

Unaudited interim results for the six months ended 31 August 2008



Jasco Electronics Holdings Limited
Incorporated in the Republic of South Africa
Registration number: 1987/003293/06
Share code: JSC ISIN: ZAE000003794
("Jasco" or "Company" or "Group")

- Further diversification of earnings base pays off
- Earnings per share increased by 38%
- Improved margins across the board
- New acquisition, M-TEC, earnings enhancing

Commentary

Introduction

In line with Jasco's strategy over the last few years to further diversify its portfolio, the group reported a pleasing 38% increase in earnings per share (EPS) for the six months to August 2008. The group's earnings for the period more than compensated for the issue of additional ordinary shares in terms of the group's Black Economic Empowerment (BEE) transaction concluded in March 2003 (see more detail below).

Group margins from historic business operations increased to 10,4% (2007: 6,7%). The three-month contribution from the recently acquired associate company, Malesela Taihan Electric Cable (Pty) Ltd (M-TEC) further increased the operating margins to 13,6%. For the period under review, M-TEC enhanced Jasco's earnings by 0,8 cents per share.

Headline earnings adjustments, as in the past, had a minimal effect on the group's results.

These results are unaudited and in line with the trading update issued on 25 August 2008.

Corporate transactions

Conversion of BEE transaction shares

As announced on SENS on 20 May 2008, the issue of Jasco ordinary shares to Community Investment Holdings (Pty) Ltd (CIH) took place on 21 May 2008. The group issued 17,2 million new ordinary shares to CIH in terms of its original BEE transaction entered into on 1 March 2003, amounting to 57% of the possible number of shares that could have been issued in terms of the agreement.

Acquisition of an interest in M-TEC

With effect from 1 June 2008, the group acquired 51% of both the ordinary and preference shares in M-TEC for R214,6 million, settled through a cash consideration of R125 million, the issue of 27,4 million ordinary Jasco shares at R3,25 each and the issue of R100 million in redeemable preference shares to JSE-listed BEE investment group, AfroCentric Investment Corporation Limited (AfroCentric). Through this transaction, AfroCentric now holds 34,9% of Jasco.

Results

Income Statement

During the last six months, the group concentrated on efficiencies, cost savings and increases in selling prices to mitigate inflationary cost pressures and in anticipation of limited revenue growth in the Telecommunications division and declining revenue in the Domestic Products division. This focus – together with a favourable swing in the sales mix towards higher margin/value add solutions in both the Telecommunications and Security divisions and a significantly increased contribution from Jasco's 50% share in WebbLeBLANC – resulted in a 51% increase in operating profit and improved margins across the board against almost flat group revenue.

Net profit before taxation increased by 71% to R29,7 million (2007: R17,3 million). This was affected by:

- The 51% increase in the operating profit before interest and taxation from the historic Jasco divisions
- Net interest paid of R4,1 million against net interest received of R0,4 million in the corresponding period. Interest paid now includes the preference share dividend of R3,1 million payable on the R100 million redeemable preference shares issued in terms of the M-TEC acquisition on 1 June 2008. The preference shares are disclosed as non-current interest bearing liabilities
- Jasco's share of after tax profit from WebbLeBLANC of R1,6 million (2007: R0,8 million) and three-months' contribution from M-TEC of R7,8 million (before interest)

The group's effective tax rate decreased to 31,0% (2007: 34,7%), which is the expected average taxation rate for the full year.

Cash Flow and Balance Sheet

Cash generated from operations before working capital increased by 51% to R28,6 million (2007: R18,9 million). During the period under review, the Security division entered into a five-year rental agreement to design, install and maintain electronic security systems with a total project value of R45 million. The R21 million funding incurred to date during this reporting period had a temporary impact on cash flow. In line with IFRS, as the actual rentals from this installation commenced after 31 August 2008, the revenue and the resulting profit thereon can only be recognised during the second half of this financial year.

In the meantime, the contract also resulted in a temporary increase in working capital at 31 August 2008. This will normalise during the second half of this year. Average net working capital days therefore increased to 37,1 days (2007: 23,5 days). Excluding the rental contract, the average net working capital days amounted to 26,1 days, well within the group's internal target of 30 days. Future funding alternatives will be considered to minimise the impact on working capital.

After funding the rental contract, payment of dividends (R10,9 million), taxation (R6,0 million) and the net outflow of R28,6 million in investments in fixed assets and the M-TEC acquisition, the group ended the period with a temporary overdraft of R10,7 million. In line with the group's historic trend of strong cash generation, the overdraft is expected to be fully paid off by 30 June 2009.

The group's debt: equity ratio is now 47%, of which 40% represents the redeemable preference shares used to fund a portion of the M-TEC acquisition.

Basis of preparation

The abridged financial statements have been prepared in terms of IFRS and are compliant with IAS 34 – Interim Financial Reporting.

Operational review

The divisional contributions to group revenue exclude interest received at head office. The divisional contributions to operating profit exclude head office costs. However, note that the operating profit includes the profit after tax (PAT) contributions from associate M-TEC and the WebbLeBLANC JV, as per IFRS requirements.

Telecommunications

Revenue remained flat at R143,3 million (2007: R144,5 million) due to temporary delays in orders for broadband solutions from operators in Africa, as well as lower than expected demand during the period for lower-end fixed line products. However, operating profit grew by 22% to R23,0 million from R18,9 million reported in the previous period as a result of a larger contribution from higher-margin fixed line solutions business. The operating margin improved to 16,1% (2007: 13,1%).

Security

The turnaround in Security is now complete. Security revenue increased by 33% to R47,5 million (2007: R35,7 million) and operating profit increased more than fourfold to R5,9 million (2007: R1,3 million). The division demonstrated a balanced inflow of orders between recurring business from existing blue-chip customers, as well as new large projects. Margins improved from 3,7% to 12,3%. The improvement in recurring business is now contributing to profit rather than merely providing the base load of revenue as foreseen in the business model.

Domestic Products

In the 2008 Annual Report, the group reported that it expected profits in this division to remain flat for the 12 months ended 28 February 2009. However, the impact on the demand for smaller appliances was worse than expected and revenue decreased by 20% to R56,7 million (2007: R70,5 million) in the six months under review.

A concerted effort to reduce costs and improve efficiencies in a tough market allowed the group to minimise the decline in operating profit to 7% (R5,3 million versus R5,7 million in 2007). As a result, the operating margin improved to 9,3% (2007: 8,0%).

Electrical

The newly-created Electrical division consists of Jasco's investment in cable manufacturer, M-TEC from 1 June 2008.

Jasco owns 51% of the ordinary and preference shares in M-TEC, with Taihan Electric Wire Company (Taihan) of South Korea, one of the top 10 cable manufacturing companies in the world, owning the balance. Taihan retained management control in M-TEC and contributes valuable technical expertise. This investment is accounted for as an associate company.

M-TEC operates in the infrastructure build side of the power and telecommunications sectors in South Africa. The contribution for the last three months was within expectations, with Jasco's after tax share of profits for three months totalling R7,8 million.

Prospects

Although the liberalisation of the telecommunications industry has been affected by the recent announcement by government to appeal a court judgment in favour of Value Added Network (VAN) license holders, government's stated commitment to an orderly liberalisation of the telecommunications industry in South Africa continues to offer numerous new local opportunities in both the short and long term.

Jasco believes that expenditure by operators and service providers in Africa will continue for the foreseeable future, supported by new network roll outs to improve the tele-density on the continent. In addition, broadband wireless technologies continue to be enhanced and improved, allowing operators to upgrade existing fixed line and wireless networks to access new customers.

In Security, management have enhanced the strategy to include rental contracts, providing additional recurring revenue opportunities. During the second half of the year, the division will benefit from the previously mentioned rental contract, which is already work in progress. In addition, the healthy order book of R55 million to be executed in the next six months from a wide range of clients, will more than double operating profit for the full year to February 2009.

As outlined above, the Domestic Products division is affected by the downturn in consumer spend. This is expected to continue for the rest of the current financial year. As a result, it is anticipated that this division will see a reduction in profit for the full financial year, although management does not expect this to have a material impact on the overall group results.

Although the first three months' performance from M-TEC was in line with expectations, the slower than expected uptake on a large overhead conductor contract and delays in the awarding of a fibre and copper cable tender will result in flat earnings for the next six months to February 2009. Thereafter, demand is expected to revert to the stronger growth trends envisaged at the time of acquisition. M-TEC continues to be ideally positioned to benefit from the long term need to build South Africa's infrastructure.

Barring any unforeseen circumstances or significant local impact from the current turmoil in world markets, management expect EPS to continue to grow for the 12 months ended 28 February 2009.

Dividends and change in year end

Dividends are paid annually.

Shareholders are advised that the group will change its year end to 30 June 2009 to correspond with the year-ends of its main shareholders and that of M-TEC. As a result, a reviewed 12-month interim report will be issued during April 2009 and an audited 16-month report will be issued during September 2009.

For and on behalf of the Board

Dr ATM Mokgokong (Non-Executive Chairperson)	MH Lotz (Chief Executive Officer)	WA Prinsloo (Financial Director)
1 October 2008		

Directors and Secretary

Dr ATM Mokgokong (Chairperson), MJ Madungandaba (Deputy Chairperson), PS Chapwanyat, FE Emary, JC Farrant, Dr JM Matsipa, JA Sherry (Non-Executives), MH Lotz (CEO), WA Prinsloo (Financial Director and acting Company Secretary), O Seiphemo (Marketing Director) (Executives)

† (Zimbabwean)

Registered office: Woodmead Park, 8 Saddle Drive, Woodmead 2157

Transfer secretaries: Link Market Services SA (Pty) Ltd, 11 Diagonal Street, Johannesburg 2001

Sponsors: PSG Capital (Pty) Limited

Further details can be found on the group's website: www.jasco.co.za

Summarised consolidated income statements

		Unaudited 6 months ended 31 August 2008	Unaudited 6 months ended 31 August 2007	% change	Audited 28 February 2008
(R'000)	Note				
Revenue		248 947	252 871	(2,2)	519 161
Turnover		247 598	250 637	(1,9)	513 572
Interest received		1 349	2 234		5,589
Operating profit before interest and taxation		24 318	16 159	50,5	49 488
Interest received		1 349	2 234		5 589
Interest paid		(5 408)	(1 853)		(6 527)
Share of income from joint venture		1 603	807		1 136
Share of income from associate		7 842	-		-
Net profit before taxation		29 704	17 347	71,2	49 686
Taxation		(8 630)	(5 739)		(16 201)
Profit for the period/year attributable to ordinary shareholders		21 074	11 608	81,5	33 485
Net earnings attributable to ordinary shareholders		21 074	11 608	81,5	33 485
Headline earnings adjustments		157	-		17
- loss on disposal of fixed assets		157	-		17
Headline earnings		21 231	11 608	82,9	33 502
Number of shares in issue ('000)		114 509	69 931		69 931
Treasury shares ('000)		2 769	1 392		1 527
Number of shares on which earnings per share is calculated ('000)	1	90 235	68 539		68 404
Number of shares on which diluted earnings per share is calculated ('000)	2	102 875	101 773		90 558
Earnings per share (cents)		23,4	16,9	37,9	49,0
Diluted earnings per share (cents)		20,5	11,4	79,6	37,0
Headline earnings per share (cents)		23,5	16,9	38,9	49,0
Diluted headline earnings per share (cents)		20,6	11,4	80,9	37,0
Ratio analysis					
Attributable earnings (R'000)		21 074	11 608	81,5	33 485
EBITDA		37 157	19 620	89,4	44 125
Net asset value per share (cents)		278,5	186,8	49,1	221,0
Net tangible asset value per share (cents)		228,2	120,6	89,2	154,6
Dividend per share – final (cents)		-	-	-	16,0
Debt: Equity (%)		47	-	-	-
Interest cover (times)		8,3	-	-	53,9

Note 1: The weighted average number of shares increased from 68 404 120 shares in February 2008 after the issue of the 27 415 385 shares on the acquisition of M-TEC (1 June 2008) and the "conversion" of the 17 162 969 shares on 21 May 2008 (BEE transaction).

Note 2: This includes the 17 162 969 preference shares "converted" on 21 May 2008 as well as the 4 990 816 options issuable in terms of the incentive scheme.

Summarised consolidated balance sheets

	Unaudited 31 August 2008	Unaudited 31 August 2007	Audited 28 February 2008
(R'000)			
ASSETS			
Non-current assets			
Plant and equipment	313 228	82 061	87 003
Investment in joint venture	28 088	26 867	27 414
Investment in associate	8 534	6 718	6 931
Intangibles	225 386	-	-
Deferred tax asset	45 022	45 393	45 448
Loans	5 444	3 079	5 304
	754	4	1 906
Current assets	177 026	187 713	189 813
Inventories	75 923	60 521	51 080
Trade and other receivables	100 400	107 597	99 205
Taxation	703	-	703
Cash and cash equivalents	-	19 595	38 825
Total assets	490 254	269 774	276 816
EQUITY AND LIABILITIES			
Share capital and reserves	250 905	128 065	151 178
Non-current liabilities	105 982	9 089	3 282
Interest bearing liabilities	105 982	8 790	2 884
Non-interest bearing liabilities	-	299	299
Deferred tax	-	-	99
Current liabilities	133 367	132 620	122 356
Interest bearing liabilities	10 728	-	8 053
Non-interest bearing liabilities	109 477	125 778	104 213
Taxation	12 962	6 842	10 090
Total equity and liabilities	490 254	269 774	276 816

Contingent liability

During 2007, SARS revised its assessment of income taxation for Jasco Electronics Holdings Limited for the years ended 29 February 2004 and 28 February 2005 by R0,5 million and R1,0 million respectively. Based on professional advice received from two independent, non-related parties, the directors continue to believe that the reassessments are invalid, and continue to treat the matter conservatively as a contingent liability whilst objections are being raised.

Statements of changes in equity

	Unaudited 6 months ended 31 August 2008	Unaudited 6 months ended 31 August 2007	Audited 28 February 2008
(R'000)			
Opening balance	151 178	125 605	125 605
Issue of share capital	88 904	-	-
Treasury shares – Share Incentive Trust	(10)	(57)	(146)
Share based payment reserve	718	-	1 146
Dividends paid	(10 959)	(9 091)	(8 912)
Profit for the period/year	21 074	11 608	33 485
Closing balance	250 905	128 065	151 178

Summarised consolidated cash flow statements

	Unaudited 6 months ended 31 August 2008	Unaudited 6 months ended 31 August 2007	Audited 28 February 2008
(R'000)			
Cash generated from operations before working capital changes	28 648	18 914	55 441
Working capital changes	(28 653)	(11 766)	(13 300)
Net financing (costs)/income	(4 059)	381	(169)
Net taxation paid	(5 977)	(3 616)	(13 659)
Dividends paid	(10 933)	(9 073)	(8 912)
Cash flow from operating activities	(20 994)	(5 160)	19 401
Cash flow from investing activities	(220 678)	(6 832)	(12 333)
Cash flow from financing activities	192 119	1 514	1 608
(Decrease)/increase in cash resources	(49 553)	(10 478)	8 676

Summarised segmental reports

for the six months ended 31 August 2008, 31 August 2007, and the year ended 29 February 2008

	Telecoms	Domestic Products	Security	Electrical	Sub total operating divisions	Other	Total
(R'000)							
31 August 2008 (Unaudited)							
Revenue	143 343	56 731	47 524	-	247 598	1 349	248 947
Operating profit/(loss)*	23 007	5 295	5 862	7 842	42 006	(8 243)	33 763
(R'000)							
31 August 2007 (Unaudited)							
Revenue	144 464	70 487	35 686	-	250 637	2 234	252 871
Operating profit/(loss)*	18 920	5 667	1 319	-	25 906	(8 940)	16 966
(R'000)							
29 February 2008 (Audited)							
Revenue	282 034	139 306	94,554	-	515,894	3 267	519 161
Operating profit/(loss)*	41 453	16 081	8,254	-	65,788	(15 164)	50 624

*The divisional operating profit/(loss) includes the equity-accounted income from the joint venture (Telecoms) and associate, (Electrical) presented after tax but excludes interest paid or received and is stated before making adjustments for inter-group interest and administration fees.