

ELECTRONICS HOLDINGS LIMITED
(Incorporated in the Republic of South Africa)
Registration number 1987/003293/06
JSE share code: JSC
ISIN: ZAE000003794
("Jasco" or "the Group")

ABRIDGED RESULTS FOR THE YEAR ENDED 30 JUNE 2022

HIGHLIGHTS

- * New equity raised of R47,2 million through a rights issue
- * Increase in cash and cash equivalents by R9,0 million
- * Improvement of debt:equity ratio to 118.2%

INTRODUCTION

Jasco's 46th year was no less challenging than the preceding year, with the lasting social and economic impact of the COVID-19 restrictions evident through the volatile social unrest in July 2021 across mainly KwaZulu-Natal and certain parts of Gauteng. This was followed by a national labour strike in October 2021 and natural disasters such as the flooding in KwaZulu-Natal in April 2022, which caused significant disruptions to the key port of entry for imported goods in Durban.

CONTEXT TO THE RESULTS

With effect from 1 June 2022, Jasco sold its investment in Jasco Property Solutions (JPS) to Reach Group. The comparative information has been restated to include JPS in discontinued operations to enable a like-for-like comparison.

Very disappointingly, the group uncovered gross misconduct by the leadership team in the Security & Fire Solutions business. Immediate action was taken, with the team members no longer at the group.

Manufacturing was severely impacted by the social unrest, the national strike and a plant level strike between March and June 2022, resulting in significant losses.

ADDRESSING THE GROUP'S SUSTAINABILITY

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. 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. From January 2022, monthly capital repayments commenced, which has reduced the capital amount owing to R108 million at year-end.

Addressing the underperforming businesses

Due to the significant operating losses caused by the strike in Manufacturing, a Section 189 review of the business commenced. The operation is being repositioned in response to the existing customer demand and market conditions.

To prevent ongoing pressure on the rest of Jasco, a decision was taken to restructure Security & Fire and to exit the loss-making fire segment.

FINANCIAL RESULTS

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 from the lower volumes in Security & Fire and Manufacturing.

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.

Net finance costs of R16,5 million decreased from the corresponding period's R24,0 million, following the reduction in debt.

The profit from discontinued operations of R1,3 million (2021: R32,5 million) consists of JPS's operating loss (R0,3 million) and the profit on disposal (R1,6 million).

Earnings per share decreased to a loss of 5.9 cents per share (2021: profit of 2.9 cents per share).

Headline earnings per share decreased to 6.4 cents loss per share from 0.6 cents loss per share for 2021. The weighted average number of shares in issue increased to 278.6 million shares following the rights issue on 7 February 2022 (2021: 224.2 million shares).

Cash generated from operating activities (continuing and discontinued) reflected an inflow of R16,5 million (2021: R13,3 million outflow). The cash inflow from investing activities amounted to R5,4 million (2021: R73,3 million). Cash flows from financing activities reflected an outflow of R12,9 million (2021: R57,6 million). The net closing cash balance of R29,4 million increased from R20,4 million on 30 June 2021.

SUBSEQUENT EVENTS

Following the disposal of the Midrand property by the previous owner to Community Investment Holdings (CIH) Projects No. 55 (Pty) Ltd, Jasco entered into a new lease agreement with CIH Projects, with an effective date of 7 July 2022. This was approved by the shareholders in a General Meeting on 15 September 2022. To assist the group with its future operating cash flows, CIH Projects has agreed to a rental payment holiday for a period of 12 months.

Due to the losses suffered by Security & Fire, a restructure of this business commenced on 1 August, and the group will exit the fire segment of the business. This is in line with the group's core strategy of providing technology solutions to its market.

Jasco is continuing its negotiations with various commercial banks to replace the Bank of China. However, this can only be concluded after the audited financial results for June 2022 are available.

SOLVENCY, LIQUIDITY AND GOING CONCERN

At 30 June 2022, the group had accumulated losses of R268,5 million (2021: R252,2 million), with the group reporting a loss of R16,3 million (2021: profit of R6,5 million). This casts doubt on the group's ability to continue as a going concern.

Based on the support received from CIH Projects, the restructure of Security & Fire, the expected recovery in Manufacturing and the anticipated revenue for the group, the directors believe there is sufficient financing available to continue the business of the group. The financial statements have accordingly been prepared on a going concern basis.

GROUP OUTLOOK

The economic outlook remains extremely uncertain, with the local and international environment impacted by several factors, ranging from political instability, inflationary pressures, unreliable electricity supply and supply chain shortages and delays.

Jasco's most pressing issue remains its high levels of debt and its financial underperformance. Further debt reduction will be required, either through another capital injection by its major shareholder/s or the potential disposal of another profitable business.

In the event of another capital raise, and if the group's major shareholder invests further either with limited or no equity contributions from the rest of the shareholders, the free float trading on the stock exchange may fall to unacceptably low levels in terms of the JSE Listings Requirements. This could trigger an assessment of the viability of remaining listed on the stock exchange. Shareholders will be updated on the board's decisions in this regard.

AUDIT OPINION

The external auditors issued an unqualified audit report on the underlying audited financial statements with an emphasis of matter related to going concern, as detailed below and with the recognition of the deferred tax asset and goodwill assessment as key audit matters.

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 consolidated annual financial statements, in which it is stated that the ability of the group to continue as a going concern is dependent on the continued support of its major shareholder and the forecast cash flows from operations for the next 12 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.

A copy of the audit opinion together with the audited consolidated annual financial statements for the year ended June 2022, is available for inspection at Jasco's registered office and on our website www.jasco.co.za.

CHANGES TO THE BOARD

The board appointed Dr ND Munisi as a non-executive director and member of the investment committee with effect from 1 July 2022.

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 or <https://senspdf.jse.co.za/documents/2022/jse/isse/JSC/JSC2022.pdf>.

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 Mokgokong
(Non-executive chairman)
5 October 2022

WA Prinsloo
(Chief executive officer)

LA Prigge
(Chief financial officer)

Directors and Secretary: Dr ATM Mokgokong (Chairman), MJ Madungandaba (Deputy Chairman), DH du Plessis*, MSC Bawa*, PF Radebe*, TP Zondi*, Dr ND Munisi (Non-Executive) AMF da Silva (Alternate Non-executive), WA Prinsloo (CEO), LA Prigge (CFO) MCP Managerial Services (Pty) Limited (Company secretary) *Independent

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

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Sponsor: Grindrod Bank Limited, Fourth Floor, Grindrod Tower, 8A Protea Place, Sandton, 2146