

ABRIDGED RESULTS

FOR THE YEAR ENDED 30 JUNE 2022

INTRODUCTION

Although the severe impact of COVID-19 lessened during the year, local and global economies remained fraught with challenges.

In South Africa, the lasting social and economic impact of the COVID-19 restrictions was evident through the volatile social unrest in July 2021 across mainly KwaZulu-Natal and certain parts of Gauteng. This resulted in extensive damage to property and disruptions to business operations in these provinces. This was followed by a national labour strike in October 2021 in response to increased inflationary pressures on the general cost of living.

Natural disasters, such as the flooding in KwaZulu-Natal in April 2022, exacerbated the economic challenges, with significant disruptions to the key port of entry for imported goods in Durban.

In addition, the international environment added further pressure to the South African business environment following rising fuel prices due to the ongoing Russian war in Ukraine. International supply chains were also disrupted due to the impact of COVID-19 new lockdowns in key Chinese cities. This resulted in shortages of key technology products and shipping delays.

GROUP STRUCTURE

Communication Solutions	Webb, Datavoice, RAMM Technologies
Intelligent Solutions	Enterprise Communications, Broadcast Solutions, Hi-Sites, Co-location Solutions, Power Solutions
Security & Fire Solutions	
Manufacturing	

ADDRESSING THE GROUP'S SUSTAINABILITY

The management team continued with its unrelenting focus on ensuring a more sustainable position for Jasco.

Efforts to improve the group's financial position included a focus on the overall debt levels and future growth and profitability of the group. Jasco appointed a specialist financial advisory firm, Apeiron Capital (Apeiron). Apeiron assisted the group with the negotiations for the renewal of term loan facilities with the Bank of China. This was successfully concluded in December 2021. The firm was also mandated to provide specialist advice to the board and management team on the group's strategy, with a particular focus on driving profitability and restructuring loss-making business units. Apeiron will also assist the group with a roadshow to debt funding market participants to evaluate various options for debt refinance and syndication.

Management's key actions during the year included:

Debt restructure and capital raise

Jasco successfully concluded a rights issue on 7 February 2022, raising R47,2 million net of costs. The issue price was 35c per share, resulting in an increase in the number of shares of 138 125 525 to 367 444 716.

Following the rights issue, the corporate bond was fully settled through a set-off of R20,0 million and the Bank of China (BoC) loan was reduced by R20,0 million. This improved the gearing ratio at 31 March 2022 to 143%. From January 2022, monthly capital repayments commenced, which has reduced the capital amount owing at 30 June 2022 to R108 million.

Addressing the underperforming businesses

Manufacturing was severely impacted by the social unrest, the national strike and a plant level strike between March and June 2022. Due to the significant operating losses caused by the strike, a Section 189 review of the business commenced. In addition 123 production employees unfortunately has to be dismissed in June 2022 due to gross misconduct during the strike. The operation is being repositioned in response to the existing customer demand and market conditions.

Very disappointingly, the group uncovered gross misconduct by the leadership team in the Security & Fire. Immediate action was taken, with the team members no longer at the group. In addition, a forensic investigation was launched in late July to evaluate the extent of mismanagement. Initial findings have uncovered significant misrepresentation.

An evaluation of the operations, customer and sales pipeline, suppliers and trade terms and the organisational structure was also conducted, with assistance from an external independent expert. Following the review, a detailed report was presented to the board. To prevent ongoing pressure on the rest of Jasco, the decision was taken to restructure Security & Fire and to exit the loss-making fire segment.

Sale of the corporate property

With effect from 1 January 2022, the property leased in Midrand was sold by the existing landlord to CIH Projects No 55 (Pty) Ltd, an associated company of CIH. As part of the sale agreement, a credit was granted to Jasco for the October and November 2021 rental amounts, and the occupational rent was reduced for a period of six months (January 2022 to June 2022).

A new lease agreement for a ten-year period was signed by Jasco, escalating at CPI per annum. This was approved by the required majority of shareholders on 15 September 2022. The cash flow relating to the existing lease was adjusted to reflect the change in the existing lease, resulting in a gain on the lease modification of R16,3 million and a waiver of the liability to the previous owner of R2,5 million.

Disposals

With effect from 1 June 2022, Jasco sold its investment in Jasco Property Solutions (JPS) to Reach Group for R0,5 million, resulting in a profit of R1,6 million due to the negative net asset value of the entity. The initial investment was fully impaired.

The transaction consideration consists of the following two contingent payments:

- R272 582 on the successful renewal of five identified lease agreements
- R272 583 if JPS achieves a targeted annual gross profit, for the 12 months from 1 June 2023 to 31 May 2024, of R1,5 million or more. This will be paid within 60 days from 31 May 2024

In addition to the transaction consideration, the loan granted to JPS of R354 000 was settled in full subsequent to the financial year-end.

Reflex Solutions and Property Technology Management (PTM) were disposed of in the previous financial year, and disclosed as discontinued operations. The comparative information has been restated to include JPS in discontinued operations to enable a like-for-like comparison.

FINANCIAL RESULTS

Statement of comprehensive income

Continuing operations

Revenue of R662,3 million improved by 1.1% (2021: R654,9 million). The gross profit deteriorated by 14.5% to R173,8 million (2021: R203,2 million) due to the operating gearing effect resulting from the lower volumes particularly in Security & Fire and Manufacturing, resulting in a gross margin percentage of 26.2% (2021: 31.0%).

The revenue contribution by segment (excluding inter-company eliminations) were:

R'000	2022	2021	% change	% of total
Communication Solutions	318 840	221 652	43.8	48
Intelligent Solutions	175 539	194 836	(9.9)	26
Security & Fire	28 096	44 034	(36.2)	4
Manufacturing	145 790	200 307	(27.2)	22

Operating profit decreased by 40.1% to R3,2 million (2021: R5,3 million), mainly due to the losses suffered by Security & Fire and Manufacturing. Refer to the segmental review for more information. Operating margin therefore declined from 0.8% to 0.5%.

Net finance costs of R16,5 million decreased from the corresponding period's R24,0 million, following the settlement of the corporate bond, the repayment on the Bank of China loan and the decrease in the interest expense relating to the modified lease liability.

The taxation charge of R3,9 million compares to R4,7 million in 2021, which included the de-recognition of R1,0 million in foreign tax credits that had prescribed. The effective tax rate is higher than the standard rate due to the prescribed tax credits and the continued conservative approach regarding the recognition of deferred tax assets on tax losses and various non-deductible expenses. This resulted in a higher taxable income. The main item included in non-deductible expenses is the interest paid on the corporate bond.

The minorities' share of profits increased to R380 000 from R36 000 due to the higher profit after tax in RAMM Technologies.

Discontinued operations

The profit from the discontinued operations consist of the following:

R'000	2022	2021
Loss after tax – JPS	(250)	(72)
Profit on disposal after tax – JPS	1 588	–
Profit after tax – Reflex	–	4 869
Profit on disposal after tax – Reflex	–	2 278
Equity accounted income – Reflex	–	19 184
Profit after tax – PTM	–	495
Profit on disposal after tax – PTM	–	5 669

Consequently, the earnings attributable to ordinary shareholders decreased to a loss of R16,3 million (2021: profit of R6,5 million) and earnings per share (EPS) to a loss of 5,9 cents per share (2021: profit of 2,9 cents per share). The weighted average number of shares in issue increased to 278,6 million shares following the rights issue on 7 February 2022 (2021: 224,4 million shares).

Headline earnings per share decreased to 6,4 cents loss per share from 0,6 cents loss per share reported for 2021. The difference between the earnings and headline earnings per share relates to the profit on disposal of JPS and an after tax loss on the disposal of fixed assets.

Statement of cash flows

The group achieved a net increase in cash and cash equivalents of R9,0 million (2021: R2,4 million).

Cash generated from operating activities (continuing and discontinued) reflected an inflow of R36,7 million (2021: R18,9 million) and was offset by net interest payments of R17,0 million (2021: R24,6 million), as well as income tax paid of R3,2 million (2021: R7,6 million). This resulted in net cash inflow from operating activities of R16,5 million (2021: R13,3 million outflow).

The cash inflow from investing activities of R5,4 million (2021: R73,3 million) related mainly to the continued repayments on the loan granted to an Enterprise customer in 2018 of R3,5 million (2021: R3,3 million) and R3 million on the deferred proceeds on the disposal of PTM. This was partially offset by additions to fixed assets of R1,3 million.

Cash flows from financing activities reflected an outflow of R12,9 million (2021: R57,6 million), mainly on the repayment on finance leases of R16,8 million (2021: R14,3 million). The net cash inflow from the rights issue amounted to R7,2 million, as R20 million was netted off against the corporate bond and R20 million paid directly to the Bank of China. Other outflows relate to loan repayments of R3,3 million (2021: R43,3 million).

SIGNIFICANT BALANCE SHEET ITEMS

Goodwill

Goodwill remained unchanged at R41,4 million and consists of the following:

R'000	2022	2021
Carrier Solutions	32 370	32 370
RAMM	7 874	7 874
Manufacturing	611	611

At the reporting date, the goodwill was tested for impairment using a value-in-use approach.

The cash flow projections are discounted to the present value, using pre-tax discount rates appropriate to the cash-generating unit the asset belongs to. Revenue, gross margins and profit before tax for the first year is based on budgets approved by the board of directors. The revenue growth assumption is therefore based on an inflationary increase. Gross margins and profit before tax are increased over the forecast period for anticipated efficiency improvements on future cash flow projections. A long-term growth rate of 1.0% (2021: 0.8%) was assumed into perpetuity.

The future cash flows were not impacted by the losses suffered during the looting that occurred in July 2021, nor by the floods experienced by KwaZulu-Natal. The future cash flows for Manufacturing have been impacted by the loss in business following the three-month plant level strike.

The discount rate calculation is based on the specific circumstances of the group and the specific cash-generating unit and is derived from the group's weighted average cost of capital. Growth rate estimates are conservatively applied to each unit while considering both industry expected growth rates and internal targets. The group is not expecting to exceed the long-term average growth rates of the industry.

The specific key assumptions relating to each cash-generating unit are as follows:

	Pre-tax discount rate	Gross profit margin
Carrier Solutions	16.33%	69%
RAMM	15.80%	61%
Manufacturing	14.80%	17%

Based on this assessment, no impairment in these goodwill balances are required.

Deferred taxation assets and liabilities

The net deferred taxation balance consists of the following:

R'000	2022	2021
Deferred tax asset	15 771	18 256
Deferred tax liability	(1 306)	(1 183)
Net deferred tax asset	14 465	17 073

The group maintained its conservative view regarding the recognition of a deferred tax asset on calculated tax losses, and has unutilised tax losses of R190,2 million for which an asset has not been recognised.

Sources of funding

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

R'000	2022	2021
Equity holders of the parent	61 359	30 421
Non-controlling interests	11 566	11 186
Total shareholders' equity	72 925	41 607
Lease liabilities (related to right-of-use assets)		
– Non-current	17 503	58 501
– Current	7 207	19 063
Instalment sale agreements (asset financing)		
– Non-current	31	205
– Current	209	784
Corporate bond – current	–	20 197
Bank of China term loan (2021: working capital loan)		
– Non-current	98 869	–
– Current	9 600	131 038
Insurance payment plan – current	808	808
Project funding loan	6 066	–
Bank overdrafts	478	592
Total borrowings	140 771	231 188
Cash and cash equivalents	29 861	20 964
Borrowings net of cash	110 910	210 224
Borrowings net of cash (excl. lease liabilities)	86 200	132 660
Debt: equity ratio	152.1%	505.3%
Debt: equity ratio (excl. lease liabilities)	118.2%	318.8%

A facility of R150 million from the Bank of China was raised on 13 May 2017 as a working capital loan. This decreased to R130 million on 27 February 2021. The working capital loan bore interest at the three-month JIBAR plus 330 basis points, which was payable on a quarterly basis. The capital was repayable in one instalment by 27 December 2021.

With effect from 28 December 2021, the working capital loan was restructured into a new 36-month term loan, bearing interest at the one-month JIBAR plus 480 basis points, which is payable monthly. A guarantee was issued by Golden Pond Trading 175 (Pty) Ltd. This expired on the conclusion of the rights offer.

The repayment plan is:

- The business delivered a disappointing first-time operating loss of R10,2 million at a negative 7.0% margin (2021: R8,0 million profit at a 4.0% margin).

The accounting policies as well as the methods of computation used in the preparation of the results for the year ended 30 June 2022 are in terms of IFRS and are consistent with those applied in the audited annual financial statements for the year ended 30 June 2022. The Group's directors are responsible for the preparation and fair presentation of the summarised consolidated annual results.

The full version of the financial statement and other information can be obtained at: www.jasco.co.za

Abridged Consolidated Statement of Comprehensive Income for the year ended 30 June 2022

(R'000)	Jun 2022	Restated* Jun 2021	% change	
Continuing operations				
Revenue	662 340	654 921	1.1	
Gross profit	173 806	203 171	(14.5)	
Operating profit before interest and taxation	3 175	5 300	(40.1)	
Interest received	963	1 189	(19.0)	
Interest paid	(17 498)	(25 149)	30.4	
Loss before taxation	(13 360)	(18 660)	28.4	
Taxation	(3 908)	(4 671)	16.3	
Loss for the year from continuing operations	(17 268)	(23 331)	26.0	
Discontinuing operations				
Profit for the year from discontinued operations	1 338	32 423	(95.9)	
Profit/(loss) for the year	(15 930)	9 092	(275.2)	
Other comprehensive income	–	–	–	
Total comprehensive income/(loss) for the year	(15 930)	9 092	(175.2)	
Profit/(loss) and total comprehensive (loss)/income attributable to:				
– equityholders of the parent	(16 310)	6 469	(352.1)	
– relating to continuing operations	(17 648)	(23 367)	24.5	
– relating to discontinued operations	1 338	29 836	(95.5)	
– minority shareholders	380	2 623	(85.5)	
– relating to continuing operations	380	36	955.6	
– relating to discontinued operations	–	2 587	(100.0)	
Total	(15 930)	9 092	(275.2)	
Earnings per share from total operations (basic and diluted)	(cents)	(5.9)	2.9	(304.7)
– continuing operations		(6.4)	(10.4)	38.5
– discontinued operations		0.5	13.3	(96.2)

* restated to include JPS in discontinued operations

Notes to the Abridged Annual Financial Statements

(R'000)		Jun 2022	Jun 2021	change
Reconciliation of headline earnings				
Net earnings attributable to equityholders of the parent		(16 310)	6 469	(352.1)
Headline earnings adjustments		(1 528)	(7 818)	80.5
– (Profit)/loss on disposal of subsidiary/business unit		(1 588)	(7 947)	
– Impairment of goodwill		–	500	
– net after-tax loss/(profit) on disposal of fixed assets		60	(371)	
Headline earnings		(17 838)	(1 349)	(1 222.2)
Headline earnings per share from total operations (basic and diluted)	(cents)	(6.4)	(0.6)	(965.9)
– continuing operations		(6.3)	(10.4)	39.0
– discontinued operations		(0.1)	9.8	(100.9)
Number of shares in issue	('000)	367 445	229 319	60.2
Treasury shares	('000)	4 873	4 873	
Weighted average number of shares on which earnings per share is calculated	('000)	278 561	224 447	24.1
Dilutive shares and options	('000)	–	–	
Weighted average number of shares on which diluted earnings per share is calculated	('000)	278 561	224 447	24.1
Ratio analysis				
Attributable earnings	(R'000)	(16 310)	6 469	(352.1)
EBITDA	(R'000)	31 581	37 203	(15.1)
Net asset value per share	(cents)	16.9	13.6	24.9
Net tangible asset value per share	(cents)	1.2	(16.7)	107.2
Debt:Equity (excluding lease liabilities)	(%)	159.2	369.2	(56.9)
Debt:Equity (net of Bank balances)	(%)	118.2	318.8	(62.9)

Discontinued operations

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

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

(R'000)	2022	Restated* Jun 2021
Revenue	3 267	87 806
Gross profit	1 114	31 822
Operating profit	1 536	18 267
Finance income	–	259
Finance costs	(138)	(1 544)
Equity accounted share of profit from associate	–	19 184
Profit before taxation	1 398	36 166
Taxation	(60)	(3 743)
Profit for the period	1 338	32 423
Other comprehensive income	–	–
Total comprehensive income for the period	1 338	32 423
Earnings per ordinary share (cents)		
– basic and diluted	0.5	13.3
Headline earnings per ordinary share (cents)		
– basic and diluted	(0.1)	9.8

* restated to include JPS

Abridged Consolidated Statement of Financial Position at 30 June 2022

	Jun 2022	Jun 2021
(R'000)		
ASSETS		
Non-current assets	123 963	179 578
Plant and equipment	30 179	38 567
Right-of-use assets	19 625	52 199
Intangible assets	57 023	67 910
Deferred tax asset	15 771	18 256
Non-current assets recognised for costs incurred to fulfil contracts	–	9
Other non-current assets	1 365	2 637
Current assets	239 131	248 296
Inventories	74 152	87 482
Contract assets	1 039	1 574
Trade and other receivables	121 192	118 797
Taxation refundable	11 049	12 790
Short-term portion of other non-current assets	1 838	6 689
Cash and cash equivalents	29 861	20 964
Total assets	363 094	427 874
EQUITY AND LIABILITIES		
Share capital and reserves	72 925	41 607
Non-current liabilities	119 824	59 903
Interest-bearing liabilities	98 900	205
Lease liabilities	17 503	58 501
Contract liabilities	2 115	14
Deferred tax liability	1 306	1 183
Current liabilities	170 345	326 364
Non-interest-bearing liabilities	104 216	99 583
Taxation	590	4 256
Contract liabilities	41 171	50 043
Short-term borrowings	17 161	153 419
Current lease liabilities	7 207	19 063
Total equity and liabilities	363 094	427 874

Abridged Consolidated Statement of Cash Flows for the year ended 30 June 2022

	Jun 2022	Jun 2021
(R'000)		
Cash flows from operating activities	16 502	(13 273)
Cash receipts from customers	692 154	668 893
Cash paid to suppliers and employees	(655 469)	(650 034)
Cash generated from operations	36 685	18 859
Interest received	836	1 337
Interest paid	(17 824)	(25 900)
Taxation paid	(3 195)	(7 569)
Cash flows from investing activities	5 420	73 268
Purchase of plant and equipment	(1 303)	(4 603)
Proceeds on disposal of plant and equipment	237	1 135
Additions to right-of-use assets	–	5
Additions to intangibles	(15)	(19)
Disposal of subsidiary, net of cash disposed of	(86)	70 467
Acquisition of business operation	–	(250)
Dividend received from associate	–	3 233
Receipts from other non-current loans	6 587	3 300
Cash flows from financing activities	(12 911)	(57 628)
Non-current loans repaid	(3 318)	(43 255)
Cash proceeds from rights issue	7 248	–
Leases – principal payments	(16 841)	(14 373)
Net decrease in cash and cash equivalents	9 011	2 367
Cash and cash equivalents at beginning of year	20 372	17 794
Revaluation of foreign cash balances	–	211
Net cash and cash equivalents at end of year	29 383	20 372
Cash and cash equivalents	29 861	20 964
Bank overdrafts	(478)	(592)
Net cash and cash equivalents at end of year	29 383	20 372

Revenue by segment from continuing operations

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

	Sale of goods and related services	Project related revenue	Maintenance and support services	Connectivity and hosting services	Software related licenses	Administration fees	Rental revenue-Hi-Sites*	Total
(R'000)								
2022								
Communication Solutions	251 161	7 522	40 787	–	19 371	–	–	318 841
Intelligent Solutions	60 658	–	72 315	16 982	–	–	25 584	175 539
Security and Fire	2 314	24 189	1 506	87	–	–	–	28 096
Manufacturing	145 790	–	–	–	–	–	–	145 790
Sub-total operating division	459 923	31 711	114 608	17 069	19 371	–	25 584	668 266
Other non-operating divisions	–	–	–	–	–	5 516	–	5 516
Adjustments – intercompany eliminations	(5 926)	–	–	–	–	(5 516)	–	(11 442)
Total	453 997	31 711	114 608	17 069	19 371	–	25 584	662 340
2021^								
Communication Solutions	157 298	3 386	34 948	–	26 020	–	–	221 652
Intelligent Solutions	66 153	–	84 787	18 280	–	–	25 616	194 836
Security and Fire	4 369	35 461	4 104	100	–	–	–	44 034
Manufacturing	200 307	–	–	–	–	–	–	200 307
Sub-total operating division	428 127	38 847	123 839	18 380	26 020	–	25 616	660 829
Other non-operating divisions	–	–	–	–	–	8 384	–	8 384
Adjustments – intercompany eliminations	(5 908)	–	–	–	–	(8 384)	–	(14 292)
Total	422 219	38 847	123 839	18 380	26 020	–	25 616	654 921

* Not from IFRS 15 Revenue with contract with customers

^ Restated to exclude discontinued operations

Abridged Consolidated Statement of Changes in Equity for the year ended 30 June 2022

	Jun 2022	Jun 2021
(R'000)		
Attributable to equity holders of the parent		
Opening balance	30 421	25 893
Rights issue	47 248	–
Recycling of non-distributable reserve*	–	(1 941)
Total comprehensive (loss)/income	(16 310)	6 469
Closing balance	61 359	30 421
Non-controlling interests		
Opening balance	11 186	33 733
Total comprehensive income	380	2 623
Disposal of subsidiary	–	(27 111)
Recycling of non-distributable reserve*	–	1 941
Closing balance	11 566	11 186
Total equity	72 925	41 607

* Relates to transactions with non-controlling interests.

Abridged segmental reports for the year ended 30 June 2022

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 inter-segmental revenue recorded at the transaction price.

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.

	Jun 2022		Restated* Jun 2021	
Income and expenses				
(R'000)	Revenue	Operating profit/(loss)	Revenue	Operating profit/(loss)
Communication Solutions	318 840	35 391	221 652	8 427
Intelligent Solutions	175 539	15 825	194 836	24 361
Security and Fire	28 096	(26 281)	44 034	(7 688)
Manufacturing	145 790	(10 245)	200 307	7 984
Sub-total continuing operating divisions	668 265	14 690	660 829	33 084
Discontinued operations	3 267	(52)	88 964	15 886
Other	32 352	(6 779)	32 117	(23 469)
Adjustments	(38 279)	(3 150)	(39 184)	(1 933)
Total	665 605	4 709	742 726	23 568

	Jun 2022		Jun 2021	
Financial position				
(R'000)	Assets	Liabilities	Assets	Liabilities
Communication Solutions	107 139	32 476	106 013	35 205
Intelligent Solutions	59 018	47 682	60 894	51 913
Security and Fire	10 602	14 633	19 082	11 147
Manufacturing	78 570	40 279	101 116	48 003
Sub-total continuing operating divisions	255 329	135 070	287 105	146 268
Discontinued operations	–	–	9 523	4 003
Other	101 496	123 343	117 296	209 591
Adjustments	6 269	31 756	13 950	26 405
Total	363 094	290 169	427 874	386 267

* restated to include JPS in discontinued operations from Intelligent Solutions