



DigiCore
HOLDINGS LIMITED

Registration number 1998/012601/06
JSE code: DGC ISIN code: ZAE 000016945

- Turnover +16%
- Operating profit +41%
- HEPS +53%

Comments

Overview

The board is pleased to report on a very rewarding and exciting interim period which laid the foundation for a very good 2005. We were awarded three significant tenders late last year and installations will continue throughout 2005. New hardware and software products were introduced at Auto Africa 2004 which offer innovative vehicle management options for existing and new fleet owners, as well as for private vehicle owners.

Financial review

The group recorded 16% growth in revenue from R92,1 million to R107,3 million for the period under review. Operating profit before depreciation increased by 41% from R15,6 million to R22,0 million. The operating margin increased mainly due to better utilisation of fixed overheads as a result of the increase in turnover.

Earnings per share increased by 60% to 8,5 cents per share (2003: 5,3 cents per share) and headline earnings per share increased by 53% to 8,4 cents per share (2003: 5,5 cents per share).

Due to record demand and only partial delivery in December, stock and debtor levels increased beyond established norms. This resulted in the negative cash flow from operations. These high working capital levels are receiving attention and are in the process of being reduced.

Current status

From a solid foundation and with a cohesive management team, we have achieved all the major goals set for the period. We have increased our shareholding in DigiCore Europe to 51% from 50% subsequent to the reporting period and DigiCore Europe acquired a 100% shareholding in C-track Benelux. DigiCore Europe's additional profit contribution to the group is expected to be around R4 million per annum and we expect that it will continue to grow. This acquisition will also increase our direct involvement with all eight European distributors. Unit sales in our new UK market are expected to be over 2 000 units this year from virtually a zero base last year.

Overall unit exports increased by 96% against the comparative period.

The launch at Auto Africa in November of C-track Secure was most encouraging. We are currently establishing a new team to ensure the growth of C-track Secure into the tracking and recovery market to meet our expectations.

Achievements – 2004

- Fourth-best JSE investment performer for 2004
- Technology Top 100 Award from Department of Science and Technology – Large Enterprise winner in the Services Category
- ISO 9001/2000 certification of DigiCore Fleet Management
- Nominated by Department of Trade and Industry as one of South Africa's top 300 companies for contribution to the growth of the economy and job creation
- Empowerment certificate from Impumelelo as one of South Africa's top 300 companies in empowerment (endorsed by the Department of Trade and Industry)
- Sunday Times Business Times Top 100 Companies Award
- Gold Medal Achievement Award for exhibition stand at Auto Africa 2004

Expectations

We are approaching 2005 with expansion in mind. Our goal is to maintain the growth achieved over the past few years while maintaining proper risk management and controls.

As in the past, our focus will be on technology enhancement and growth, having released our second GPRS-based product. The European business will be restructured for expansion and we intend taking a share of the local tracking and stolen vehicle recovery market as rapidly as possible. After having had to manage bureaucratic procedures in Brazil, we believe the benefits will emerge in the very near future.

Strengthening our relationships with our strategic customers and suppliers is a high priority, supported by our all-encompassing "Customers for Life" project launched this year.

Dividend

Notice is hereby given that the board has declared a maiden interim dividend of 2 cents per share.

To comply with the requirements of STRATE, the relevant details of the interim dividend are:

Event	Date
Last day to trade (cum dividend)	Friday, 1 April 2005
Shares to commence trading (ex dividend)	Monday, 4 April 2005
Record date	Friday, 8 April 2005
Payment date	Monday, 11 April 2005

Shares may not be dematerialised or rematerialised between Monday, 4 April 2005 and Friday, 8 April 2005, both dates inclusive.

Board composition

There were no changes to the composition of the board of directors during the period under review. Subsequent to the financial reporting date, IU Khumalo resigned and MD Rousseau was appointed to the board.

For and on behalf of the board

NA Ntsele (Chairman)
NH Vlok (Chief Executive Officer)

28 February 2005

GROUP INTERIM RESULTS

for the six months ended 31 December 2004

Income statement

	Six months ended 31 Dec 2004	Six months ended 31 Dec 2003	Year ended 30 June 2004
R'000	Unaudited	Unaudited	Audited
Revenue	107 265	92 090	193 860
Operating profit before depreciation	22 081	15 572	34 550
Depreciation	1 995	2 135	4 485
Amortisation of goodwill	–	613	1 271
Net operating profit	20 086	12 824	28 794
Net finance income/(cost)	694	(65)	251
Equity income in associate company	405	532	787
Profit before tax	21 185	13 291	29 832
Taxation	4 970	2 225	5 533
Profit after taxation	16 215	11 066	24 299

STATISTICS

	2004	2003	2004
Number of shares in issue (000's)			
– end of period	191 970	210 878	190 346
– weighted average	191 259	210 607	207 790
Basic headline earnings per share (cents)	8,4	5,5	12,2
Basic earnings per share (cents)	8,5	5,3	11,7
EBITDA (%)	21,0	17,5	18,2
Diluted earnings per share (cents)	8,2	5,1	11,4
Diluted headline earnings per share (cents)	8,1	5,4	11,9
Dividends per share (cents)	2	–	3
Special dividends per share (cents)	–	–	5

Balance sheet

	As at 31 Dec 2004	As at 31 Dec 2003	As at 30 June 2004
R'000	Unaudited	Unaudited	Audited
ASSETS			
Non-current assets	44 041	41 030	41 143
Property, plant and equipment	15 516	12 216	13 661
Intangible assets	20 016	20 673	20 016
Investments	5 351	5 094	4 943
Deferred tax	3 158	3 047	2 523
Current assets	108 419	113 806	109 208
Inventories	34 747	26 284	21 841
Trade and other receivables	50 186	28 817	41 174
Bank balances	23 486	58 705	46 193
TOTAL ASSETS	152 460	154 836	150 351
EQUITY AND LIABILITIES			
Capital and reserves	122 630	121 966	121 351
Issued capital	15 832	29 665	15 540
Distributable reserve	106 798	92 301	105 811
Non-current liabilities	0	2 226	1 825
Borrowings	0	691	45
Provisions	0	1 535	1 780
Current liabilities	29 830	30 644	27 175
Taxation	6 882	1 499	2 893
Trade and other payables	19 698	23 026	19 957
Current portion of long-term borrowings	177	2 483	1 245
Shareholders for dividends	69	1 077	–
Provisions	3 004	2 559	3 080
TOTAL EQUITY AND LIABILITIES	152 460	154 836	150 351
Net asset value per share (cents)	63,9	57,8	63,8
Tangible asset value per share (cents)	53,5	48,0	53,2

Reconciliation between earnings and headline earnings

	Six months ended 31 Dec 2004	Six months ended 31 Dec 2003	Year ended 30 June 2004
R'000	Unaudited	Unaudited	Audited
Attributable earnings	16 215	11 066	24 299
Amortisation of goodwill	–	613	1 271
Profit on disposal of fixed asset	(161)	(135)	(173)
Headline earnings	16 054	11 544	25 397

Statement of changes in equity

	Share capital	Share premium	Distributable reserve	Total
Balance as at 1 July 2004	191	15 349	105 811	121 351
Net profit for the period	–	–	16 215	16 215
Dividend declared	–	–	(15 228)	(15 228)
Share options exercised	1	291	–	292
Balance as at 31 December 2004	192	15 640	106 798	122 630

Summarised cash flow statement

	Six months ended 31 Dec 2004	Six months ended 31 Dec 2003	Year ended 30 June 2004
R'000	Unaudited	Unaudited	Audited
Net cash (outflow)/inflow from operating activities	(2 522)	26 845	37 936
Net financing income/(cost)	694	(65)	251
Dividends paid	(15 228)	(3 423)	(4 223)
Taxation paid	(980)	(805)	(3 695)
Cash flows from operating activities	(18 036)	22 552	30 269
Cash flows from investing activities	(3 558)	(1 946)	(4 583)
Cash flows from financing activities	(1 113)	1 724	(15 868)
Net movement in cash resources	(22 707)	22 330	9 818
Cash and cash equivalents at beginning of period	46 193	36 375	36 375
Cash and cash equivalents at end of period	23 486	58 705	46 193

Notes

Preparation of results

These interim financial statements were prepared in accordance with South African Statements of Generally Accepted Accounting Practice. The policies used in the preparation of these financial statements are consistent with those used in the annual financial statements for the year ended 30 June 2004, except for the adoption of IFRS 3. Comparatives have been appropriately restated for the consolidation of the DigiCore Holdings Limited Share Trust.

Company secretary

AJ Voogt

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Transfer secretary

Computershare Investor Services 2004 (Pty) Limited, 70 Marshall Street, Johannesburg, 2001 (PO Box 1053, Johannesburg, 2000)

Directors

NA Ntsele* (Chairman), NH Vlok (Chief Executive Officer), SR Aberdein, D du Rand, BJ Richards*, AJ Voogt, JJ du Plooy*, NA Gasas*, U Khumalo*, SA Msibi*.

* Non-executive director *British

Sponsor

PSG Capital Limited