

UNAUDITED INTERIM RESULTS

FOR THE SIX MONTHS ENDED
31 DECEMBER 2022

INTRODUCTION

Jasco's operations continued to experience tough conditions for the six months to 31 December 2022, with a number of external factors exacerbating the internal challenges.

Internal challenges included:

- Loss in volumes in Manufacturing due to the after-effects of a plant-level strike in June 2022;
- Delays on expected orders from blue-chip customers in Communication Solutions and Intelligent Solutions (received late in Q2); and
- The closure of the Security & Fire business in October 2022 following continued losses and significant misrepresentations and mismanagement by the divisional management team.

In these conditions, Jasco continued to implement corrective actions. These included:

- Continued tight cost control throughout the group;
- Excellent working capital management in all divisions; and
- Securing a healthy order book with orders on hand of R232,9 million at 31 December 2022 compared to R147,4 million at 30 June 2022.

To assist the group implement the corrective actions, Community Investment Holdings (CIH) purchased the Midrand head office property in July 2022 and CIH granted a 12-month lease payment holiday in September 2022.

Jasco placed its subsidiary, MV Fire Protection Services Proprietary Limited (representing the Security & Fire Solutions division), in voluntary liquidation on 17 October 2022. The derecognition of the assets and liabilities on the loss of control of the subsidiary resulted in a gain of R5,9 million. The comparative information has been restated to include Security & Fire and Jasco Property Solutions that was disposed of in F2022, in discontinued operations to enable a like-for-like comparison.

FINANCIAL RESULTS

Revenue of R276,1 million decreased by 14% (Dec 2021: R322,5 million) due to lower demand for specialised communications cable in Communication Solutions and the loss of customer orders in Manufacturing following the protracted strike in F2022.

Profit before interest and taxation (PBIT or operating profit) deteriorated by 173% from R14,5 million to a loss of R10,7 million mainly due to the drop in sales volumes and related margins.

Net finance costs of R11,7 million increased from the corresponding period's R8,9 million due to the higher interest charge related to (Chief financial officer) the new lease and the increase in the interest rates on the Bank of China facility.

The loss from discontinued operations of R2,8 million (Dec 2022: R3,7 million) consists of Security & Fire's operating loss (R8,7 million) and the profit on disposal (R5,9 million).

Profit attributable to ordinary shareholders decreased to a loss of R23,8 million from a profit of R4,7 million. Including the operating loss of R2,8 million (Dec 2021: R3,7 million) from the discontinued operation, the total loss attributable to ordinary shareholders decreased to R26,7 million (Dec 2021: profit of R0,3 million).

The weighted average number of shares in issue for the period increased to 362,6 million shares following the rights issue in February 2022 (Dec 2021: 224,4 million shares)

Earnings per share (EPS) from continuing operations decreased to a loss of 6.6 cents from a profit of 1.7 cents. EPS from total operations decreased from 0.1 cents to a loss of 7.4 cents.

Headline earnings per share (HEPS) from continuing operations decreased from a profit of 1.7 cents to a loss of 6.4 cents and from a profit of 0.1 cents to a loss of 8.7 cents for total operations.

Due to the losses incurred during the reporting period, the group breached its interest cover covenant on the Bank of China agreement. Although this was condoned subsequent to the reporting period, the loan was classified as current at 31 December 2022.

Cash inflows from operating activities of R13,6 million improved compared to an inflow of R7,1 million recorded in December 2021. Investing activities saw an outflow of R0,6 million (Dec 2021: inflow of R4,2 million), primarily due to additions to fixed assets. The financing activities outflow of R10,0 million (Dec 2021: R6,3 million) relates to the repayment on the finance leases and the Bank of China term loan. Accordingly, the closing cash balance of R32,3 million increased from R29,4 million in June 2022 (Dec 2021: R26,0 million).

GROUP PROSPECTS

The economic outlook for 2023 remains uncertain, with a number of challenges in South Africa. These include the ongoing Eskom crisis, the reduction in economic growth, high levels of unemployment, associated social and labour unrest, and rising interest rates.

Jasco will continue to execute its strategy and concentrate on the following additional key areas:

- Drive organic revenue growth from its existing customer base and target key new strategic customers;
- Add new products and services to Jasco's portfolio, with an emphasis on managed solutions as a fast-growing and higher-margin business area;
- Cost control and ongoing improvement in sustainable profitability levels in all business units; and
- Continue to reduce financial gearing through the cash generated by Jasco's operations.

The group announced its proposed delisting in a cautionary announcement released on SENS on 5 December 2022, with an accompanying general

offer to Jasco minority shareholders by CIH of 16 cents per share. This represents a premium to the audited tangible net asset value of 1.2 cents per share as at 30 June 2022. The group will continue to update shareholders on progress.

SOLVENCY, LIQUIDITY AND GOING CONCERN

While these results are unaudited, shareholders are reminded of the emphasis of matter raised by the independent auditors, Mazars, in the audit opinion for the financial year ended 30 June 2022 relating to the material uncertainty related to going concern.

At 31 December 2022, the group had accumulated losses of R295,2 million (30 June 2022: R268,5 million), with the group reporting a loss of R26,7 million (June 2022: R16,3 million). The group's current liabilities exceed its current assets by R47,7 million at 31 December 2022. This casts doubt on the group's ability to continue as a going concern.

Based on the support received from CIH, the condonation from the Bank of China, the expected improvement in Manufacturing, the potential cost savings that would follow the delisting of Jasco and the planned revenue for the rest of the group, the directors believe there is sufficient financing available to continue the business of the group. Accordingly, the financial statements have been prepared on a going concern basis.

DIRECTORS' STATEMENT OF RESPONSIBILITY

This short-form announcement is the responsibility of the directors and is only a summary of the information in the full announcement and does not contain full or complete details. The full announcement can be found on the company's website at www.jasco.co.za. Copies of the full announcement may also be requested at the company's registered office and at the office of the sponsor, at no charge, during office hours. Any investment decision should be based on the full announcement and consolidated annual financial statements published on the company's website.

For and on behalf of the board

Dr ATM Mkgokong
(Non-executive chairman)

WA Prinsloo
(Chief executive officer)

LA Prigge
(Chief financial officer)

22 February 2023

JASCO ELECTRONICS HOLDINGS LIMITED Registration number 1987/00329306 JSE share code: JSC ISIN: ZAE000003794

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