

# Reviewed results for the year ended 29 February 2004 and withdrawal of cautionary announcement

JASCO ELECTRONICS HOLDINGS LIMITED  
(Incorporated in the Republic of South Africa)  
(Registration number 1987/003293/06)  
Share code: JSC ISIN: ZAE000003794  
Website: www.jasco.co.za



- Revenue decreased by 15,9% to R258,5 million • EBITDA declined by 55,3% to R13,2 million • Headline earnings decreased by 90% to 4,2\* cents per share
- All core operating divisions profitable • Cash flow from operating activities 21,8 cents per share • Gearing below 27%\*

(\*Excludes the benefits derived from recognising a deferred tax asset and a provision for a liability which is no longer required)

## Summarised consolidated income statements

for the year ended 29 February 2004	Reviewed 29 February 2004	Audited 28 February 2003	% change
(R'000)	Notes		
<b>Revenue</b>	<b>258 543</b>	307 265	-15,9%
- from continuing operations	252 524	238 911	5,7%
- from discontinuing operations	6 019	68 354	-91,2%
<b>Operating profit before interest</b>	<b>11 320</b>	24 318	-53,5%
Net interest paid	(6 133)	(3 962)	54,8%
<b>Operating profit</b>	<b>5 187</b>	20 356	
- from continuing operations	9 756	20 698	-52,9%
- from discontinuing operations	(4 569)	(342)	
Provision for liability no longer required	1 17 100	-	
Exceptional items	(22 144)	126	
Net profit before taxation	143	20 482	-99,3%
Taxation	(3 327)	(7 947)	
Net profit after taxation	3 470	28 429	-87,8%
Loss from associated company	(2 251)	-	
Net income attributable to ordinary shareholders	1 219	28 429	-95,7%
Reconciliation of headline earnings			
Net income attributable to ordinary shareholders	1 219	28 429	-95,7%
Adjusted for exceptional items	22 144	(126)	
- impairment of goodwill	1 17 100	-	
- profit on disposal of subsidiary	-	(1 994)	
- amortisation and impairment of intangibles	5 044	1 799	
- loss on disposal of business operations	-	278	
- profit from discontinuing of operations	-	(209)	
<b>Headline earnings</b>	<b>23 363</b>	28 303	-17,5%
Further adjusted for	(20 427)	(7 947)	
- provision for liability no longer required	1 (17 100)	-	
- taxation	(3 327)	(7 947)	
<b>Comparative headline earnings</b>	<b>2 936</b>	20 356	

Number of shares in issue	(000)	69 431	48 512
Number of shares on which earnings per share is calculated	(000)	69 431	48 512
Number of shares on which diluted earnings per share is calculated	(000)	2 99 316	
<b>Ratio analysis</b>			
Earnings per share	(cents)	1,8	58,6
Diluted earnings per share	(cents)	1,2	
Headline earnings per share	(cents)	1 33,6	58,3
Diluted headline earnings per share	(cents)	2 23,5	
EBITDA		13 222	29 563
Net asset value per share	(cents)	119,6	112,3
Net tangible asset value per share	(cents)	64,6	90,0
Dividend per share - Interim	(cents)	-	5
- Final	(cents)	-	6
Debt: Equity		21,3%	0%

Ratio analysis <i>excluding</i> the benefit derived from recognising the deferred tax asset and the provision for a liability no longer required			
Comparative headline earnings per share	(cents)	1 4,2	42,0
Diluted comparative headline earnings per share	(cents)	2 3,0	
EBITDA		13 222	29 563
Net asset value per share	(cents)	95,7	95,9
Net tangible asset value per share	(cents)	40,7	73,6
Dividend per share - Interim	(cents)	-	5
- Final	(cents)	-	6
Debt:Equity		26,6%	0%

- Notes:**
- The provision for liability no longer required and the impairment of goodwill relates to the acquisition of the remaining 80% shareholding in Khululeka Telecommunications (Pty) Ltd. Further details are given in the paragraph entitled Accounting policies and comparative headline earnings.
  - These shares relate to our BEE acquisition of Tasselane (Pty) Ltd from Community Investment Holdings (Pty) Ltd and will only be issued in March 2008, provided certain profit targets have been met.
  - Please note that in terms of GAAP, the revenues and operating profits for 2003 have been adjusted to take into account the discontinuance of the Jascotel operation after the 2003 year end.

## Directors

Dr ATM Mokgokong (Chairperson), TB Rutstein (Deputy Chair), PS Chapwanyat, FE Emary, JC Farrant, Dr JM Matsipa, JA Sherry (Non-Executives)

Dr SH Robertson (CEO), MH Lotz (FD), MJ Madungandaba (Marketing) † (Zimbabwean)

## Further details can be found on our website www.jasco.co.za

(\*Excludes the benefits derived from recognising a deferred tax asset and a provision for a liability which is no longer required)

## Summarised consolidated balance sheets

at 29 February 2004	Reviewed 29 February 2004	Audited 28 February 2003
(R'000)	Notes	
<b>ASSETS</b>		
<i>Non-current assets</i>		68 178
Plant and equipment		11 174
Intangibles		38 201
Deferred tax asset		16 567
Loans		2 236
<i>Current assets</i>		79 040
Inventories		22 229
Accounts receivable		54 211
Prepayments		-
Cash on hand		2 600
<b>Total assets</b>		147 218
<b>EQUITY AND LIABILITIES</b>		
<i>Ordinary share capital and reserves</i>		83 025
<i>Non-current liabilities</i>		590
Interest bearing liabilities		291
Non-interest bearing liabilities		299
<i>Current liabilities</i>		63 603
Interest bearing liabilities	1	17 380
Non-interest bearing liabilities		46 223
<b>Total equity and liabilities</b>		147 218

### Notes:

- The increase in the interest bearing liabilities resulted from assuming the net liabilities of Khululeka Telecommunications (Pty) Ltd in terms of a surety in favour of Khululeka's bankers.
- The contingent liabilities pertaining to the judgement against one of our dormant subsidiaries and the possible claim for a collapsed structure has remained unchanged since reported in the 2003 annual financial statements. The claim for work done by a sub-contractor in Botswana remains, but as the directors believe the possibility of a claim against Jasco is remote, the provision of R450 000 was reversed.

## Statements of changes in equity

for the year ended 29 February 2004	29 February 2004	28 February 2003
(R'000)		
Opening balance	54 456	30 098
Attributable income	1 219	28 429
Dividends paid	(2 911)	(2 440)
Net shares issued/acquired	30 617	(1 650)
Currency translation differences	(356)	19
Closing balance	83 025	54 456

## Summarised consolidated cash flow statements

for the year ended 29 February 2004	29 February 2004	28 February 2003
(R'000)		
Cash generated from operations	24 349	22 744
Net financing costs	(6 133)	(3 962)
Net taxation paid	(191)	(630)
Dividends paid	(2 911)	(2 440)
Cash flow from operating activities	15 114	15 712
Cash flow from investing activities	(26 079)	1 771
Cash flow from financing activities	(4 786)	(1 137)
(Decrease)/increase in cash resources	(15 751)	16 346

## Summarised segmental reports

for the year ended 29 February 2004	Telecoms Division	Manuf. Division	Security Division	Discontinued
(R'000)				
<b>Revenue</b>	<b>154 640</b>	<b>62 419</b>	<b>31 351</b>	<b>6 019</b>
<b>Operating profit/(loss)*</b>	<b>12 178</b>	<b>9 452</b>	<b>983</b>	<b>(3 313)</b>
<b>2003</b>				
Revenue	155 488	60 560	22 030	68 354
Operating profit*	20 944	9 197	1 211	571

\* Operating profit excludes interest paid or received and is stated before making adjustments for inter-group interest and administration fees.

## Registered office

Woodmead Park, 8 Saddle Drive, Woodmead 2157

## Transfer secretaries

Ultra Registrars (Pty) Limited, 11 Diagonal Street, Johannesburg 2001

## Introduction

The results for the year ended 29 February 2004 were disappointing.

The results were negatively impacted by a delay in the take-up of orders in the Telecommunications and Security divisions and losses in discontinued operations. The stronger Rand also had a negative influence on both turnover and margins. The assumption of an overdraft from a previous investment, Khululeka Telecommunications (Pty) Ltd (Khululeka), at the end of the 2003 financial year increased the gearing ratio and the amount of interest paid on borrowings.

Although the results were not satisfactory, the conversion of the headline loss of 2,8\* cents per share in the first half to a headline profit of 4,2\* cents per share for the year as a whole and operating profit before interest in the second half of the year of R7,7 million compared to R3,6 million at the interim stage, indicate an encouraging turnaround in the second half of the year.

## Accounting policies and comparative headline earnings

This report was prepared using accounting policies that are in accordance with the Statements of Generally Accepted Accounting Practice and comply to AC127. These policies are consistent with those applied in the financial statements for the year ended 28 February 2003.

As reported in the 2003 Annual Report, Jasco decided to acquire the 80% shareholding it did not already own in Khululeka. The acquisition required Jasco to absorb the overdraft of R24,0 million which had been granted to Khululeka. Although this liability was already fully provided for by Jasco and accordingly had no impact on the net asset value per Jasco share, the absorption of the overdraft did have an impact on the amount of Jasco's interest-bearing debt. It also affected the reporting of headline earnings as follows:

- The net liability of R17,1 million raised in previous years to cover the overdraft in Khululeka was reversed when this overdraft was taken over by Jasco; and
- The closure of the Alro operation in Khululeka resulted in an impairment of the R17,1 million of goodwill.

In terms of AC306, Circular 7/2002 and the JSE Securities Exchange South Africa Listings requirements, the former reversal of the provision for the liability forms part of headline earnings, whereas the latter impairment of goodwill does not. This is reflected as such in the income statement.

However, in the interest of showing headline earnings and ratios which are comparable with those shown in the past, the headline earnings have been further adjusted by adding back the provision for a liability no longer required and the deferred tax asset of R3,3 million raised. All numbers affected by this are clearly marked with an asterisk\* throughout this commentary.

## Results

Revenue decreased by 15,9% to R258,5 million (2003: R307,3 million) and operating profit before interest decreased by 53,5% to R11,3 million (2003: R24,3 million). Operating margin from continuing operations, excluding interest, was reduced to 9,1% (2003: 13,2%). The forex translation losses incurred during 2003 (R5,1 million) were eliminated in 2004 as a result of a strategic decision, taken in the face of a volatile Rand, to cover both imports and exports. However, the strong Rand still negatively impacted turnover and profits as 34,3% of revenue was derived from exports during this period.

Besides the delay in the take-up of orders in the Telecommunications and Security divisions and the strong Rand, profits were further impacted by:

- Higher interest charges due to the increase in interest bearing debt as a result of taking on the Khululeka overdraft in March 2003;
- A R4,6 million loss from discontinued operations; and
- A R2,25 million loss from associated company BRJ (which has subsequently also been discontinued)

These issues resulted in a reduced headline profit of 4,2\* cents per share (2003: 42,0\* cents per share).

Despite the lower operating profits for the year, sound working capital management resulted in R15,1 million of cash being generated from operating activities, which equates to 21,8 cents per share. This reduced gearing to 26,6%\* which represents a 23% reduction in the six months since interim results (August 2003: 34,7%\*).

## Operational review

The core operating divisions are profitable and cash generative.

## Telecommunications

The Telecommunications division focuses on the provision of specialised solutions, products and services to telecommunications networks. A number of products, designed and manufactured in-house, are combined with a range of strategic products sourced on an exclusive basis from leading overseas suppliers.

This division consists of two operations, namely **Webb Industries**, which has been in operation for over 30 years, and the more recently established **Telesciences**.

Revenue for the Telecommunications division reduced by 0,5% to R154,6 million (2003: R155,5 million). Operating margin reduced by 41,5% to 7,9% (2003: 13,5%). This division produced 53,9% of group operating profit from continuing operations.

Webb Industries, which derived 54% of its turnover from exports during the year under review, was the most severely affected by the strong Rand. Performance was further impacted by the material increase in the local price of steel, which is used to manufacture telecommunications masts and towers.

Although turnover and margins were affected by the strengthening of the currency, export volumes continued to grow, especially the sale of locally designed and manufactured antennas that are used worldwide in asset tracking applications. Measures to improve operational efficiencies have also been put in place.

This operation remains a consistent and well established contributor to profits which, combined with improved prospects for wireless telecommunications throughout Africa and the ongoing need for asset tracking, bode well for future prospects.

The Telesciences operation, which includes the Khululeka and Tasselane acquisitions made during 2003, suffered from a deferral of orders due to continued delays in telecommunications rollouts and the awarding of telecommunication licenses locally and in the rest of Africa. As the operation requires highly skilled and qualified personnel, the reduced sales were insufficient to cover overheads and the operation ended the year with a loss. However, this operation has

recently been shortlisted for a number of tenders, the awarding of which will result in a return to profitability.

## Manufacturing

This division manufactures a number of in-house products and focuses on component manufacture for the electrical and electronics industries.

Revenue increased by 3,1% to R62,4 million (2003: R60,6 million) and operating margins remained unchanged at a satisfactory 15,2%. This division produced 41,8% of group operating profit derived from continuing operations.

Demand for electronic components from manufacturers of domestic appliances in the local market was dampened by high interest rates in the first half of the year, but improved during the balance of the year following rate cuts and increased consumer expenditures. The growth in both local sales and exports (to the EU, USA and South America) of Jasco's Just-Chlor® pool chlorinator remained particularly strong.

The ongoing positive outlook for consumer demand and continued expansion of electrification projects both locally and in other parts of Africa, places this division in a strong position for future growth.

## Security

Security focuses on the development, supply and integration of customised surveillance and other security systems. The client base includes mines, financial institutions, government and municipalities.

The division embarked on a turnaround strategy in the latter part of 2002. The initial success of this turnaround and a continued demand for security solutions resulted in management further strengthening the team through the appointment of highly skilled personnel. The resultant 25% increase in expenses was offset by increasing revenues by 42,3% to R31,4 million (2003: R22,0 million). However, this was insufficient to provide growth in profits this year and the division contributed a decreased operating profit of R1,0 million (2003: R1,3 million), producing 4,3% of group operating profit from continuing operations.

With a strong team now in place, good orders on hand, the ongoing need for increased security in South Africa and Jasco's strong BEE credentials, the Security division is expected to grow profits significantly during the new financial year.

## Discontinued operations

The revenue attributable to discontinued operations relates to the closure of the Alro operation in Khululeka and both of the telecommunications network building activities that were conducted through Jascotel and a strategic partnership with the Baran Group (BRJ). These operations were unable to attain critical mass and incurred losses of R0,9 million, R3,7 million and R2,25 million, respectively (the latter being reflected as an associated company loss) and were consequently discontinued during this year. As a result, no further material losses will be incurred from these operations in future.

## Prospects

Jasco's established and diversified core operating divisions have recovered from the initial setback of the strong Rand and the lack of telecommunications orders in the first half of the year to deliver accelerated growth in the second half. To maintain such momentum, a focused effort on improving manufacturing and sales efficiencies in the core operating divisions has been put in place.

The profits generated from the continuing operating divisions, together with good working capital management, generated operating cash of 21,8 cents per share. As no further material losses will be incurred from discontinued operations, cash generation from ongoing operations is expected to continue reducing gearing and interest charges.

Although the acquisition of BEE company Tasselane has not yet achieved the required results, it has improved the group's status and profile as a listed BEE company. As a result, Jasco has been able to tender for a number of new business opportunities.

In addition, a recent "BBB" rating by EmpowerDEX (an independent economic empowerment rating agency) confirms Jasco's broad based empowerment credentials as measured by the balanced scorecard approach. This has placed Jasco in a key position to benefit from the proposed BEE charters and initiatives in the mining, financial and especially in the information and communication technology (ICT) sectors.

Management and directors believe that the potential benefits of all of these factors have not yet been fully realised and that the company is well poised to take advantage of an expected upturn in future business.

## Report of the independent auditors

The financial information contained in this announcement has been reviewed by Jasco's auditors, Ernst & Young Chartered Accountants (SA). A copy of the unmodified review report is available for inspection at Jasco's registered office.

## Dividend

Jasco's dividend policy is to declare a final dividend. However in the light of this year's results, the directors have resolved not to declare a dividend this year.

## Withdrawal of cautionary announcement

Shareholders are referred to the Trading Statement and Cautionary Announcement published on the 3rd February 2004 and are advised that, as a result of this announcement, they need no longer exercise caution in dealing in their Jasco shares.

**Dr A T M Mokgokong** (Non-Executive Chairperson) **Dr S H Robertson** (Chief Executive Officer) **M H Lotz** (Financial Director)

20 April 2004