REVENUE
up
11%
to R558,1m

OPERATING PROFIT
up
290%
to R30,1m

HEPS
up
783%
to 5,7 cents

JASCO
INSPIRE INNOVATE

UNAUDITED INTERIM RESULTS FOR THE SIX MONTHS ENDED 31 DECEMBER 2015

INTRODUCTION

OPERATIONAL PERFORMANCE

The operational performance of the group improved significantly from the comparative period, against difficult market conditions, with all businesses contributing to profits. This pleasing performance was largely driven by a strong order book and prudent cost management. The Carrier and Intelligent Technologies businesses – representing 58% of the group's revenue – delivered gratifying results and management's focus on the Enterprise business resulted in its return to profitability.

SALE OF INVESTMENT IN M-TEC

The investment in M-TEC remains classified as "held-for-sale" and carried at R58,0 million. The 51% investment in M-TEC was therefore not equity accounted.

The final suspensive condition of formal approval from the Competition Commission, is expected during the next few months.

FINANCIAL OVERVIEW

STATEMENT OF COMPREHENSIVE INCOME

Headline earnings and headline earnings per share increased by 828% to R12,9 million (Dec 2014: R1,4 million) and 783% to 5,74 cents per share (Dec 2014: 0,65 cents per share) respectively.

Earnings per share (EPS) was similarly up by 810% to 5,73 cents per share (Dec 2014: 0,63 cents per share). The weighted average number of shares in issue increased from 213,3 million shares to 224,2 million shares following the general issue of 10,9 million shares in April 2015 to the investor in the group's corporate bond. This increase in the number of shares had a 5% dilutionary impact on EPS and HEPS.

Group revenue of R558,1 million increased by 11.1% from R502,3 million in the comparative period. Both the Carrier and Intelligent Technologies businesses grew revenue strongly. Electrical Manufacturers' revenue was flat compared to December 2014, due to lower than expected demand from its major customers. The Enterprise business was 11% down on last year due to the delay of two major projects into the second half of the financial year.

Group profit before interest and taxation (PBIT) increased by 290% to R30,1 million from R7,7 million in December 2014, with all the businesses contributing to profits.

The net finance cost paid of R7,8 million was largely unchanged from last year's R7,6 million. The finance income earned from long-term receivables decreased slightly from R2,9 million to R2,2 million in December 2015 and relates mainly to the group's long-term co-location contract with an African telecommunications operator. The main contributor to finance costs was the corporate bond interest of R5,7 million, which was higher on the inclusion of the bond issue costs in the effective interest rate (Dec 2014: preference shares – R3,3 million). Pleasingly, the interest on the group's bank overdraft reduced from R3,6 million to R2,4 million.

The taxation charge of R8,0 million (Dec 2014: R0,6 million credit) was due to a number of the subsidiary companies returning to tax paying positions on full utilisation of historic assessed losses in the prior financial year. The effective tax rate is at 35% due to an increase in permanent differences related to the corporate bond interest which is non-deductible.

Profit attributable to ordinary shareholders therefore increased by 856% to R12,9 million (Dec 2014: R1,3 million) due to the same reasons as the EPS and HEPS increases.

STATEMENT OF FINANCIAL POSITION

NON-CURRENT ASSETS AND LIABILITIES

Plant and equipment of R55,9 million reduced slightly (Dec 2014: R57,3 million), as the asset base depreciated. Capital expenditure at R3,8 million remained curtailed in the period (Dec 2014: R3,2 million), and predominantly consisted of additions to the plant and machinery at Electrical Manufacturers and essential equipment for the group's IT infrastructure.

Intangibles (including goodwill) of R80,1 million decreased from R108,9 million in December 2014 as a result of the impairments taken at the last financial year-end on goodwill and capitalised research and development (R&D).

The net deferred tax asset of R28,2 million (Dec 2014: R26,9 million and Jun 2015: R33,0 million) relates mainly to the recognition of the previously unutilised assessed losses in Jasco's operating subsidiaries. The conservative approach adopted in the recognition thereof remains consistent.

Other non-current financial assets of R21,0 million (Dec 2014: R33,7 million) mainly relates to the non-current portion of the group's finance lease receivable from its annuity contract with an African telecommunications operator.

The long-term interest-bearing liabilities of R121,3 million (Dec 2014: R62,4 million) increased due to the issue of the R100 million corporate bond in January 2015. The balance mainly relates to project funding from a strategic supplier to fund the finance lease receivable for an African telecommunications operator.

CURRENT ASSETS AND LIABILITIES

Inventories on hand were R120,7 million (Dec 2014: R102,2 million). The inventory levels in the Carrier business remained high due to the expected higher revenue. Intelligent Technologies' inventory also increased due to planned higher volumes, with inventory levels in Enterprise and Electrical Manufacturers steady.

Trade and other receivables were R352,1 million (Dec 2014: R274,9 million).

The net trade receivables of R199,8 million increased from R198,5 million in December 2014 but decreased from R289,8 million in June 2015. The age profile of the accounts receivable book was healthy on the higher sales volumes, and continues to receive management's attention to ensure optimal cash collections. Refer to the table of net working capital days below.

The provision for doubtful debts of R2,0 million (Dec 2014: R1,6 million) is considered adequate to cover specific risk trade receivables identified and any impairment required in terms of IAS 39. The bad debt to revenue percentage remains at less than 1% in line with historic levels.

Other receivables and pre-payments increased to R153,1 million (Dec 2014: R78,0 million) on trade funding provided for a Compact Fluorescent Lamp (CFL) project in line with the energy management focus in Intelligent Technologies. This profitable project is expected to be completed by the end of February 2016. Also included in the balance are the prepaid service level agreements (SLA) to suppliers (mainly in Enterprise).

Current interest-bearing liabilities of R26,6 million (Dec 2014: R106,2 million) decreased on the repayment of the AfroCentric preference shares in January 2015.

Current non-interest bearing liabilities of R262,8 million (Dec 2014: R226,6 million) increased due to the trade funding secured for the CFL project mentioned above. Trade accounts payable of R139,7 million decreased from R147,2 million in December 2014. The deferred maintenance revenue of R65,3 million (Dec 2014: R47,0 million) increased on prepaid SLAs from blue-chip customers, predominantly in Enterprise. The foreign currency risk is carefully managed through a hedging programme that utilises a blend of the available instruments.

Net working capital days of 38 days were above the target of 35 days, predominantly due to the higher asset values in Carrier at the end of the period. The following table compares to the June 2015 and December 2014 positions:

	Dec 15	Jun 15	Dec 14
Inventory	**34.5**	31.8	38.8
Receivables	**97.1**	104.6	95.0
Payables	**(93.6)**	(97.6)	(95.1)
NWC days	**38.0**	38.8	38.7

The net bank overdraft of R25,4 million increased from R3,2 million in December 2014, but decreased by R5,7 million from the R31,1 million reported at the June 2015 financial year-end. This is within Jasco's facility limits. Refer to the statement of cash flows for further information.

STATEMENT OF CASH FLOWS

The statement of cash flows reflects an improvement of 106.3% in cash generated from operations before working capital flows of R39,1 million compared to R18,9 million in December 2014. Working capital flows reflect an outflow of R15,0 million (December 2014: R3,4 million inflow). This outflow related to the increase in accounts receivable and inventory levels in the Carrier and Intelligent Technologies businesses on the higher first half volumes.

The net interest payment of R7,8 million (including the corporate bond) was largely unchanged from R7,6 million, while income tax payments increased from R3,8 million to R4,7 million on improved profitability at subsidiary level.

Total cash inflows from operating activities of R11,6 million was therefore higher compared to the R10,9 million recorded in December 2014.

Investing activities saw a net cash outflow of R0,2 million (Dec 2014: R0,5 million inflow) on capital expenditure and capitalised R&D. This was partly offset by the receipt of proceeds on the finance lease. The financing activities outflow of R5,6 million (Dec 2014: R6,5 million) mainly relate to the repayment of the vendor loan (for the finance lease receivable) and other asset financing loans.

Accordingly, the difference between the closing and opening cash balances was an increase in cash resources of R5,7 million (December 2014: R5,0 million). Management continues its focus on reducing inventory levels (particularly in Carrier), improving terms of supply from major trade partners, and collecting accounts receivable within agreed terms.

OPERATIONAL REVIEW

CARRIER – 40% OF GROUP REVENUE

Revenue increased by 26.0% to R226,7 million (Dec 2014: R179,9 million), mainly due to an increase in spend by the major telecommunications operators on growing demand for data services. This resulted in operating profit increasing by 66.6% to R31,5 million (Dec 2014: R18,9 million) at an operating margin of 13.9% (December 2014: 10.5%).

ENTERPRISE – 27% OF GROUP REVENUE

Revenue for the year decreased by 11.3% to R151,4 million (December 2014: R170,8 million) due to the delay of two major projects into the second half of the financial year. The annuity revenue base was maintained at 25%. The operating profit was a profit of R1,7 million from a loss of R1,6 million at December 2014. The operating margin improved from a negative 0.9% to a positive 1.1% due to significant savings in the cost base, offsetting the impact of the lower sales volumes.

INTELLIGENT TECHNOLOGIES – 18% OF GROUP REVENUE

Revenue increased by 38.5% to R102,3 million (Dec 2014: R73,9 million), due to the good growth in the Power Solutions and Broadcast Solutions businesses. The operating profit of R9,5 million (Dec 2014: R3,3 million) was significantly up in line with the volume increase and good cost control. The operating margin of 9.3% improved from 4.5% last year.

ELECTRICAL MANUFACTURERS – 15% OF GROUP REVENUE

Electrical Manufacturers experienced flat revenue at R82,0 million (Dec 2014: R81,8 million) on a slowdown in spend from large appliance manufacturers. The last six months saw a continued focus on diversifying the revenue base, with the largest customer now below 70% of the business unit's revenue (Dec 2014: 72%). The operating profit of R6,3 million increased from R5,6 million on improved gross margins and tight cost control. The operating margin therefore increased from 6.8% to 7.7%.

KEY INTERNAL INITIATIVES

The following key internal initiatives are underway:

REDUCING DEBT LEVELS AND THE INTEREST BURDEN

Management's priority is to reduce debt on receipt of the proceeds from the M-TEC sale. This, together with the improved cash generation expected from the operations going forward, will allow the group to substantially reduce its gearing profile. The gearing ratio improved from 73.3% at June 2015 to 64.8% at December 2015. After the disposal of M-TEC and receipt of the sale proceeds, the gearing percentage is expected to fall to below 50%. During the period, the interest cover ratio improved from 1.0 times to 3.9 times.

IMPROVING THE PROFITABILITY OF THE ENTERPRISE BUSINESS

The focus on reducing costs and improving efficiencies was evident in the last six months. The new ERP system in Enterprise was implemented successfully and the business is benefiting from the re-engineered business processes and control environment. The management structure of the business was also strengthened, with key appointments made. Management will focus on the execution of large projects to achieve the required revenue.

WORKING CAPITAL MANAGEMENT

During the first six months, the main drive was on volume and profitability in the Carrier business, which necessitated a greater investment in working capital. This investment in working capital will translate into cash inflows in the second half. A close watch will remains on the inventory and accounts receivable levels in the group.

GROUP PROSPECTS

The South African economic and market conditions have deteriorated dramatically in recent months. The dramatic volatility of the rate of exchange has made trading more difficult, with the full impact not experienced yet. The recent interest rate hikes by the South African Reserve Bank will see a further tightening of growth in 2016.

Against this market context, Jasco will continue to execute against its strategy and focus on a number of key areas:

- Continue the expansion in Africa by leveraging off the recently established base in Kenya
- Continue to drive regional growth in Western Cape, KwaZulu-Natal and the Eastern Cape
- Add new products and services to Jasco's portfolio, with an emphasis on Managed Solutions
- Drive energy optimisation products and services to large corporate and public (SOE) entities
- Continue the transformation of Jasco, with employment equity and skills development a key priority to, and improve the group's B-BBEE rating and ongoing competitiveness

Following the anticipated conclusion of the M-TEC disposal, Jasco's primary focus will be on delivering sustained profits, enabled by the more efficient group structure established over the last few years.

Shareholders are advised that any forward looking information or statements contained in this announcement have not been reviewed or reported on by Jasco's independent auditors.

SUBSEQUENT EVENTS

There were no material subsequent events.

BASIS OF PREPARATION OF INTERIM RESULTS

The unaudited results comply with IAS 34 – Interim Financial Reporting. The accounting policies and methods of computation used in the preparation of this report are consistent with those used in the preparation of the annual financial statements for the year ended 30 June 2015, which comply with International Financial Reporting Standard (IFRS), the SAICA Financial Reporting Guides, as issued by the Accounting Practices Committee and Financial Pronouncements as issued by the Financial Reporting Standards Council, the Listings Requirements of the JSE Limited and the Companies Act (2008) of South Africa.

CHANGES TO THE BOARD

There were no changes to the Board since the last reporting date.

For and on behalf of the board

Dr ATM Mokgokong
(Non-executive chairman)

AMF da Silva
(Chief executive officer)

WA Prinsloo
(Chief financial officer)

10 February 2016

FAIR VALUE OF FINANCIAL INSTRUMENTS

The fair values of financial instruments are determined using appropriate valuation techniques, including recent market transaction 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 (R'000):

– Financial assets at fair value through profit or loss	–
– Financial liabilities at fair value through profit or loss	8 058

Directors and Secretary: Dr ATM Mokgokong (Chairman), MJ Madungandaba (Deputy Chairman), JC Farrant*, Sir JA Sherry*, H Moolla*, S Bawa (Non-executives), AMF da Silva (CEO), WA Prinsloo (CFO) (Executives), D du Plessis (Company Secretary)

**Independent*

SUMMARISED CONSOLIDATED STATEMENTS OF COMPREHENSIVE INCOME

(R'000)		Unaudited Dec 2015 6 months	Unaudited Dec 2014 6 months	% change	Audited June 2015 12 months
Revenue		**558 062**	502 325	11,1	1 123 818
Turnover		**555 742**	499 398	11,3	1 117 431
Interest received		**2 320**	2 927	(20,7)	6 387
Operating profit/(loss) before interest and taxation		**30 065**	7 705	290,2	(72 456)
Interest received		**2 320**	2 927	(20,7)	6 387
Interest paid		**(10 111)**	(10 544)	(4,1)	(22 433)
Equity accounted income/(loss) from associate		**–**	1 243	(100,0)	(689)
Profit/(loss) before taxation		**22 274**	1 331	1 573,5	(89 191)
Taxation		**(7 969)**	623	(1 379,1)	6 343
Profit/(loss) for the period/year		**14 305**	1 954	632,1	(82 848)
Other comprehensive income		**–**	–		(1 190)
Total comprehensive income/(loss) for the period/year		**14 305**	1 954	632,1	(84 038)
Tax rate		**35,8%**	(46,8%)		7,1%
Profit attributable to:					
– minority shareholders		**1 451**	610	137,9	424
– equityholders of the parent		**12 854**	1 344	856,4	(83 272)
Profit/(loss) for the period/year		**14 305**	1 954	632,1	(82 848)
Total comprehensive income/(loss) attributable to:					
– minority shareholders		**1 451**	610	137,9	424
– equityholders of the parent		**12 854**	1 344	856,4	(84 462)
Profit/(loss) for the period/year		**14 305**	1 954	632,1	(84 038)
Reconciliation of headline earnings					
Net earnings attributable to equityholders of the parent		**12 854**	1 344	856,4	(83 272)
Headline earnings adjustments		**19**	43	55,8	88 409
– profit on disposal of subsidiary/business unit		**–**	–		(777)
– loss on remeasurement of associate held for sale – M-TEC		**–**	–		57 421
– impairment of intangible assets		**–**	–		29 560
– net after-tax loss on disposal of fixed assets		**19**	43		2 205
Headline earnings		**12 873**	1 387	828,1	5 137
Number of shares in issue	('000)	**229 319**	218 399	5,0	229 319
Treasury shares	('000)	**5 129**	5 129		5 129
Weighted average number of shares on which earnings per share is calculated	('000)	**224 190**	213 270	5,1	215 155
Dilutive shares					
– Shares to be issued to settle Telesto purchase price (total)	('000)	**–**	2 985		
Weighted average number of shares on which diluted earnings per share is calculated	('000)	**224 190**	216 255	3,7	215 155
Ratio analysis					
Attributable earnings		**12 854**	1 344	856,4	(83 272)
EBITDA		**38 330**	18 934	102,4	37 994
Earnings per share	(cents)	**5,7**	0,6	809,8	(38,7)
Diluted earnings per share	(cents)	**5,7**	0,6	822,5	(38,7)
Headline earnings per share	(cents)	**5,7**	0,7	782,9	2,4
Diluted headline earnings per share	(cents)	**5,7**	0,6	795,3	2,4
Net asset value per share	(cents)	**98,7**	135,0	(26,9)	92,7
Net tangible asset value per share	(cents)	**63,0**	83,9	(24,9)	57,0
Debt:equity	(%)	**64,8%**	58,2%		73,3%
Interest cover	(times)	**3,9**	1,0	285,9	1,0
EBITDA interest cover	(times)	**4,9**	2,5	96,8	2,4

SUMMARISED CONSOLIDATED STATEMENTS OF FINANCIAL POSITION

(R'000)	Unaudited Dec 2015	Unaudited Dec 2014	Audited June 2015
ASSETS			
Non-current assets	**189 870**	344 205	203 254
Plant and equipment	**55 874**	57 319	59 419
Intangible assets	**80 051**	108 944	79 891
Investment in associate	**–**	117 353	–
Deferred tax asset	**32 961**	26 888	37 483
Other non-current assets	**20 984**	33 701	26 461
Non-current asset held for sale	**58 000**	–	58 000
Current assets	**490 610**	391 060	488 169
Inventories	**120 736**	102 217	99 301
Trade and other receivables	**352 051**	274 904	370 712
Short-term portion of other non-current assets	**14 110**	12 401	13 276
Taxation paid in advance	**3 713**	1 538	4 037
Cash and cash equivalents	**–**	–	843
Total assets	**738 480**	735 265	749 423
EQUITY AND LIABILITIES			
Share capital and reserves	**228 143**	289 639	213 103
Non-current liabilities	**129 621**	62 777	134 712
Interest-bearing liabilities	**121 294**	62 429	126 901
Deferred maintenance revenue	**3 551**	348	3 355
Deferred tax liability	**4 776**	–	4 456
Current liabilities	**380 716**	382 849	401 608
Interest-bearing liabilities	**26 591**	106 190	29 235
Bank overdraft	**25 420**	3 156	31 983
Non-interest-bearing liabilities	**262 762**	226 553	296 804
Deferred maintenance revenue	**65 324**	46 950	41 093
Taxation liability	**619**	–	2 493
Total equity and liabilities	**738 480**	735 265	749 423

SUMMARISED CONSOLIDATED STATEMENTS OF CHANGES IN EQUITY

(R'000)	Unaudited Dec 2015 6 months	Unaudited Dec 2014 6 months	Audited June 2015 12 months
Attributable to equity holders of the parent			
Opening balance	**207 768**	286 581	286 581
Treasury shares – Share Incentive Trust	**–**	(7)	–
Issue of new shares, net of cost	**–**	–	5 948
Share-based payment reserve	**735**	–	806
Transactions with non-controlling shareholder	**–**	–	(1 105)
Total comprehensive income	**12 854**	1 344	(84 462)
– Profit for the period/year	**12 854**	1 344	(83 272)
– Other comprehensive income	**–**	–	(1 190)
Dividends declared	**–**	–	–
Closing balance	**221 357**	287 918	207 768
Non-controlling interest			
Opening balance	**5 335**	1 111	1 111
Transactions with non-controlling shareholders	**–**	–	3 963
Total comprehensive income	**1 451**	610	424
– Profit for the period/year	**1 451**	610	424
– Other comprehensive income	**–**	–	–
Dividends paid to non-controlling shareholders	**–**	–	(163)
Closing balance	**6 786**	1 721	5 335
Total equity	**228 143**	289 639	213 103

SUMMARISED CONSOLIDATED STATEMENTS OF CASH FLOWS

(R'000)	Unaudited Dec 2015 6 months	Unaudited Dec 2014 6 months	Audited June 2015 12 months
Cash generated from operations before working capital changes	**39 065**	18 934	39 081
Working capital changes	**(15 033)**	3 440	(22 460)
Cash generated from operations	**24 032**	22 374	16 621
Net financing costs	**(7 791)**	(7 617)	(16 046)
Net taxation paid	**(4 677)**	(3 836)	(4 253)
Dividends paid	**–**	–	–
Cash flow from operating activities	**11 564**	10 921	(3 678)
Cash flow from investing activities	**(237)**	498	(7 795)
Cash flow from financing activities	**(5 607)**	(6 465)	(11 557)
Increase/(decrease) in cash resources	**5 720**	4 954	(23 030)

SUMMARISED SEGMENTAL REPORTS

INCOME AND EXPENSES

	31 Dec 2015 (Unaudited)		31 Dec 2014 (Unaudited)		30 June 2015 (Audited)	
(R'000)	Revenue	Operating profit/(loss)	Revenue	Operating profit/(loss)	Revenue	Operating profit/(loss)
Carrier	**226 668**	**31 453**	179 931	18 876	414 319	48 293
Enterprise	**151 429**	**1 662**	170 780	(1 609)	380 385	935
Intelligent Technologies	**102 305**	**9 494**	73 881	3 334	164 631	13 302
Electrical Manufacturers	**82 048**	**6 304**	81 756	5 574	174 906	12 947
Sub-total operating divisions	**562 450**	**48 913**	506 348	26 175	1 134 241	75 477
Other	**139**	**(17 795)**	–	(17 202)	895	(42 716)
Adjustments	**(4 527)**	**(1 053)**	(4 023)	(1 268)	(11 318)	(105 217)
Total	**558 062**	**30 065**	502 325	7 705	1 123 818	(72 456)

FINANCIAL POSITION

	31 Dec 2015 (Unaudited)		31 Dec 2014 (Unaudited)		30 June 2015 (Audited)	
(R'000)	Assets	Liabilities	Assets	Liabilities	Assets	Liabilities
Carrier	**204 066**	**89 085**	168 393	82 716	195 008	100 854
Enterprise	**144 994**	**87 039**	148 493	87 035	194 373	135 929
Intelligent Technologies	**159 338**	**114 567**	96 558	68 096	105 593	67 087
Electrical Manufacturers	**62 746**	**7 583**	75 351	10 849	78 749	20 103
Sub-total operating divisions	**571 144**	**298 274**	488 795	248 696	573 723	323 973
Other	**122 803**	**155 583**	143 580	140 812	113 237	214 991
Adjustments	**44 533**	**56 480**	102 890	56 118	62 463	(2 644)
Total	**738 480**	**510 337**	735 265	445 626	749 423	536 320

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

Transfer secretaries: Link Market 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**

JASCO ELECTRONICS HOLDINGS LIMITED
Registration number 1987/003293/06
- JSE share code: JSC
- ISIN: ZAE000003794

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