

Chief executive officer's report



Jasco is sharpening its focus on servicing and influencing the full breadth of the communications supply chain through our existing operations and carefully selected niche acquisitions. This allows us to stay flexible as the market changes and cross-sell products and services, opening up growth opportunities within the existing group structure.



Introduction

Jasco's strategy to grow organically on the foundation of a diversified structure enabled it to negotiate a very variable economic climate during the 16-month period under review.

Results overview

Revenue for the 16 months ended 30 June 2009 increased to R760 million (12 months to February 2009: R603 million). Operating profit as per the segmental report increased to R72 million (February 2009: R62 million). Cash generated from operations amounted to R8 million for the four months from February to 30 June 2009 and R94 million for the 16 months to 30 June 2009.

This result was due to several key market factors that impacted on Jasco's performance in the period under review. Most important were the dramatic slowdown in the cable market, coinciding with a sharp drop in commodity prices. The Domestic

Products division suffered from a slowdown in consumer spend, brought about by high fuel prices, high inflation and high interest rates during the first part of the period.

As reported for the 12-month period ended 28 February 2009 – our second interim period due to our change in year end – Jasco's historic businesses continued to show solid growth at both revenue and operating profit level. However, the trading environment deteriorated dramatically from March 2009 onwards. Even against the fact that Jasco's results have always been seasonal (with the quarter from March to May traditionally being weakest due to a number of public holidays that impact negatively on operations), the results for the four months to 30 June 2009 were disappointing.

Although our Telecommunications division remained resilient, our Security division was suddenly and severely impacted by the postponement or cancellation of major projects. This followed the global deteriorating business environment taking real root in the South African economy. As reported previously, this division aims to break even on recurring and annuity business, while projects increase profits. Our Domestic Products division's fortunes were also negatively impacted during the four-month period due to prolonged strike action at certain major customers. Pleasingly, the Electrical division started to show a slow recovery since February.

Strategy review

Jasco implemented a focused strategy five years ago to recalibrate the group after poor results. This refocusing was successful not only due to our ability to achieve structural diversity and pursue prudent strategic acquisitions, but also based on Jasco's positive approach to its own transformation. The group's focus on putting in place a diversified structure, in every sense of the word, translated into strong BEE credentials which have been central to opening up new markets and ensuring that Jasco is able to successfully participate in the infrastructure development drives occurring across South Africa and the rest of Africa.

To ensure sustained growth in an ever-changing environment, over the years, Jasco continually added to its product offering, where necessary starting new operations or acquiring businesses. For example, in the realm of Telecommunications, Jasco traditionally only offered products in the professional mobile radio (PMR) arena, adding GSM products to its portfolio around 1999. To further build its offering from wireless only into fixed line, the group acquired TeleSciences and Tasslelane in 2001 and 2003 respectively.

Two years ago, Jasco acquired RapidCloud, adding broadband wireless products and technical expertise to the group portfolio.

Where in the past Jasco often only sold products to clients, a shifting market context has recently seen a rising demand for value-added services (including logistics, installation and the maintenance of products into networks). To accommodate

these needs, Jasco started a new business, Tasslelane Services, in March 2007, effectively expanding its service offering to operators in the wireless and fixed line arena.

This strategy has enabled Jasco to grow even when one market was slowing down. Consequently, over the last four years Jasco has grown revenues at a compounded annual growth rate of 25%.

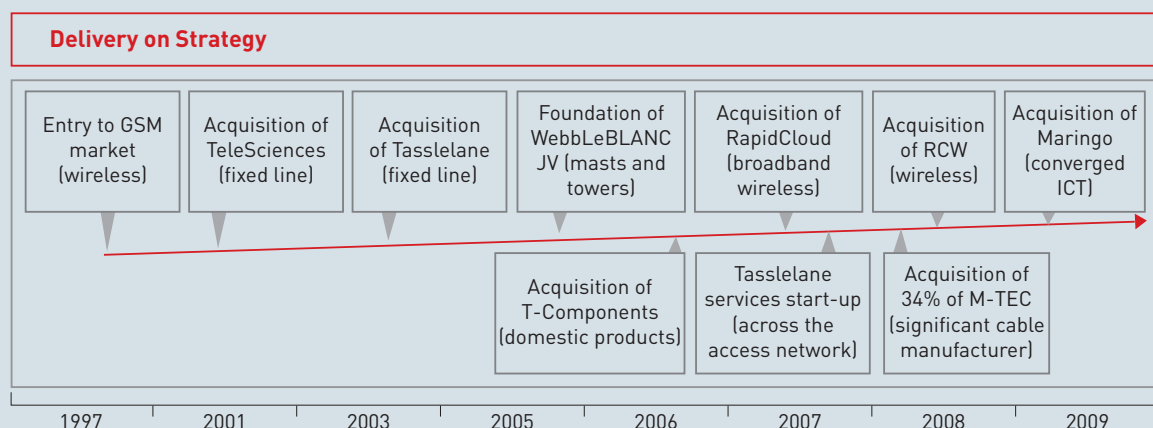
Ensuring a relevant strategy

During August to October 2008, a comprehensive strategic planning process was undertaken. This strategy was approved by the board at the end of October 2008. Moving forward, Jasco is sharpening its focus on servicing and influencing the full breadth of the communications supply chain. This allows us to stay flexible in terms of evolving our service offering as the market context changes and to cross-sell products and services to existing and new clients, opening up significant growth opportunities within the existing group structure.

While a diverse set of businesses operates under the Jasco umbrella, the thread tying the group's divisions together is their location within the field of electronic and electrical products and solutions. Jasco therefore assesses acquisition opportunities with respect to their fit with this existing group focus, and, crucially, their ability to open up new sales and relationship opportunities for the group's existing divisions and businesses.

During the 16 months, Jasco also successfully concluded the acquisition of 51% of the ordinary and preference shares in M-TEC, a major cable manufacturer, for R214,1 million. Through this acquisition, together with the finalisation of the 2003 BEE transaction, the group has formally become a black owned entity, as well as expanded its presence in the transport component of a typical communications network, increased the diversified nature of its portfolio and enabled access to the infrastructure side of the electricity and power sectors.

Although the timing of the M-TEC acquisition was unfortunate as it was made just before the global financial crisis hit, it remains a very good strategic fit with Jasco. The M-TEC acquisition was a strategic long term investment and we are confident it will contribute strongly to Jasco over the long term.



Jasco's positioning in the communications supply chain

	Transport network	Access network	Applications & customer care	Value added services	Content	Devices	CRM
Supplier to operators	<ul style="list-style-type: none"> • M-TEC • Webb 	<ul style="list-style-type: none"> • Webb; RCW • TeleSciences 		<ul style="list-style-type: none"> • TeleSciences • Multivid 		<ul style="list-style-type: none"> • TeleSciences • Multivid 	
Own		<ul style="list-style-type: none"> • Webb (Hi-sites) 					
Service provision		<ul style="list-style-type: none"> • Maringo 	<ul style="list-style-type: none"> • Maringo 	<ul style="list-style-type: none"> • Maringo 	<ul style="list-style-type: none"> • Maringo 		<ul style="list-style-type: none"> • Maringo

In addition, Jasco made two small bolt-on acquisitions in the Telecommunications division – that of Radio Communications Warehouse (RCW) and Maringo (subsequent to year end).

During November 2008, we acquired the business operations of RCW for R3 million, which represents the net book value of the stock and fixed assets. RCW is a small business in Cape Town supplying components and products to the Private Mobile Radio industry that complement the traditional product range offered by Webb Industries in this market sector.

The acquisition post year end of a 30% stake in the integrated communications service provider, Maringo, for an initial consideration of R4 million illustrates another progression in our strategy. Providing converged information, communications and technology services – such as converged applications, access solutions and managed network and hosted services – Maringo creates a presence for Jasco in the lucrative converged communications services market. The Maringo business offering also fits neatly with Jasco's existing presence across the communications supply chain and has the potential to expand the provision of Jasco's products and services with new and existing clients.

Growing into new markets

As outlined in our Chairperson's report, infrastructure development in South Africa and across the continent will play an important role in the group's approach to growth. While the global economy is experiencing a significant slowdown in consumer spend, infrastructure development continues largely according to plan in South Africa and the rest of Africa.

Major GSM operators such as MTN, Vodacom and Zain, are planning further expansion of their network coverage to address low penetration rates on the African continent, as well as the increasing availability of broadband wireless solutions such as WiMax and WiFi, which can normally be employed on the same infrastructure. In addition, the launch of new submarine cable systems is likely to further stimulate telecommunications activity across Africa over the long term.

The group is well positioned to take advantage of South Africa's infrastructure development programme. Within this context, it is important to note that South Africa's infrastructure development programme is not only located within the context of

the 2010 Soccer World Cup, but will extend for several years beyond 2010.

The schematic on page 15 shows the impact continued infrastructure spend will have on Jasco's diverse business portfolio. The infrastructure sector has been divided into telecommunications, power, private and public spend and the rest of Africa. Consumer expenditure directly influences only a small portion of our business, namely our Domestic Products division, currently 14% of our business.

As is evident, expenditure by the telecommunications industry will benefit both our Telecommunications and Electrical divisions. Expenditure by the power sector of the economy, such as the increase in the national capacity and grid, will benefit the Electrical division and to a lesser extent the Security division. Expenditure by the private and public sectors on buildings, prisons and ports will largely benefit the Security division, while the Telecommunications and Electrical divisions will benefit from infrastructure expenditure in the rest of Africa. Jasco is well placed to provide products and services (see table on page 15 and COO's report for more detail) into these programmes.

Talent management and growth

Jasco has achieved much of its recent success through the ability of its employees. The group's self-motivated, entrepreneurial culture plays a key role in supporting the evolution of Jasco's growth strategy. We continue, therefore, to place significant focus on ensuring that the group's talent management and transformation strategies dovetail to create new opportunities to cross-sell Jasco's products and services in existing areas.

Prospects

Jasco has steadily put in place a business structure that supports successful operations in different markets and allows the group to manage variable market conditions. Looking forward, the group's prospects, as with those of many other companies, will be significantly influenced by macro-economic conditions and the manner in which the local economy copes with a very fluid global context. Given the validity of our strategy and the strength of our core structures, one can expect the group to negotiate the current bear market and to deliver strong results in more favourable conditions.

Medium to long term outlook

	Infrastructure spend					Consumer spend
	Telecoms	Power	Private	Public	Rest of Africa	
Telecommunications	●		●	●	●	●
Continued wireless activity in SA and rest of Africa will compensate for lack of spending in fixed line						
Security		●	●	●	●	
Short term consolidation, but multiple opportunities in rental and corporate markets						
Domestic Products						●
Declining interest and inflation rates will gradually have a positive impact						
Electrical	●	●	●	●	●	
Right-sized to benefit from future spend in telecommunications and power markets						

Sector	Products provided
Telecommunications	Fibre cables, copper telecommunication cables, RF cables, towers and ancillary products to erect a wireless base station, WiFi and WiMax solutions, installation and maintenance services, integrated communication services
Security	CCTV, access control, perimeter protection, design, installation and maintenance services
Domestic Products	Plugs, wire harnesses, plastic moulded and pressed steel components
Electrical	Aluminium overhead conductors (including OPGW), contact wire, power cable and copper strip products

Appreciation

The Jasco team put in a great deal of effort over the period under review. The group continues to deliver on its strategy and our success in doing positive business in challenging times is in large part due to the skills and commitment of our people. Sincere thanks must go to everyone working within the group for their achievements. Thanks also to the board for their ongoing support and talent in guiding the company as it progresses.



MH LOTZ
Chief executive officer

9 September 2009