Operational review

TERTIUS VERMEULEN,
Group COO

LLOYD WATT, Divisional CEO
TeleSciences, incorporating Tasslelane Technologies, Tasslelane Services and RapidCloud

PAUL RICHARDS,
Divisional CEO
Webb Industries

FRANCOIS VAN ZYL,
CEO
WebbLeBLANC

ALAN HOWIE,
Divisional CEO
Security

DAVE MACDONALD,
Divisional CEO
Domestic Products

JUNE HAH,
CEO
M-TEC

The 16-month period under review was largely successful. While the onset of the recession during the latter part of the period made its mark on some of the divisions, Jasco's strategy of diversification once again proved its mettle.

The downturn was first felt within the durable goods industry, a trend which continued to impact on the Domestic Products division during the second half of this period. The Security division had a strong period to February, compensating largely for Domestic Products on turnover and profit. Telecommunications increased its market share despite a very challenging environment. However, margins remain under pressure within the context of an increasingly competitive market.

Over the 16-month period under review, revenue generated by the operating divisions amounted to R760 million (February 2008: R516 million). Operating profit from the operating divisions only for the same period (including Jasco's share of the after tax profit from the WebbLeBLANC joint venture and associate, M-TEC) was R100 million (February 2008: R66 million).

In an effort to disclose like-for-like numbers, the group has also prepared unaudited summarised results for the 12-month periods ending 30 June 2008 and 2009. This comparison shows that revenue for the 12 months to June 2009 of R587 million grew by 8,5% from R541 million, whilst operating profit for the same period declined by 11,3% from R80 million to R71 million. This decline confirms the tougher trading conditions experienced in the last four months since March 2009.

Telecommunications

Introduction

Telecommunications' portfolio of products, solutions and service offerings delivers full, integrated turnkey solutions to the broader communications sector. The division's expertise and in-house capability, combined with its relationships with global strategic suppliers and partners, underpin the delivery of quality products and services to a market segment increasingly demanding converged fixed line and mobile services, reinforced by strong customer support.

TeleSciences

During the period, Jasco amalgamated four of its business units under one umbrella. TeleSciences now incorporates RapidCloud, Tasslelane Technologies and Tasslelane Services. Combined, the four businesses bring 35 years' experience to Africa's telecommunications industry. The move allows the group to offer a wider range of services under one roof and to deliver a unified offering to customers.

The strengthened and enlarged business will continue to specialise in the supply and full integration of telecommunications equipment to network operators, including fixed line and wireless technologies throughout Africa. TeleSciences' resources, extensive deployment experience in both fixed and wireless networks and reputable partners (original equipment manufacturers) ensure that the division is well positioned to execute complex projects in the communications/ICT environment.

Webb Industries

Webb Industries offers complete telecommunications infrastructure capabilities to the market, which include:

- A full range of antennas
- Pre-packed, fully-kitted solutions
- Technical consultancy and product support services
- Private mobile radio (PMR) products and services

During the 16 months under review, the Webb Industries division acquired the business of Radio Communications Warehouse (Pty) Limited (RCW). RCW supplies components and products to the PMR industry that complement and expand the traditional product range offered by Webb Industries.

WebbLeBLANC

Our 50% joint venture with LeBlanc International continued its solid performance during the period under review. Our after tax profit share from this venture on a comparable 12-month basis increased to R3 million (June 2008: R2 million).

WebbLeBLANC specialises in the manufacture and, where required, the installation and erection of a range of steel masts and towers. Our relationship with LeBlanc International allows us access to the latest designs and its international customer base.

Telecommunications continued

Period under review

Rm	Revenue	Operating profit	Operating margin
Statutory 16 months vs 12 months			
30 June 2009	406	59	14,5%
29 February 2008	282	41	14,7%
Like-for-like pro forma 12 months			
30 June 2009	315	43	13,7%
30 June 2008	296	47	15,9%

Telecommunications represented 53% of Jasco's group revenue, which is in line with the previous year and the group's strategic spread.

On a 12-month comparison, revenue grew by 6,5% to R315 million (June 2008: R296 million). Operating profit declined from R47 million to R43 million.

Margins remained under pressure as most operators cut budgets due to the economic slowdown. More overseas players are also entering the local and African markets, increasing competition in what is widely considered to be the last undeveloped continent for telecommunications. Coupled with this, a large project in Mozambique was temporarily put on hold and slower than expected network rollout in other parts of Africa further impacted the operating margin. The margin therefore declined from a very high 15,9% in June 2008 to 13,7% in June 2009.

The trend to use wireless technologies in communications networks continues, with wireless revenue now accounting for almost 79% of Telecommunications revenue. This compares to 65% for the 12-month period ended 28 February 2008.

The expansion into Africa by telecommunications operators and the need for wireless solutions such as WiMax and WiFi stood us in good stead, partly compensating for the curtailment of expenditure by fixed-line network operators. The group is also starting to see benefits from the local rollout of fibre networks. The cheaper bandwidth to be provided through the Seacom cable should further enhance telecommunications usage and therefore increase the need for further infrastructure.

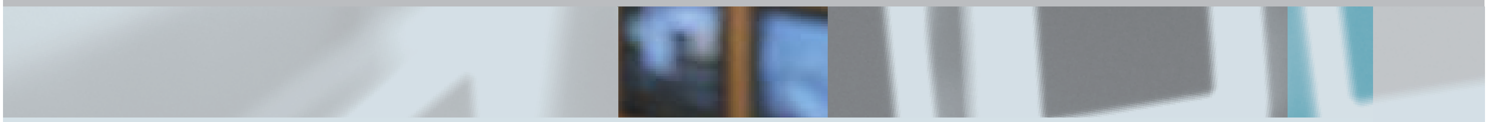
Security

Introduction

Multivid is regarded as one of the main systems integrators, supplying complete turnkey solutions (including the design, supply, installation and maintenance of electronic security systems). This includes access control, CCTV and other security systems. Its national footprint allows it to service customers countrywide. It also operates in the rest of Africa on a selective basis.

Period under review

Rm	Revenue	Operating profit	Operating margin
Statutory 16 months vs 12 months			
30 June 2009	211	25	12,1%
29 February 2008	95	8	8,7%
Like-for-like pro forma 12 months			
30 June 2009	166	21	12,4%
30 June 2008	117	13	11,2%



After a very strong performance, the effect of the recession was particularly felt during the last four months when a number of anticipated projects were postponed indefinitely and the forward order book, although still strong, was negatively impacted. While the first half of the period was therefore characterised by a good performance, the second half suffered from the slowdown in the economy.

Revenue for the 12 months to June 2009 increased by 42% to R166 million (June 2008: R117 million) on the back of various large projects secured in the previous financial year and executed in the period under review. Operating profit increased by 57% from R13 million in 2008 to R21 million in 2009, with the operating margin improving from 11,2% in 2008 to 12,4% in 2009.

Domestic Products

Introduction

Domestic Products operates primarily in the consumer goods industry under Special Cables and T-Components. Products consist mainly of sub-assemblies and components for original equipment manufacturers of small and large appliances in the domestic appliances industry. This division also manufactures and supplies components and products for the automotive industry. In addition, a third business unit manufactures a saltwater pool chlorinator and accessories for the leisure industry.

Period under review

Rm	Revenue	Operating profit	Operating margin
Statutory 16 months vs 12 months			
30 June 2009	143	13	9,4%
29 February 2008	139	16	11,5%
Like-for-like pro forma 12 months			
30 June 2009	105	11	10,2%
30 June 2008	127	14	11,0%

In addition to the contracted consumer spending, the local domestic appliances industry remains under threat from cheap imports. Within this context, Domestic Products' strategy of diversifying its product portfolio to include a wider range of products and customer base, buffered the decline to some extent.

The first sign of the recession was felt in September 2008 in the consumer goods industry, with sales of domestic products significantly down over the following months. This was further exacerbated during the last four months of the year by a two-month period of industrial action at key customers.

On a comparable 12-month basis, revenue dropped from R127 million to R105 million. Although the division was very prudent in its cost management, the further downturn, coupled with the industrial action, impacted the operating margin. However, the current margin of 10,2% (compared to 11,0% in 2008) is admirable under the current economic conditions. We are confident that the margin will pick up again in the first half of the new financial year due to better capacity utilisation.

Electrical

Introduction

The Electrical division consists of Jasco's share in cable manufacturer, M-TEC, acquired effective 1 June 2008. M-TEC operates in the infrastructure build side of the power and telecommunications sectors in South Africa.

As reported in April this year, this division was severely impacted by the slowdown in the South African economy, which resulted in a substantial reduction in the demand for cable products during the fourth quarter of 2008 and the first quarter of 2009.

During this period, M-TEC was specifically impacted by three major factors:

- The delay in the awarding of a Telkom fibre and copper telecommunications cable contract
- The postponement of the rollout of an Eskom aluminium overhead conductor programme
- The slowdown in the private building industry – major users of copper power cable

As M-TEC was awarded a substantial portion of Eskom's contract to expand their national grid, this business expanded capacity for the expected take off. However, the 18-month delay in this project, as well as the continued delay in the awarding of a major fibre and copper telecommunications contract by Telkom, negatively affected the demand for aluminium conductor, fibre and copper telecommunications products.

The drop in volumes was exacerbated by the dramatic drop in commodity prices during this period. M-TEC therefore had to write down approximately R21 million of stock on hand in the copper power cable and aluminium conductor divisions.

However, during the last four months we have seen an improvement in the trading conditions. A marked increase in fibre volumes was supported by a slow, but steady, recovery in volumes in the power cable and aluminium products. The result of this, coupled with cost reduction programmes implemented during the period, increased our share of the M-TEC profit after tax for the 13 months to 30 June 2009 to R1,6 million from the R0,7 million for the nine months to 28 February 2009.

The Telkom fibre and copper telecommunications tenders were both awarded during the last four months and M-TEC was successful in securing a significant portion of both these tenders. We are also confident that during the next 12 months Eskom will commence with the rollout of infrastructure in line with the five-year supply contract awarded to M-TEC during 2007. The above bodes well for the fortunes of this division.

T VERMEULEN
Chief operating officer

9 September 2009