

# Unaudited results for the six months ended 31 August 2007

- Revenue up 42%
- Earnings per share up 40%
- Reduction in working capital days to 22



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")

## COMMENTARY

### Introduction

The group celebrates its 20th anniversary as a listed company with another successful performance for the half-year ended 31 August 2007. Earnings per share (EPS) for the six months increased by 40% to 16,9 cents per share (2006: 12,1 cents per share). This follows the solid performances for the previous two full financial years. There were no headline earnings adjustments during this period or the corresponding period last year. Headline earnings per share therefore also increased by 40% to 16,9 cents per share (2006:12,1 cents per share). These results are unaudited and in line with the trading update issued on 17 September 2007.

### Results

#### Income Statement

The first six months of 2007 saw robust growth in revenue of 42% to R252,9 million (2006: R178,1 million). In line with the group's emphasis on organic growth, 28% of the growth came from volume increases in the existing businesses, whilst 8% was accounted for by the group's three new businesses, T-Components, RapidCloud and Tasslelane Services. The remaining 6% came from an improvement in selling prices, continuing the trend of strong volume growth established over the previous two financial years.

Operating profit increased by 24% to R16,2 million (2006: R13,0 million). Net profit before taxation grew by 35% to R17,3 million (2006: R12,8 million). This was the result of a solid performance by the group's JV, WebbLeBLANC, where the share of the after tax profits increased to R0,8 million (2006: R0 million), as well as the reversal of net group interest from a cost of R0,2 million to an income of R0,4 million.

The group's calculated tax rate was maintained at 34,7%, which is the average taxation rate expected for the full year. This rate included STC of 12,5% on the dividend relating to the prior year, paid during this period, and also took into account the estimation of non-tax deductible expenses.

#### Breakdown of Operating Results

The operating profit growth of 24% was achieved after the impact of once-off expenses of R1,0 million in the Domestic Products division. These included the expansion of the pool business' distribution network and a reversal of prior year income following a change in the revenue accounting.

Against the strong growth in revenues, operating margins before interest reduced to 6,7% (2006: 7,3%).

Margins were affected by the increased contribution to revenue from the two new telecommunications businesses (RapidCloud and Tasslelane Services), which was not yet supported by profits, and the once-off expenses outlined above. Excluding these factors, like-for-like margins increased to 7,6% (Aug 2006: 7,3%)

The elimination of these once-off expenses, the contribution to profits by the new businesses in the Telecommunications division and a further increase in selling prices to counter increasing commodity prices will improve the operating margins during the second half of the year.

#### Cash Flow and Balance Sheet

Cash generated from operations before working capital increased by 35% to R18,9 million (2006: R14,0 million). Although the substantial increase in revenue necessitated utilisation of cash, the management of working capital remained a focus. The group was able to further reduce the average net working capital days from 29 to 22 at 31 August 2007. The improvement in working capital ratio over the last two years is most satisfying and is comfortably within the target of 30 days going forward.

After payment of dividends (R9,1 million), taxation (R3,6 million) and the investment in fixed assets and investments (R6,8 million) cash on hand decreased to R19,6 million (28 February 2007: R30,1 million).

The acquisition of RapidCloud resulted in an increase in intangibles to R45,4 million (2006: R36,6 million). The full purchase price, limited to a maximum of R10 million depending on the achievement of performance objectives, is due in March 2009. A corresponding interest-bearing liability has been raised. Should the performance objectives not be achieved, goodwill and the interest-bearing liabilities will be adjusted accordingly.

#### 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 divisions' contribution to group revenue and operating profit is calculated as a percentage of the revenue and operating profit from operating divisions only, as disclosed in the segmental report. In the period under review, revenue from operating divisions was R250,6 million and operating profit R25,9 million. This includes after tax profit from the WebbLeBLANC JV.

#### Telecommunications

The Telecommunications division is the largest division in the group with a 58% contribution to revenue from operating divisions (2006: 56%).

This division provides a wide range of solutions, products and services to the access networks of both fixed line and wireless telecommunications network operators through six independent operations: **Webb Industries, Tasslelane**, which includes **Telesciences, Tasslelane Technologies, Tasslelane Services** and **RapidCloud**, and the group's share in the **WebbLeBLANC** joint venture. During the period under review, Jasco increased its product offering in this field through the acquisition of RapidCloud Technologies, which specialises in wireless broadband solutions. The group also started Tasslelane Services, which offers technical, installation and maintenance services to the industry.

Telecommunications revenue increased by 46% to R144,5 million (2006: R98,7 million), whilst operating profit grew by 40% to R18,9 million (2006: 13,6 million), contributing 73% (2006: 66%) to operating profit from the divisions. The group benefited from strong growth in GSM roll-outs into Africa, whilst revenue in the Professional Mobile Radio sector also increased. Revenue and profits in the fixed line sector remained stable. The operating margin decreased slightly to 13,1% (2006: 13,7%) due to a shift in mix from the higher-margin fixed line operation to the lower-margin traditional wireless business and the increased contribution to revenue from the new businesses, as explained above.

#### Domestic Products

The group's Domestic Products division, previously referred to as Manufacturing, consists of two operations, **Special Cables** and **T-Components**. The acquisition of T-Components was effective 1 July 2006.

The division specialises in electrical and electronic components and sub-assemblies for the domestic industry. Jasco continues to provide these products into the large domestic appliances industry for products such as stoves and fridges and the automotive and leisure industry. The group is now also entering the smaller appliances industry with products from T-Components. The leisure business includes mainly swimming pool accessories.

Domestic Products' revenue increased by 34% to R70,5 million (2006: R52,7 million), which now represents 28% (2006: 30%) of revenue from operating divisions. The continued growth in this division resulted from the increase in product lines, new customers and the inclusion of the T-Components business unit's results for the full period. Organic growth, excluding T-Components, increased by 23%.

Although revenue increased strongly, operating profit decreased by 3% to R5,7 million (2006: R5,9 million). This represented 22% (2006: 29%) of operating profit from divisions. The decrease was temporary and due to the once-off expenses in the pool business, as described above. Operating margins also came under pressure, as the division absorbed the increase in raw material costs during the first half of the year. However, product selling prices were increased during August 2007 and the group expects to see an improvement in the margins going forward.

#### Security

The Security division offers electronic security solutions as integrators of stand-alone and integrated closed circuit television networks (CCTV), access control and alarm monitoring systems. The division operates as two stand-alone business units, namely **Multivid** and **Scaffelt**.

As reported in the group's year-end results, this division requires a steady flow of base income to cover the overheads of the infrastructure. Large projects over and above the base income ensure profitability.

The restructuring of the division following the poor results last year is starting to bear fruit. Although the group has not executed any significant projects during the first six months of this year, it was able to build a steady income base that ensured a profit for the period. In addition, this division has secured a number of significant project orders for execution during the next 18 months.

Security revenue increased by 41% to R35,7 million (2006: R25,4 million) and the contribution to revenue from operating divisions remained around 14%. Operating profit increased to R1,3 million, 30% up on the R1 million reported for the corresponding period last year but, more significantly, it showed a turnaround from the loss incurred during the second half last year. The increase in costs incurred to bolster the infrastructure in this division and lack of large projects resulted in a drop in margins to 3,7% (2006: 4,0%).

### Prospects

Jasco's strategy to enlarge the group through both organic growth and strategic acquisitions remains in place. The group recognises that it is essential to build critical mass. Whilst it is proving difficult to find appropriate large-scale acquisitions, Jasco nevertheless acquired RapidCloud and started a new service business, in which the group owns 72%, during the period under review. Both of these business units operate in the Telecommunications sector and enhance Jasco's product offering. Jasco is therefore still committed to a responsible acquisition strategy that will lead to long-term growth in shareholder value. The group has no gearing, which places it in a solid position to capitalise on relevant market opportunities as they arise.

Going forward, Jasco expects expenditure in the wireless telecommunications sector to continue in light of the drive by government to liberalise this sector in South Africa, whilst the roll out of new GSM networks on the African continent also continues to provide strong volume growth opportunities. Expenditure in the fixed line arena is expected to remain flat or even decrease, but the increase in wireless products and services through the new businesses will compensate for any slowdown in this area.

Although the margins in Domestic Products have come under pressure, the group has not seen a decline in the demand for components from manufacturers of domestic appliances and automotive products in the local market, evidenced by the 34% growth in revenue. During the period under review, the integration of the T-Components' factory was completed and the group expects the contribution from this acquisition to further boost profitability and to assist in the improvement of the overall margins during the second half of the year.

As mentioned above, the group has secured large Security projects and contracts from existing and new customers for execution during the next 18 months. The group estimates the value of these contracts to be in excess of R50 million. Together with the base income, this bodes well for the full recovery of this division during the second half of the year.

In the absence of any unforeseen circumstances, management therefore expects further group earnings growth during the second half of the year.

Dividends are paid annually.

### For and on behalf of the Board

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

4 October 2007

### Directors and Secretary

Dr ATM Mokgokong (Chairperson), MJ Madungandaba (Deputy Chairperson), PS Chapwayana<sup>†</sup>, FE Emary, JC Farrant, Dr JM Matsipa, JA Sherry (Non-Executives), MH Lotz (CEO), WA Prinsloo (Financial Director), O Seiphemo (Marketing Director) (Executives), MW Lekhesa (Company Secretary)

<sup>†</sup> (Zimbabwean)

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

**Further details can be found on our website [www.jasco.co.za](http://www.jasco.co.za)**

## Summarised consolidated income statements

|  |         | Unaudited<br>6 months<br>ended<br>31 August<br>2007 | Unaudited<br>6 months<br>ended<br>31 August<br>2006 | %<br>change | Audited<br>28 February<br>2007 |
|--|---------|---|---|-------------|--------------------------------|
| (R'000)  | Note    |   |   |             |                                |
| Revenue  |         | 252 871   | 178 075   | 42,0        | 404 255                        |
| Turnover   |         | 250 637   | 176 753   | 41,8        | 400 694                        |
| Interest received  |         | 2 234   | 1 322   |             | 3 561                          |
| <b>Operating profit before interest and taxation</b>               |         | <b>16 159</b>                                       | 13 025  | 24,1        | 39 588                         |
| Interest received  |         | 2 234   | 1 322   | 69,0        | 3 561                          |
| Interest paid  |         | (1 853)   | (1 553)   | 19,3        | (3 521)                        |
| Share of income from joint venture                                 |         | 807   | 15  | 5 280,0     | 126                            |
| Net profit before taxation   |         | 17 347  | 12 809  | 35,4        | 39 754                         |
| Taxation   |         | (5 739)   | (4 440)   | 29,3        | (13 570)                       |
| <b>Profit for the period/year</b>                                  |         | <b>11 608</b>                                       | 8 369   | 38,7        | 26 184                         |
| <b>Headline earnings</b>   |         | <b>11 608</b>                                       | 8 369   | 38,7        | 26 184                         |
| Number of shares in issue  | ('000)  | 69 931  | 69 431  |             | 69 931                         |
| Treasury shares  | ('000)  | 1 392   | 354   |             | 1 126                          |
| Number of shares on which earnings per share is calculated         | ('000)  | 68 539  | 69 077  |             | 68 805                         |
| Number of shares on which diluted earnings per share is calculated | ('000)  | 101 773   | 98 962  |             | 98 690                         |
| <b>Ratio analysis</b>  |         |   |   |             |                                |
| Attributable earnings  | (R'000) | 11 608  | 8 369   | 38,7        | 26 184                         |
| Earnings per share   | (cents) | 16,9  | 12,1  | 39,8        | 38,1                           |
| Diluted earnings per share   | (cents) | 11,4  | 8,5   | 34,9        | 26,5                           |
| Headline earnings per share  | (cents) | 16,9  | 12,1  | 39,8        | 38,1                           |
| Diluted headline earnings per share                                | (cents) | 11,4  | 8,5   | 34,9        | 26,5                           |
| EBITDA   |         | 19 620  | 14 587  | 34,5        | 44 125                         |
| Net asset value per share  | (cents) | 186,8   | 157,3   | 18,8        | 182,6                          |
| Net tangible asset value per share                                 | (cents) | 120,6   | 104,4   | 15,5        | 129,4                          |
| Dividend per share – interim                                       | (cents) | –   | –   | –           | –                              |
| – final  | (cents) | –   | –   | –           | 13,0                           |
| Debt: Equity   | (%)     | 7   | –   | –           | 1                              |
| Interest cover   | (times) | –   | 56,4  | [100,0]     | –                              |

**Note:** 1. These shares relate to our BEE acquisition of Tasslelane (Pty) Ltd from Community Investment Holdings (Pty) Ltd and will only be issued in March 2008, provided certain profit targets have been met.

## Summarised consolidated balance sheets

| (R'000)                             | Unaudited<br>31 August<br>2007 | Unaudited<br>31 August<br>2006 | Audited<br>28 February<br>2007 |
|-------------------------------------|--------------------------------|--------------------------------|--------------------------------|
| <b>ASSETS</b>                       |                                |                                |                                |
| <b>Non-current assets</b>           | <b>82 061</b>                  | 73 342                         | 72 652                         |
| Plant and equipment                 | 26 867                         | 21 622                         | 23 562                         |
| Investment in joint venture         | 6 718                          | 5 786                          | 5 911                          |
| Intangibles                         | 45 393                         | 36 570                         | 36 570                         |
| Deferred tax asset                  | 3 079                          | 7 964                          | 4 643                          |
| Loans                               | 4                              | 1 400                          | 1 966                          |
| <b>Current assets</b>               | <b>187 713</b>                 | 119 062                        | 144 415                        |
| Inventories                         | 60 521                         | 35 009                         | 47 551                         |
| Trade and other receivables         | 107 597                        | 70 965                         | 66 791                         |
| Cash and cash equivalents           | 19 595                         | 13 088                         | 30 073                         |
| <b>Total assets</b>                 | <b>269 774</b>                 | 192 404                        | 217 067                        |
| <b>EQUITY AND LIABILITIES</b>       |                                |                                |                                |
| Share capital and reserves          | 128 065                        | 108 687                        | 125 605                        |
| <b>Non-current liabilities</b>      | <b>9 089</b>                   | 474                            | 1 429                          |
| Interest bearing liabilities        | 8 790                          | 175                            | 1 130                          |
| Non-interest bearing liabilities    | 299                            | 299                            | 299                            |
| <b>Current liabilities</b>          | <b>132 620</b>                 | 83 243                         | 90 033                         |
| Interest bearing liabilities        | –                              | –                              | 443                            |
| Non-interest bearing liabilities    | 125 778                        | 73 210                         | 83 307                         |
| Taxation                            | 6 842                          | 10 033                         | 6 283                          |
| <b>Total equity and liabilities</b> | <b>269 774</b>                 | 192 404                        | 217 067                        |

## Statements of changes in equity

| (R'000)                                 | Unaudited<br>6 months<br>ended<br>31 August<br>2007 | Unaudited<br>6 months<br>ended<br>31 August<br>2006 | Audited<br>28 February<br>2007 |
|---|---|---|--------------------------------|
| Opening balance                         | 125 605   | 106 944   | 106 944                        |
| Issue of share capital                  | –   | –   | 1 486                          |
| Treasury shares – Share Incentive Trust | (57)  | (414)   | (2 785)                        |
| Share based payment reserve             | –   | –   | 25                             |
| Dividends paid                          | (9 091)   | (6 212)   | (6 249)                        |
| Profit for the period/year              | 11 608  | 8 369   | 26 184                         |
| Closing balance                         | 128 065   | 108 687   | 125 605                        |

## Summarised consolidated cash flow statements

| (R'000)  | Unaudited<br>6 months<br>ended<br>31 August<br>2007 | Unaudited<br>6 months<br>ended<br>31 August<br>2006 | Audited<br>28 February<br>2007 |
|--|---|---|--------------------------------|
| Cash flow from operations before working capital changes | 18 917  | 14 011  | 43 458                         |
| Working capital changes                                  | (11 766)  | 790   | 3 788                          |
| Net financing (costs)/income                             | 381   | (231)   | 40                             |
| Net taxation paid  | (3 616)   | (943)   | (10 503)                       |
| Dividends paid   | (9 073)   | (6 198)   | (6 249)                        |
| Cash flow from operating activities                      | (5 160)   | 7 429   | 30 534                         |
| Cash flow from investing activities                      | (6 832)   | (7 586)   | (13 729)                       |
| Cash flow from financing activities                      | 1 514   | (1 436)   | (1 367)                        |
| (Decrease)/increase in cash resources                    | (10 478)  | (1 593)   | 15 438                         |

## Summarised segmental reports

for the six months ended 31 August 2007, 31 August 2006, and the year ended 28 February 2007

| (R'000)                           | Telecoms | Domestic products | Security | Sub total operating divisions | Other    | Total   |
|-----------------------------------|----------|-------------------|----------|-------------------------------|----------|---------|
| <b>31 August 2007 (Unaudited)</b> |          |                   |          |                               |          |         |
| Revenue                           | 144 464  | 70 487            | 35 686   | 250 637                       | 2 234    | 252 871 |
| Operating profit*                 | 18 920   | 5 667             | 1 319    | 25 906                        | (8 940)  | 16 966  |
| <b>31 August 2006 (Unaudited)</b> |          |                   |          | Sub total operating divisions | Other    | Total   |
| Revenue                           | 98 692   | 52 653            | 25 408   | 176 753                       | 1 322    | 178 075 |
| Operating profit*                 | 13 567   | 5 862             | 1 017    | 20 446                        | (7 406)  | 13 040  |
| <b>28 February 2007 (Audited)</b> |          |                   |          | Sub total operating divisions | Other    | Total   |
| Revenue                           | 235 669  | 114 859           | 51 522   | 402 050                       | 2 205    | 404 255 |
| Operating profit*                 | 39 911   | 13 117            | 142      | 53 170                        | (13 456) | 39 714  |

\* The divisional operating profit includes the income from the joint venture, but excludes interest paid or received and is stated before making adjustments for inter-group interest and administration fees.