a net cash outflow from operating activities of R13,3 million (2020: R7,4 million).

The cash inflow from investing activities mainly related to the dividend received from Reflex (R3,2 million) and the net proceeds on the disposal of Reflex and PTM (R70,5 million). R40 million of the cash was utilised to repay R15 million to the Bank of China and R25 million to the corporate bond, reflected under financing activities.

Other significant investing and financing cash flows relate to the repayment on lease liabilities of R14,4 million and additions to fixed assets of R4,6 million. These were offset against proceeds on the disposal of fixed assets of R1,1 million and the continued repayments on the loan granted to an Enterprise customer (R3,3 million) in 2018.

## Significant statement of financial position items

### Goodwill

Goodwill decreased from R71,8 million in 2020 to R41,4 million in 2021 due to the disposal of Reflex and consisted of the following items:

| R'000 | 2021 | 2020 |
|---|---|---|
| Carriers | 32,370 | 32,370 |
| RAMM Technologies | 8,374 | 8,374 |
| Electrical Manufacturers | 611 | 611 |
| Reflex | – | 30,475 |

As at the reporting date, the goodwill was tested for impairment. The cash flow projections, prepared from financial budgets approved by the board of directors, covering a five-year period, are discounted to the present value, using pre-tax discount rates appropriate to the cash-generating unit the asset belongs to of 17.94% except in the case of RAMM Technologies where 19.95% is used due to the dependency on its major customer.






Revenue growth assumptions after the first year were based on an inflationary increase. A long-term growth rate of 0.8% was assumed into perpetuity. Both revenue growth rates and long-term growth rates are based on conservative targets. The gross profit margins used in the value-in-use calculations are Carrier Solutions (44%), RAMM Technologies (58%), and Electrical Manufacturers (14%). With regard to the assessment of the value-in-use of the investment, management believes that the most notable possible change in any of the key assumptions would result from a change to the discount rate. The second most sensitive assumption is the long-term growth rate and the third assumption is a change to the free cash flow projections. A reasonable possible change in any of the key assumptions would not result in the carrying amount of any of the cash-generating units exceeding their recoverable amounts.

Based on this assessment, no impairment of these goodwill balances was required.

### Deferred taxation assets and liabilities

The net deferred taxation balance consists of the following:

| R'000 | 2021 | 2020 |
|---|---|---|
| Deferred tax asset | 18,256 | 21,981 |
| Deferred tax liability | (1,183) | (2,321) |
| Net deferred tax asset | 17,073 | 19,660 |

The group maintained its conservative view regarding the recognition of a deferred tax asset on calculated tax losses. It has unutilised tax losses of R182 million, for which an asset has not been recognised.

### Sources of funding

The group's funding is obtained from the following sources:

| R'000 | 2021 | 2020 (excl. Reflex liabilities) | 2020 |
|---|---|---|---|
| Equity holders of the parent | 30,421 | 25,893 | 25,893 |
| Non-controlling interests | 11,186 | 11,186 | 33,733 |
| Total shareholders' equity | 41,607 | 37,079 | 59,626 |
| Lease liabilities (related to right-of-use assets) | 77,564 | 88,720 | 137,151 |
| Instalment sale agreements (asset financing) | 989 | 2,095 | 13,922 |
| Corporate bond – current | 20,197 | 45,250 | 45,250 |
| Bank of China working capital loan – current | 131,038 | 145,675 | 145,675 |
| Other current borrowings | 1,400 | 1,381 | 4,391 |
| Total borrowings | 231,188 | 283,121 | 346,389 |
| Cash and cash equivalents | 20,964 | 20,854 | 21,326 |
| Borrowings net of cash | 210,224 | 262,267 | 325,063 |
| Borrowings net of cash (excl. lease liabilities) | 132,660 | 173,547 | 187,912 |
| Debt: equity ratio | 505.3% | 707.3% | 545.2% |
| Debt: equity ratio (excl. lease liabilities) | 318.8% | 468.0% | 315.2% |

The decrease in debt was as a result of the R25 million repayment on the corporate bond and R15 million to the Bank of China from the proceeds from the sale of Reflex, as well as the normal servicing of the instalment sale agreements and lease liabilities.

The current gearing percentage (excluding lease liabilities) remains unacceptably high at 319% mainly due to the low equity base following impairments recorded in previous financial years. This is despite the decrease in the amounts due to the Bank of China's is working capital term loan and the corporate bond.

The group is confident that debt levels will systematically reduce due to the sharp reduction in the cost base and the improved profitability and continued cash generation.

### Subsequent events

The group has a revised targeted debt: equity ratio of 1:1 (excluding lease liabilities) and started implementing the following actions subsequent to the year-end to improve the ratio:

- Approved a rights offer to the value of R55 million, which is approximately 80% underwritten by the majority shareholder, Community Investment Holdings Proprietary Limited ("CIH"), of which R20 million will be used to repay the corporate bond and a maximum of R20 million to reduce the working capital loan from the Bank of China.
- Negotiating an extension of the Bank of China working capital loan to at least the end of December 2022.

Following the rights offer, which is expected to be concluded before the end of December, the debt:equity (excluding lease liabilities) ratio is expected to improve to 97.9%.

## Solvency, liquidity and going concern

We draw attention to the fact that on 30 June 2021, the group had accumulated losses of R252,2 million (2020: R257,2 million), with the group making a profit of R6,5 million (2020: loss of R110,9 million).

The group breached its debt covenants on the corporate bond and the working capital loan from the Bank of China. This, together with the maturity date at year-end, resulted in the loans being recorded as current liabilities.

With the corporate bond, the group is required to comply with the following financial covenant conditions:

- Interest cover ratio being EBIT divided by Net finance, changes at minimum of 2.0 times. (2021: 0.50 (2020: –3.06))
- Debt to EBITDA ratio at a maximum of 3.5 times. (2021: 2.53 (2020: 5.55))
- Debt to equity ratio, being debt divided by equity, at a maximum of 60%. (2021: 315.5% (2020: 307.8%))

With the Bank of China loan, the group is required to comply with the following financial covenants conditions:

- Debt to equity ratio to not exceed a level of 150%. (2021: 319% (2020: 344%))
- Current and quick ratios not to reduce below 1.2:1 and 0.80:1 respectively. (2021: 1.6 and 1.0 (2020: 1.3 and 0.9))
- Interest cover to be maintained at a minimum of 1.5 times. Profit before interest and tax divided by net finance costs. (2021: 0.9 (2020: –1.7))
- Debtors in 0 – 90 days to provide 120% cover on the outstanding Bank of China balance at all times. (2021: 62% (2020: 90%))

The corporate bond holder and the Bank of China have condoned the breach of the loan covenants at 30 June 2021 subsequent to year-end.

The group's current liabilities therefore exceed its current assets by R78,1 million (2020: R145,9 million). The group is currently negotiating the extension of the working capital loan from the Bank of China. Should the negotiation not be successful, these events and conditions would cast significant doubt on Jasco's ability to continue as a going concern and therefore, the group may be unable to realise its assets and discharge its liabilities in the normal course of business.

Based on the forecast cash flows from the operations for the next 12 months to December 2022, combined with the planned R55 million rights offer, and the successful renegotiated extension of the working capital loan from the Bank of China, the board is satisfied that the group and company will continue as a going concern.

## Litigation, claims and other contingencies

As previously reported, the investigation by the Competition Commission into Jasco Security & Fire Solutions (Pty) Limited, several other fire installation companies, and the Automatic Sprinkler Inspection Bureau, is ongoing. The period under investigation dates back to before Jasco's ownership of the company. The former owner cooperated with the attorneys in defending the matter.

The Commission is investigating whether the installation companies compete with ASIB in the provision of inspection and accreditation services. The potential penalty is 10% of revenue in the year that the Commission commenced the investigation (estimated at R3,5 million). Jasco has offered a settlement to the value of R300,000, without an admission of guilt, to reduce costs and expedite the conclusion of the matter. This was accepted by the Commission on 7 September 2021.

## Operational reviews

### Communication Solutions

Revenue increased by 6.8% to R221,7 million from last year's R207,6 million, reflecting an improvement in volumes following the easing of the lockdown restrictions and the recognition of revenue that was reversed in the 2020 financial year following a dispute with a customer in Datavoice, after the contract was renegotiated with the customer.

Due to the increase in spend by a key telecommunications customer in the second half of the year and the targeting of higher-margin business, the gross margin improved from last year. The overheads were reduced significantly due to headcount reductions following the restructure.

This resulted in operating profit of R8,4 million, with a margin of 3.8%. This improved from last year's loss of R25,0 million, with a margin of –12.80%, and represents a pleasing turnaround given the continued COVID-19 impact on the business.

### Intelligent Solutions

Revenue decreased by 10.3% to R198,4 million from last year's R221,2 million. This was due to the lack of large projects in the contact centres and broadcast lines of business due to economic pressure on the customer base. The uptake of our cloud-based contact centre offering was slower than expected, but improved during the second half, with new orders received.

The gross margin improved from last year on a change in the customer profile, with the lower margin volumes included in last year's base. The overheads were reduced significantly on lower headcount following the restructure.

This resulted in operating profit of R24,5 million, with a margin of 12.4%. This improved substantially from last year's breakeven of R0,2 million, with a margin of 0.1%.

### Security & Fire Safety

Revenue decreased by 29.6% to R44,0 million from last year's R62,5 million. This was due to delays in project execution caused by the inability to access client sites due to COVID-19-restrictions, as well as cash constraints.

The gross margin declined from last year due to a lack of higher-margin projects. The overheads decreased by 6.5% on reduced headcount. Unfortunately, the operating loss worsened, with a loss of R7,7 million versus last year's loss of R3,9 million.

### Electrical Manufacturers

Revenue increased by 10.3% to R200,3 million from last year's R181,7 million, reflecting an improvement in volumes following the easing of lockdown restrictions. The volumes in FY2021 started slowly in Q1, with a pleasing improvement in Q2 and Q3 followed by a slowdown in Q4. Gross margin improved from last year after securing additional customers. Although the overheads increased by 6.6%, it remains the lowest-cost business in the group, as management continues with strict cost containment measures.

This resulted in operating profit of R8,0 million, with a margin of 4.0%. This improved from last year's R5,1 million, with a margin of 2.8% and represents a satisfactory result given the impact of COVID-19 on the business.

## Group outlook

The economic outlook for the new financial year remains uncertain, with the South African Government Grappling with a number of challenges, including the ongoing COVID-19 impact, growing unemployment, with associated social unrest, and the continued Eskom crisis.

The most pressing issue for the group is to reduce its high debt levels. The team remains confident that its funding initiatives will be successful and that stronger cash generation from operations and the systematic debt reduction will drive Jasco's continuing turnaround.

The strategic priorities in the current market conditions are to:

- restructure and further reduce debt and ensure the group remains sustainable;
- address internal funding to assist with profitable growth and market relevance;
- grow revenue; and
- maintain stringent cost control.

With the ongoing support from key shareholders, the team will continue to focus on revitalising the group following an extended period of surviving the biggest economic slump South Africa has experienced in almost 50 years. This revival will be achieved by targeting niche growth sectors, which will be supported by the planned capital raise and lower gearing ratio.

## Forward-looking statements

This report contains certain forward-looking statements with respect to Jasco's financial position, results, operations and businesses. These statements and forecasts contain risk and uncertainty, as they relate to events and depend on circumstances that occur in the future. There are various factors that could cause actual results or developments to differ materially from those expressed or implied by these forward-looking statements. These statements have not been reviewed.

## Dividend proposal

A dividend is not proposed due to the accumulated losses reported for the prior financial year and the high level of debt.

## Changes to the board

The board appointed Mr WA Prinsloo as the group CEO and Miss LA Prigge as the group CFO on 1 March 2021.

The board thanks Mr AMF (Pete) da Silva for stepping in as interim CEO during the height of the COVID-19 pandemic and his leadership of the team at a crucial time. He continues to serve as an alternate non-executive director to Mr MJ Madungandaba.

For and on behalf of the board

| Dr ATM Mokgokong | WA Prinsloo | LA Prigge |
|---|---|---|
| *(Non-executive chairman)* | *(Chief executive officer)* | *(Chief financial officer)* |

29 October 2021

## Basis of preparation

The reviewed condensed consolidated financial statements have been prepared under the supervision of Liska Prigge, CA(SA) .

The condensed consolidated results have been prepared in accordance with the framework concepts and the measurement and recognition requirements of International Financial Reporting Standards ("IFRS"), the Financial Reporting Pronouncements as issued by the Financial Reporting Standards Council, the South African Companies Act, 71 of 2008 as amended and the Listings Requirements of the JSE Limited and containing the information required by IAS 34 Interim Financial Reporting Standards. The accounting policies and methods of computation used in the preparation of this report are consistent with those of the previous year.

### Review opinion

The reviewed condensed consolidated financial statements have been reviewed by the group's auditors, Mazars, who issued an unqualified review report which contains a paragraph on material uncertainty relating to going concern, please refer to the paragraph below. The review report is available for inspection at the company's registered office and on the website at www.jasco.co.za.

### Material uncertainty related to going concern

Without modifying our conclusion above, we draw attention to the note headed "Solvency, liquidity, and going concern" of the condensed consolidated financial statements, in which it is stated that the ability of the group to continue as a going concern is dependent on the renegotiation of the working capital loan from the Bank of China, the planned rights offer and the forecast cash flows from operations for the next twelve months. These events or conditions indicate that a material uncertainty exists that may cast significant doubt on the group's ability to continue as a going concern.

## Fair value of financial instruments

The fair values of financial instruments are determined using appropriate valuation techniques, including recent market transactions and other valuation models, have been applied and significant inputs include exchange rates. The group only has assets that are carried at fair value in Level 2. There is no difference between the fair value and carrying value of financial instruments not presented below due to either the short-term nature of these items, or the fact that they are priced at variable interest rates.

### Fair value hierarchy

Financial instruments carried at fair value in the statement of financial position consist of the revaluation of foreign currency contracts and are included in Trade and other receivables and Trade and other payables respectively.

| R'000 | 2021 | 2020 |
|---|---|---|
| Financial assets at fair value through profit or loss | 379 | 57 |
| Financial liabilities at fair value through profit or loss | 42 | 69 |

## CONDENSED CONSOLIDATED STATEMENT OF COMPREHENSIVE INCOME FOR THE YEAR ENDED 30 JUNE 2021

| (R'000) | | Reviewed Jun 2021 | Restated Jun 2020 | % change |
|---|---|---|---|---|
| **Continuing operations** | | | | |
| Revenue | | 658 521 | 663 095 | (1) |
| Gross profit | | 204 549 | 178 969 | 14 |
| **Operating profit/(loss) before interest and taxation** | | 5 485 | (82 910) | 107 |
| Interest received | | 1 190 | 2 368 | (50) |
| Interest paid | | (25 367) | (30 276) | 16 |
| Equity accounted share of profit from joint venture/associate | | – | 33 | 100 |
| Loss before taxation | | (18 692) | (110 785) | 83 |
| Taxation | | (4 711) | (5 318) | (11) |
| **(Loss) for the year from continuing operations** | | (23 403) | (116 103) | 80 |
| **Discontinuing operations** | | | | |
| **Profit for the year from discontinued operations** | | 32 495 | 13 468 | 141 |
| **Profit/(loss) for the year** | | 9 092 | (102 635) | 109 |
| Other comprehensive income | | – | – | – |
| **Total comprehensive income/(loss) for the year** | | 9 092 | (102 635) | 109 |
| Profit/(loss) and total comprehensive income attributable to: | | | | |
| – equity holders of the parent | | 6 469 | (110 863) | 106 |
| – non-controlling interests | | 2 623 | 8 228 | (68) |
| **Profit/(loss) for the year** | | 9 092 | (102 635) | 109 |
| Profit/(loss) and total comprehensive income attributable to: | | | | |
| – equity holders of the parent | | 6 469 | (110 863) | 106 |
| (Loss)/profit for the year from continuing operations | | (23 439) | (116 269) | 80 |
| Profit/(Loss) for the year from discontinued operations | | 29 908 | 5 406 | 453 |
| – non-controlling interests | | 2 623 | 8 228 | (68) |
| Profit for the year from continuing operations | | 36 | 166 | (78) |
| Profit for the year from discontinued operations | | 2 587 | 8 062 | (68) |
| Earnings and diluted earnings per share from total operations | (cents) | 2.9 | (49.4) | 106 |

| (R'000) | | Reviewed Jun 2021 | Restated Jun 2020 | % change |
|---|---|---|---|---|
| **Reconciliation of headline earnings** | | | | |
| Net earnings attributable to equity holders of the parent | | 6 469 | (110 863) | 106 |
| Headline earnings adjustments | | (7 818) | 14 405 | (172) |
| – (profit)/loss on disposal of subsidiary/ business unit | | (7 947) | 77 | |
| – impairment of goodwill | | 500 | 10 251 | |
| – impairment of intangible assets | | – | 3 518 | |
| – net after-tax (profit)/ loss on disposal of fixed assets | | (371) | 559 | |
| **Headline earnings** | | (1 349) | (96 458) | 99 |
| The headline earnings for 2020 was restated as the impairment of intangible assets was erroneously not adjusted for | | | | |
| Number of shares in issue | ('000) | 229 319 | 229 319 | – |
| Treasury shares | ('000) | 4 873 | 4 873 | |
| Weighted average number of shares on which earnings per share is calculated | ('000) | 224 446 | 224 446 | – |
| Dilutive shares | | | | |
| – dilutive shares and options | ('000) | – | – | |
| Weighted average number of shares on which diluted earnings per share is calculated | ('000) | 224 446 | 224 446 | – |
| **Ratio analysis** | | | | |
| Attributable earnings | (R'000) | 6 469 | (110 863) | 106 |
| EBITDA | (R'000) | 37 203 | 12 718 | 198 |
| Headline earnings and diluted headline earnings per share from total operations | (cents) | (0.6) | (43.0) | 99 |


**JASCO ELECTRONICS HOLDINGS LIMITED**

Registration number 1987/003293/06

JSE share code: JSC ISIN: ZAE000003794

("**Jasco**" or "**the company**" or "**the group**")

Directors and Secretary:

Dr ATM Mokgokong (Chairman),

J Madungandaba (Deputy Chairman),

DH du Plessis*, MS Bawa*, PF Radebe*, TP Zondi* (Non-executive),

AMF da Silva# (Non-executive),

WA Prinsloo (CEO), LA Prigge (CFO) (Executive),

MCP Managerial Services (Pty) Ltd (Company Secretary)

**Independent #Alternate*

Registered office:

Jasco Park, c/o 2nd Street and Alexandra Avenue, Midrand, 1685

Transfer secretaries:

JSE Investor Services SA (Pty) Limited,

13th Floor, Rennie House, 19 Ameshoff Street, Braamfontein, 2001

Sponsor:

Grindrod Bank Limited,

Fourth Floor, Grindrod Tower, 8A Protea Place, Sandton, 2146

More information is available at: www.jasco.co.za


## CONDENSED CONSOLIDATED STATEMENT OF FINANCIAL POSITION AT 30 JUNE 2021

| (R'000) | Reviewed Jun 2021 | Audited Jun 2020 |
|---|---|---|
| **ASSETS** | | |
| **Non-current assets** | 179 578 | 327 277 |
| Plant and equipment | 38 567 | 74 675 |
| Right-of-use assets | 52 199 | 106 124 |
| Intangible assets | 67 910 | 117 772 |
| Investment in joint venture/associate | – | – |
| Deferred tax asset | 18 256 | 21 981 |
| Non-current contract assets | 9 | 1 664 |
| Other non-current assets | 2 637 | 5 061 |
| **Current assets** | 248 296 | 309 208 |
| Inventories | 87 482 | 101 113 |
| Contract assets | 1 574 | 11 927 |
| Trade and other receivables | 118 797 | 159 646 |
| Taxation refundable | 12 790 | 11 938 |
| Short-term portion of other non-current assets | 6 689 | 3 258 |
| Cash and cash equivalents | 20 964 | 21 326 |
| **Total assets** | 427 874 | 636 485 |
| **EQUITY AND LIABILITIES** | | |
| Share capital and reserves | 41 607 | 59 626 |
| **Non-current liabilities** | 59 903 | 121 743 |
| Interest-bearing liabilities | 205 | 6 218 |
| Lease liabilities | 58 501 | 110 871 |
| Contract liabilities | 14 | 2 333 |
| Deferred tax liability | 1 183 | 2 321 |
| **Current liabilities** | 326 364 | 455 116 |
| Non-interest bearing liabilities | 99 583 | 178 337 |
| Taxation | 4 256 | 4 970 |
| Contract liabilities | 50 043 | 42 509 |
| Short-term borrowings | 153 419 | 203 020 |
| Current lease liabilities | 19 063 | 26 280 |
| **Total equity and liabilities** | 427 874 | 636 485 |

## CONDENSED CONSOLIDATED STATEMENT OF CASH FLOWS FOR THE YEAR ENDED 30 JUNE 2021

| (R'000) | Reviewed Jun 2021 | Audited Jun 2020 |
|---|---|---|
| Cash generated from operations before working capital changes | 46 232 | 29 939 |
| Working capital changes | (27 373) | 7 996 |
| Cash generated from operations | 18 859 | 37 935 |
| Net financing costs | (24 563) | (31 203) |
| Net taxation paid | (7 569) | (10 893) |
| Dividends paid | – | (3 263) |
| Cash flow from operating activities | (13 273) | (7 424) |
| Cash flow from investing activities | 73 268 | (15 402) |
| Cash flow from financing activities | (57 628) | (24 517) |
| **Increase/(Decrease) in cash resources** | 2 367 | (47 343) |

## DISCONTINUED OPERATIONS

Jasco disposed of its investment in Reflex Solutions and PTM during the year. Refer to the commentary for more information.

Financial information relating to the discontinued operations for the period to the date of loss of control is set out below.

| (R'000) | 2021 | 2020 |
|---|---|---|
| **Revenue** | 84 205 | 276 118 |
| **Gross profit** | 30 442 | 107 711 |
| **Operating profit** | 18 081 | 22 578 |
| Finance income | 259 | 1 358 |
| Finance costs | (1 326) | (5 803) |
| Equity accounted share of profit from associate | 19 184 | – |
| **Profit before taxation** | 36 198 | 18 133 |
| Taxation | (3 703) | (4 665) |
| **Profit for the period** | 32 495 | 13 468 |
| Other comprehensive income | – | – |
| **Total comprehensive income for the period** | 32 495 | 13 468 |
| Earnings per ordinary share (cents) – basic | 13.3 | 2.4 |
| – diluted | 13.3 | 2.4 |

## CONDENSED CONSOLIDATED STATEMENT OF CHANGES IN EQUITY FOR THE YEAR ENDED 30 JUNE 2021

| (R'000) | Reviewed Jun 2021 | Audited Jun 2020 |
|---|---|---|
| **Attributable to equity holders of the parent** | | |
| Opening balance | 25 893 | 136 694 |
| Treasury shares – Share Incentive Trust | – | 120 |
| Share-based payment reserve | – | 187 |
| Recycling of non-distributable reserve* | (1 941) | – |
| Transactions with non-controlling shareholder | – | (245) |
| Total comprehensive income | 6 469 | (110 863) |
| – Profit/(loss) for the year | 6 469 | (110 863) |
| – Other comprehensive income | – | – |
| Closing balance | 30 421 | 25 893 |
| **Non-controlling interests** | | |
| Opening balance | 33 733 | 28 730 |
| Total comprehensive income | 2 623 | 8 228 |
| – Profit for the year | 2 623 | 8 228 |
| – Other comprehensive income | – | – |
| Disposal of subsidiary | (27 111) | 38 |
| Recycling of non-distributable reserve* | 1 941 | – |
| Dividend paid to non-controlling shareholder | – | (3 263) |
| Closing balance | 11 186 | 33 733 |
| Total equity | 41 607 | 59 626 |

* Relates to transactions with non-controlling interests.

## CONDENSED SEGMENTAL REPORTS FOR THE YEAR ENDED 30 JUNE 2021

For management (the group's executive committee) purposes, the group is organised into divisions based on their products and services and has four reportable operating segments. The group's operating businesses are organised and managed separately according to the nature of the products and services provided, with each segment representing a strategic divisions that offers different products and serves different markets. Management monitors the operating results of its divisions separately for the purpose of making decisions about resource allocation and performance assessment. Segment performance is evaluated based on operating profit or loss and is measured on an aggregate basis and reconciled back to the profit or loss in the consolidated statement of comprehensive income.

Segmental revenue includes sales to third parties, as well as arm's length inter-segmental revenue recorded at fair value.

Segmental operating profits exclude interest paid or received, except for interest income on lease receivables, and are stated before inter-segmental charges for interest and administration services between group companies.

| Income and expenses | Reviewed Jun 2021 | | Restated Jun 2020 | |
|---|---|---|---|---|
| (R'000) | Revenue | Operating profit/(loss) | Revenue | Operating profit/(loss) |
| Intelligent Solutions | 221 652 | 8 427 | 207 560 | (24 961) |
| Communication Solutions | 198 437 | 24 547 | 221 230 | 158 |
| Security and Fire | 44 034 | (7 688) | 62 543 | (3 895) |
| Electrical Manufacturers | 200 307 | 7 984 | 181 677 | 5 132 |
| Sub-total continuing operating divisions | 664 430 | 33 270 | 673 010 | (23 566) |
| Discontinued operations | 85 363 | 15 700 | 283 253 | 22 495 |
| Other | 32 117 | (23 469) | – | (49 573) |
| Adjustments | (39 184) | (1 933) | (17 050) | (9 688) |
| **Total** | 742 726 | 23 568 | 939 213 | (60 332) |

| Financial position | Reviewed Jun 2021 | | Restated Jun 2020 | |
|---|---|---|---|---|
| (R'000) | Assets | Liabilities | Assets | Liabilities |
| Intelligent Solutions | 106 013 | 35 205 | 103 398 | 43 926 |
| Communication Solutions | 63 913 | 55 283 | 75 339 | 71 606 |
| Security and Fire | 19 082 | 11 147 | 21 796 | 10 030 |
| Electrical Manufacturers | 101 116 | 48 003 | 111 510 | 54 944 |
| Sub-total continuing operating divisions | 290 124 | 149 638 | 312 043 | 180 506 |
| Discontinued operations | 6 504 | 633 | 100 226 | 62 646 |
| Other | 117 296 | 209 591 | 163 927 | 258 825 |
| Adjustments | 13 950 | 26 405 | 60 289 | 74 882 |
| **Total** | 427 874 | 386 267 | 636 485 | 576 859 |

## REVENUE BY SEGMENTS

Revenue by reportable segment is disaggregated by major revenue streams as below:

| 2021 | Sale of goods and related services (R'000) | Project related revenue (R'000) | Maintenance and support services (R'000) | Connectivity and hosting services (R'000) | Software related licences (R'000) | Agency revenue (R'000) | Administration fees (R'000) | Rental revenue – Hi-Sites* (R'000) | Total (R'000) |
|---|---|---|---|---|---|---|---|---|---|
| Communication Solutions | 157 298 | 3 386 | 34 948 | – | 26 020 | – | – | – | 221 652 |
| Intelligent Solutions | 69 754 | – | 84 787 | 18 280 | – | – | – | 25 616 | 198 437 |
| Security and Fire | 4 369 | 35 462 | 4 104 | 99 | – | – | – | – | 44 034 |
| Electrical Manufacturers | 200 307 | – | – | – | – | – | – | – | 200 307 |
| **Sub-total operating division** | 431 728 | 38 848 | 123 839 | 18 379 | 26 020 | – | – | 25 616 | 664 430 |
| Discontinued operation – Reflex Solutions and PTM Division | 49 032 | – | 3 176 | 27 520 | – | 5 635 | – | – | 85 363 |
| Other non-operating divisions | – | – | – | – | – | – | 8 384 | – | 8 384 |
| Adjustments – intercompany eliminations | (7 067) | – | – | – | – | – | (8 384) | – | (15 451) |
| **Total** | 473 693 | 38 848 | 127 015 | 45 899 | 26 020 | 5 635 | – | 25 616 | 742 726 |

| 2020 (Restated) | Sale of goods and related services (R'000) | Project related revenue (R'000) | Maintenance and support services (R'000) | Connectivity and hosting services (R'000) | Software related licences (R'000) | Agency revenue (R'000) | Administration fees (R'000) | Rental revenue – Hi-Sites* (R'000) | Total (R'000) |
|---|---|---|---|---|---|---|---|---|---|
| Communication Solutions | 64 506 | – | 107 664 | 20 542 | 17 695 | – | – | – | 210 407 |
| Intelligent Solutions | 139 683 | 13 453 | 33 046 | – | – | – | – | 27 023 | 213 205 |
| Security and Fire | 5 025 | 55 283 | 1 844 | 391 | – | – | – | – | 62 543 |
| Electrical Manufacturers | 181 677 | – | – | – | – | – | – | – | 181 677 |
| **Sub-total operating division** | 390 891 | 68 736 | 142 554 | 20 933 | 17 695 | – | – | 27 023 | 667 832 |
| Discontinued operation – Reflex Solutions and PTM Division | 135 065 | – | 17 540 | 118 005 | 12 643 | 5 178 | – | – | 288 431 |
| Other non-operating divisions | – | – | – | – | – | – | 5 078 | – | 5 078 |
| Adjustments – intercompany eliminations | (17 050) | – | – | – | – | – | (5 078) | – | (22 128) |
| **Total** | 508 906 | 68 736 | 160 094 | 138 938 | 30 338 | 5 178 | – | 27 023 | 939 213 |

* *Not from IFRS 15 Revenue with contract with customers*