Reviewed results for the year ended 28 February 2007

- **Revenue up 21%**
- **Earnings per share up 45%**
- **Cash generated up 102%**
- **44% increase in dividend to 13 cents**

JASCO

Incorporated in the Republic of South Africa Registration number: 1987/003293/06
Share code: JSC ISIN: ZAE000003794

Introduction

The Jasco board has pleasure in presenting the reviewed results for the year ended 28 February 2007. Earnings per share increased by 45,4% to 38,1 cents per share compared to the 26,2 cents per share reported last year. This improvement was mainly supported by a robust performance from the Telecommunications division. Disciplined working capital management saw cash on hand growing to R30,1 million at year end, compared to R14,7 million at 28 February 2006.

Results

Revenue increased by 20,9% to R404,3 million (2006: R334,4 million). The 2007 revenue excludes the revenue from the group's Mast & Towers business unit, which now forms part of the WebbLeBLANC joint venture and is equity accounted. Like-for-like growth in revenue was therefore 27,8%. The strong top-line growth underlines the success of the organic growth strategy implemented by the group a few years ago, with compounded growth over the last two years of 26,5%. As in the previous year, the majority of the growth came from an increase in volumes, with only approximately 6% of this growth attributable to an improvement in selling prices.

The increased contribution from the higher margin Telecommunications division and the overall increase in volumes resulted in an improvement in operating margin before interest from 8,5% to 9,9%, falling just shy of the group's target of 10%. However, these results include a once-off expense of R1,4 million in the first half spent on a detailed due diligence process relating to the possible acquisition of a substantial business that would have almost doubled Jasco's size, converted the group into an unconditionally black owned entity and broadened its customer base and product range. Following the investigation, the Jasco board found that the value/reward ratio was not acceptable and that the transaction would not be in the best interest of shareholders. The operating margin, excluding this expenditure, exceeds the 10% target.

Net profit before interest grew by 40,9%, whilst net profit before taxation grew by 45,5% to R39,8 million (2006: R27,3 million), assisted by the elimination of interest paid. After providing for taxation and income from the WebbLeBLANC joint venture, earnings per share increased by 45,4% to 38,1 cents per share (2006: 26,2 cents per share).

The group's calculated tax rate was 34,2%, slightly better than the anticipated rate used at the interim stage of 34,7%. This rate includes permanent differences, STC of 12,5% paid on the dividend relating to the prior year and the once-off acquisition expense referred to above.

Headline earnings per share increased by 37,5% to 38,1 cents per share (2006: 27,7 cents per share). There were no headline earnings adjustments this year, compared to the R1,0 million adjustment last year.

The higher levels of profitability improved the net tangible asset value per share to 129,4 cents, 27,5% up on the 101,5 cents reported last year.

Jasco continued its high levels of cash generation from profits, ending the year with a cash balance of R30,1 million at 28 February 2007. During the year under review, the group generated cash of R47,2 million from operations (2006: R23,4 million), amounting to 119,2% (2006: 83,2%) of operating profit before interest. The strong cash generation is also reflected in the decrease in average net working capital days to 29 days (2006: 37 days). These improvements resulted from a focused drive to improve working capital levels at the end of last year. The effort was further assisted by the exclusion of the Mast & Towers business unit, now equity accounted, from this year's result. These low levels allowed management to revise their target net working capital days from 45 to an upper limit of 35, which the group believes is sustainable through continued management effort.

Basis of preparation

The abridged annual financial statements, for the year ended 28 February 2007, have been prepared in accordance with International Financial Reporting Standards ("IFRS") and the Companies Act of South Africa. The accounting policies applied are consistent with those of the previous financial year.

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. In the year under review, revenue from operating divisions was R402,1 million and operating profit R53,0 million as per the segmental report.

Telecommunications

Strong performances from all three business units in this division resulted in an increase in the Telecommunications division's contribution to both group revenue and profit. This division contributed 58,6% (2006: 57,7%) to group revenue, whilst the contribution to operating profit increased to 75,0% (2006: 60,3%).

The division focuses on providing products, solutions and services to the access networks of both fixed line and wireless telecommunications network operators through a combination of in-house products and strategic products sourced on an exclusive basis from leading overseas suppliers.

The division consists of three independent operations: **Webb Industries, Tasslelane** and **Telesciences.** Over the last few years Jasco deliberately positioned these businesses to benefit from the current buoyant market in telecommunications, GSM and private mobile radio ("PMR") by increasing the product offering and supplying technical expertise to customers. In the year under review, the division benefited from the demand for broadband capacity in South Africa, the need to increase the tele-density in Africa, mainly through GSM roll-outs, and the continued demand for security services, supporting the PMR business.

These improvements resulted in revenue increasing by 22,8% to R235,7 million (2006: R192,0 million), whilst operating profit grew strongly by 69,8% to R39,8 million (2006: R23,4 million). The improvement in the operating margin from 12,2% to 16,9% is due to the elimination of the losses incurred by the Mast & Towers business unit during 2006, a larger contribution from the higher-margin fixed line operations and an overall increase in volumes. The merger of the group's Mast & Towers business unit with that of LeBLANC last year proved successful, with this business producing a profit in its first year of operation. The after-tax portion of this profit, disclosed as "Share of income from associate", was R126 000.

Subsequent to the year end, with effect from 1 March 2007, Jasco entered into a partnership, forming a sister-company to Tasslelane, Tasslelane Services (Pty) Ltd, in which the group holds 72% of the shares. This business supplements Jasco's product range by allowing the group to offer installation and maintenance services in addition to the supply of products and solutions. This business will also benefit from the changing environment where operators are outsourcing more of their technical requirements. With effect from 1 April 2007, the group also acquired the business of RapidCloud Technologies (Pty) Ltd, which will give Jasco access to the African market and increase its wireless broadband product range. The much-needed technical and marketing expertise RapidCloud brings will also allow Jasco to reduce its reliance on fixed line telecommunications operators.

Manufacturing/Domestic Products

The group's Manufacturing/Domestic Products division consists of two operations, **Special Cables** and **T Components,** a business acquired during the first half of the year. Both operate from factories in KwaZulu-Natal. Special Cables specialises in the cutting of wire, the moulding of plastic components and the assembly of these and other products into a pre-assembled unit for domestic and automotive products. This division also manufactures a saltwater pool chlorinator and a range of other pool and garden lights for sale under the *Justchlor©* brand.

T Components specialises in the pressing of steel and metal components for application in the electrical sector and the manufacture of a range of electrical plugs. These products supplement Special Cables' wire products. T Components was acquired with effect from 1 July 2006. The purchase consideration was settled in cash. The acquisition of this R17 million annual turnover business expands Jasco's customer base, widens its product offering and will bring a much-needed increase in capacity through more human resources and additional factory space.

The revenue in the division increased by 33,7% to R114,9 million (2006: R85,9 million) and now represents 28,6% (2006: 25,8%) of revenue from operating divisions. The increase is attributable to eight months' revenue from T Components, continued growth due to a healthy economic environment and the ongoing electrification of previously neglected areas, as well as the increase in product lines.

Operating profit increased by 12,8% to R13,1 million (2006: R11,6 million), which represents 24,7% (2006: 29,9%) of operating profit from divisions. Operating margins increased slightly from the 11,1% reported at the interim stage, but decreased to 11,4% from 13,5% last year. This decrease in the margins is due to the combined impact of:

- Unexpected high increases in commodity prices such as oil, copper and titanium. The division was not in a position to pass on the full impact of these increases as the international prices started to soften towards the end of the year. However, the prices have recovered again, although to a lesser extent than before. This will allow for an increase in margins.
- Relocating T Components. During the second half of the year, the T Components factory was moved closer to Special Cables into a larger and more suitable building, allowing the division better management control and larger capacity. This resulted in once-off expenses and a short-term negative impact on the production capacity, which reduced the margins in the T Components business unit. The group is confident that the margins will improve as production volumes are increased during the coming year.
- The evolution of the production model. In certain areas Jasco used to receive consignment components, such as lights and terminals, for inclusion into the assembled units. These were therefore excluded from revenue and cost. In an effort to improve the efficiency of supply and increase value-add of the products for customers, Jasco now purchases these components. As a result, these now form part of Jasco's revenue and cost at no mark up, which erodes margins. However, this leads to an increase in the net profit through the additional value-add resulting from the assembly of the parts.

Although the impact of the evolution in the production model will continue to affect margins, the group is confident that the first two factors will be reversed and that the group should see an increase in margins going forward.

Subsequent to the year end, a competitor in the electrical plug business closed, which will allow Jasco to increase its market share in this sector. Furthermore, the division has expanded its range of pool products, with imported pool pumps and a number of plastic pool products, manufactured in-house.

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 **Scafell.**

The poor performance in the first half continued into the second half and the division ended the year with a very small profit of R142 000. The traditional business model applied in this business has been to secure sufficient annuity-based type income to cover the overheads and to secure a number of larger projects to provide the profits. During the year under review, this division's project business was less than 10% of revenue, limiting profitable trade.

The contribution to revenue from operating divisions decreased from 16,4% to 12,8% as revenue decreased from R54,6 million to R51,5 million this year. The contribution to operating profit from divisions was down to less than 1% (2006: 9,8%) and margins decreased from 7,0% to 0,3%.

As reported during the interim stage, the group restructured the management team and appointed a new CEO. The new CEO focused on working capital management and administrative controls, restructured the management team and strengthened the sales and operational teams. These efforts have started to bear fruit with the securing of a project with a value in excess of R20 million subsequent to the year end.

Jasco is confident that the business will be profitable during this year, as the annuity base is in place, the management team is incentivised, the operational structures are in place and project income has been secured.

Prospects

The group's strategy to grow Jasco both organically and through strategic acquisitions remains in place. Two small acquisitions were concluded in the Telecommunications and Manufacturing/Domestic Products divisions. One was concluded during the year under review and one subsequent to the year end. The group also entered into a partnership to expand its services in the telecommunications sector.

Jasco remains committed to implementing a responsible acquisition strategy that will lead to long-term growth in shareholder value. The group has no gearing and a positive cash balance, which places it in a solid position to capitalise on relevant market opportunities as they arise.

Prospects remain positive in the areas in which the group operates. Jasco expects expenditure in the telecommunications sector to remain strong on the back of the current liberalisation taking place in South Africa, whilst the roll-out of new GSM networks on the African continent continues.

The demand for components from manufacturers of domestic appliances and automotive products in the local market remains at high levels, evidenced by the growth in Manufacturing/Domestic Products' revenue. This, as well as the incorporation of T Components, has positioned Jasco well to increase its market share.

As mentioned above, the group is confident that its focus on improving the Security division, new management and other efficiency drives will allow this division to benefit from government's commitment to infrastructure development and the growing emphasis on electronic security as a means to curtail crime in South Africa.

In the absence of any unforeseen circumstances, management therefore expects further group earnings growth in the next year.

Dividends

In view of the sound financial position of Jasco, the Jasco board has resolved to increase this year's annual dividend. The final dividend (No. 16) of 13,0 cents per share represents an increase of 44,4% from the dividend paid last year. The dividend will, in terms of STRATE, be paid as follows:

Event	**Date**
Last day to trade (cum dividend)	Friday, 18 May 2007
Shares to commence trading (ex dividend)	Monday, 21 May 2007
Record date	Friday, 25 May 2007
Payment date	Monday, 28 May 2007

Shares may not be dematerialised or rematerialised between Monday, 21 May 2007 and Friday, 25 May 2007, both dates inclusive.

Directors and secretary

During the year under review, MJ (Joe) Madungandaba resigned as Chief Executive Officer to take up the position of Non-executive Deputy Chairperson, whilst MH (Martin) Lotz, previously the Chief Operating Officer, was appointed as the Chief Executive Officer. WA (Warren) Prinsloo was appointed as Financial Director, O (Olga) Seiphemo was appointed as Marketing Director and MW (Motlatsi) Lekhesa was appointed as Company Secretary.

For and on behalf of the board

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

25 April 2007

Summarised consolidated income statements

(R'000)		Note	Reviewed 28 February 2007	Audited 28 February 2006	Change %
Revenue			**404 255**	334 402	20,9
Turnover			**400 694**	332 169	
Interest received			**3 561**	2 233	
Operating profit before interest paid and taxation			**43 149**	30 339	42,2
Interest paid			**(3 521)**	(3 025)	
Profit before taxation and share of income from associate			**39 628**	27 314	45,1
Share of income from associate			**126**	–	
Operating profit before taxation			**39 754**	27 314	45,5
Taxation			**(13 570)**	(9 177)	
Profit for the year			**26 184**	18 137	44,4
Reconciliation of headline earnings					
Net earnings attributable to ordinary shareholders			**26 184**	18 137	44,4
Headline earnings adjustments			**–**	1 046	
– impairment of goodwill			**–**	610	
– reversal of currency translation reserve			**–**	436	
Headline earnings			**26 184**	19 183	36,5
Number of shares in issue	('000)		**69 931**	69 431	
Treasury shares	('000)		**1 126**	119	
Number of shares on which earnings per share is calculated	('000)		**68 805**	69 312	
Number of shares on which diluted earnings per share is calculated	('000)	1	**98 690**	99 197	
Ratio analysis					
Attributable earnings			**26 184**	18 137	
Earnings per share	(cents)		**38,1**	26,2	45,4
Diluted earnings per share	(cents)		**26,5**	18,3	
Headline earnings per share	(cents)		**38,1**	27,7	37,5
Diluted headline earnings per share	(cents)		**26,5**	19,3	
EBITDA			**44 125**	33 441	
Net asset value per share	(cents)		**182,6**	154,3	
Net tangible asset value per share	(cents)		**129,4**	101,5	27,5
Dividend per share – final	(cents)		**13,0**	9,0	
Interest cover	(times)		**–**	35,5	

Note: 1. These shares relate to our BEE acquisition of Tasslelane Technologies (Pty) Ltd from Community Investment Holdings (Pty) Ltd on 1 March 2003 and will only be issued in March 2008, provided certain profit targets have been met.

Summarised consolidated balance sheets

(R'000)	Reviewed 28 February 2007	Audited 28 February 2006
ASSETS		
Non-current assets	**72 652**	62 410
Plant and equipment	**23 562**	17 441
Investment in associate	**5 911**	–
Intangibles	**36 570**	36 570
Deferred tax asset	**4 644**	8 395
Loans	**1 965**	4
Current assets	**144 415**	111 753
Inventories	**47 551**	41 202
Trade and other receivables	**66 791**	55 871
Cash and cash equivalents	**30 073**	14 680
Total assets	**217 067**	174 163
EQUITY AND LIABILITIES		
Share capital and reserves	**125 605**	106 944
Non-current liabilities	**1 429**	1 497
Interest bearing liabilities	**1 130**	1 198
Non-interest bearing liabilities	**299**	299
Current liabilities	**90 033**	65 722
Interest bearing liabilities	**443**	341
Non-interest bearing liabilities	**89 590**	65 381
Total equity and liabilities	**217 067**	174 163

Statements of changes in equity

(R'000)	Reviewed 28 February 2007	Audited 28 February 2006
Opening balance	**106 944**	92 871
Issue of share capital	**1 486**	–
Repayment of share premium	**–**	(300)
Treasury shares – Share Incentive Trust	**(2 785)**	(84)
Loss on translation of foreign subsidiary	**–**	(6)
Reversal of currency translation reserve	**–**	436
Share-based payment reserve	**25**	56
Profit for the year	**26 184**	18 137
Dividends paid	**(6 249)**	(4 166)
Closing balance	**125 605**	**106 944**

Summarised consolidated cash flow statements

(R'000)	Reviewed 28 February 2007	Audited 28 February 2006
Cash generated from operations	**47 246**	23 373
Net financing costs	**40**	(792)
Net taxation paid	**(10 503)**	(1 145)
Dividends paid	**(6 249)**	(4 166)
Cash flow from operating activities	**30 534**	17 270
Cash flow from investing activities	**(13 728)**	(7 012)
Cash flow from financing activities	**(1 368)**	(863)
Increase in cash resources	**15 438**	9 395

Summarised segmental reports

(R'000)	Telecom-munications division	Manufacturing/ Domestic Products division	Security division	Sub-total operating divisions	Other	Total
28 February 2007 (Reviewed)						
Revenue	**235 669**	**114 859**	**51 522**	**402 050**	**2 205**	**404 255**
Operating profit *	**39 785**	**13 117**	**142**	**53 044**	**(9 895)**	**43 149**
Share of income of associate	**126**	**–**	**–**	**126**	**–**	**126**
28 February 2006 (Audited)						
Revenue	191 956	85 925	54 629	332 510	1 892	334 402
Operating profit *	23 436	11 632	3 801	38 869	(8 530)	30 339

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

Directors: Dr ATM Mokgokong (Chairperson), MJ Madungandaba (Deputy Chairperson), PS Chapwanya†, FE Emary, JC Farrant, Dr JM Matsipa, JA Sherry (Non-executives), MH Lotz (CEO), WA Prinsloo (Financial Director), O Seiphemo (Marketing Director) (Executives)
† (Zimbabwean) MW Lekhesa (Company Secretary)

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

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