

DIGICORE HOLDINGS LIMITED

# *Group Interim Results*

*for the six months ended 31 December 2006*

- ▶ *Operating profit 43%*
- ▶ *Headline earnings per share 41%*
- ▶ *Revenue 31%*



## Abridged group income statement

R'000	Notes	6 months ended 31 Dec 2006 (Unaudited)	% growth	6 months ended 31 Dec 2005 (Unaudited)	Year ended 30 June 2006 (Audited)
Revenue		189 986	31	145 381	323 239
Cost of sales and operating expenses		(141 229)		(111 179)	(229 548)
<b>Net operating profit</b>		<b>48 757</b>	<b>43</b>	<b>34 202</b>	<b>93 691</b>
Net investment income		1 242		1 926	2 975
Net income/(loss) from equity accounted investments		439		(310)	(112)
<b>Profit before taxation</b>		<b>50 438</b>	<b>41</b>	<b>35 818</b>	<b>96 554</b>
Income tax expense	3	(15 578)	58	(9 842)	(28 970)
<b>Profit for the period</b>		<b>34 860</b>	<b>34</b>	<b>25 976</b>	<b>67 584</b>
<b>Attributable to:</b>					
Minority shareholders		3 073		2 866	3 453
Equity holders of the parent		31 787	38	23 110	64 131
Number of ordinary shares in issue ('000)		202 355		202 355	202 355
Weighted average number of ordinary shares in issue ('000)		198 043		201 667	198 572
Fully diluted number of ordinary shares in issue ('000)		202 355		202 355	202 355
Basic Earnings per share (in cents)	4	16,1	40	11,5	32,3
Basic Headline earnings per share (in cents)		15,9	41	11,3	31,9
Dividend per share (in cents)		5,0	25	4,0	10,0
<b>Reconciliation between basic to headline earnings:</b>					
Attributable earnings		31 787		23 110	64 131
Profit on disposal of fixed asset		(279)		(245)	(875)
<b>Headline earnings</b>		<b>31 508</b>		<b>22 865</b>	<b>63 256</b>

## Abridged group balance sheet

R'000	Note	As at 31 Dec 2006 (Unaudited)	As at 31 Dec 2005 (Unaudited)	As at 30 June 2006 (Audited)
<b>ASSETS</b>				
<b>Non-current assets</b>		91 056	83 023	87 194
Property, plant and equipment	2	24 837	17 769	22 566
Intangible assets: goodwill		56 649	50 762	56 174
Investments: associates and other		2 559	6 035	2 361
Deferred tax		7 011	8 457	6 093
<b>Current assets</b>		213 891	159 389	198 477
Inventories		62 144	41 102	48 255
Trade and other receivables		86 971	65 014	88 800
Cash and cash equivalents		64 776	53 273	61 422
<b>Total assets</b>		304 947	242 412	285 671
<b>EQUITY AND LIABILITIES</b>				
<b>Capital and reserves</b>		222 004	161 701	198 478
Equity attributable to ordinary shareholders		208 947	154 306	188 633
Share capital and premium		11 751	13 409	11 630
Distributable reserves		1 714	(747)	1 427
Retained income		195 482	141 644	175 576
Minority interest		13 057	7 395	9 845
<b>Non-current liabilities</b>		14 750	18 550	15 746
Interest-bearing borrowings		14 750	18 550	15 746
<b>Current liabilities</b>		68 193	62 161	71 447
Current portion of long-term borrowings		-	-	2 730
Provisions		9 531	5 938	8 294
Taxation		29 258	19 619	30 590
Trade and other payables		29 404	36 604	29 833
<b>Total equity and liabilities</b>		304 947	242 412	285 671
Net asset value per share (cents)		103,3	76,3	93,2

# Abridged group cashflow statement

R'000	6 months ended 31 Dec 2006 (Unaudited)	6 months ended 31 Dec 2005 (Unaudited)	Year ended 30 June 2006 (Audited)
<b>Cash flows from operating activities</b>	14 415	26 595	43 041
Cash generated by operating activities	42 443	45 982	73 903
Net finance income	1 242	1 926	2 975
Equity profit/(loss) from associates	439	(310)	(112)
Dividends paid	(11 881)	(8 094)	(15 070)
Taxation paid	(17 828)	(12 909)	(18 655)
<b>Cash flows from investing activities</b>	(7 743)	(3 371)	(11 086)
<b>Cash flows from financing activities</b>	(3 318)	(18 552)	(19 134)
Increase in cash and cash equivalents	3 354	4 672	12 821
Cash and cash equivalents at beginning of the period	61 422	48 601	48 601
<b>Cash and cash equivalents at end of the period</b>	<b>64 776</b>	<b>53 273</b>	<b>61 422</b>

## Statement of changes in equity

R'000	6 months ended 31 Dec 2006 (Unaudited)	6 months ended 31 Dec 2005 (Unaudited)	Year ended 30 June 2006 (Audited)
<b>Share capital and premium</b>			
Share capital and premium at beginning of the period	11 630	19 249	19 264
Movement in treasury shares		(5 840)	(7 634)
Arising on shares issued in terms of the share incentive scheme	121	-	-
<b>Share capital and premium at end of the period</b>	<b>11 751</b>	<b>13 409</b>	<b>11 630</b>
<b>Distributable reserves</b>			
Foreign currency translation reserve			
Balance at beginning of period	1 150	-	-
Arising during current period	142	(747)	1 150
<b>Balance at end of period</b>	<b>1 292</b>	<b>(747)</b>	<b>1 150</b>
Equity-settled share-based payment reserve			
Balance at beginning of period	277	-	141
Employee share option scheme	-	-	(205)
Arising during current period	145	-	341
<b>Balance at end of period</b>	<b>422</b>	<b>-</b>	<b>277</b>
	1 714	(747)	1 427
<b>Retained income</b>			
Retained income at beginning of the period	175 576	126 628	126 516
Movement in attributable earnings during the period	31 787	23 110	64 131
Dividends paid during the period	(11 881)	(8 094)	(15 071)
<b>Retained income at the end of the period</b>	<b>195 482</b>	<b>141 644</b>	<b>175 576</b>
<b>Minority interest</b>			
Balance at beginning of period	9 845	2 113	2 113
Movement through business combinations	-	2 416	4 279
Share of recognised income and expenses	3 073	2 866	3 453
Share of foreign currency translation reserve	139	-	-
<b>Minority interest at end of the period</b>	<b>13 057</b>	<b>7 395</b>	<b>9 845</b>



## Notes to the financial statements

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### 1. *Basis of preparation*

The condensed consolidated interim financial statements have been prepared in accordance with IAS 34: Interim Financial Reporting and the requirements of the South African Companies Act 1973, as amended and the JSE Limited.

These interim financial statements have not been audited or reviewed.

The accounting policies applied are consistent with those used in the preparation of the Annual Financial Statements for the year ended 30 June 2006.

### 2. *Property, plant and equipment*

The group constructed a new workshop and office building in Cape Town in the current reporting period. Costs amount to R2,5 million. The building was commissioned in early January 2007.

### 3. *Income tax expenses*

The tax rate of 30,9% (2005: 27,5%) comprises the annual income tax rate of 27,9% plus secondary tax on companies (STC) on the final dividend declared for the year ended 30 June 2006, which was paid to shareholders in October 2006. For the comparative period no STC was payable on dividends declared and paid.

### 4. *Earnings per share*

The difference between the total number of shares in issue and the weighted number of shares in issue relates to treasury shares, which are held by the share trust for share options given to employees that will convert in the future.

## *Dividend announcement*

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In line with company policy, the board has declared an interim dividend of 5 cents per share (2005: 4 cents per share), which is a 25% increase on the comparative period.

Payment will be made on Monday, 19 March 2007 to shareholders recorded in the register on Friday, 16 March 2007.

The last day to trade to qualify for the dividend will be Friday, 9 March 2007 and the shares will be traded ex dividend from Monday, 12 March 2007.

Share certificates may not be dematerialised or rematerialised between Monday, 12 March 2007 and Friday, 16 March 2007.

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## *Commentary*

The DigiCore Board is pleased to announce another period of strong and consistent growth in all our markets. In South Africa, our traditional Fleet Management business has performed extremely well and our Stolen Vehicle Recovery (SVR) division has delivered conclusive proof of the market need for a professional company with advanced technology at a competitive price. DigiCore's exports have again increased substantially as our new and existing international markets expand their sales.

### *Financial results*

Revenue increased by 31% to R190 million from the comparative period last year with the local and offshore businesses showing good growth. Due to efficiency in our factory, profit margins have also shown a marginal increase to 25,6% from 23,5% in the comparative period last year.

Income from associates has shown growth generated by a profitable DigiCore Germany business that is effectively 25% owned.

Profit before tax for the six months is R50,4 million, a 41% increase on the comparative period last year; while attributable earnings has risen 34% to R34,9 million.

Profit attributable to minority shareholders relates to profit attributable to the outside shareholders of DigiCore Europe and our BEE partners as well as an apportionment of the loss for the period from DigiCore Limited, our UK subsidiary, that is expected to be profitable for the full year.

Earnings per share and headline earnings per share has grown by 40% to 16,1 cents (2005: 11,5 cents) and 41% to 15,9 cents (2005: 11,3 cents) from last year respectively.

The consolidated balance sheet at 31 December 2006 remains strong. Inventories at year-end was high due to long lead times for components, as well as large contracts locally and abroad that were not fully completed by year-end.

Repayment of loans by the European subsidiary reduced borrowings by R3,7 million over the last six months.

Bank and cash has increased from R61,4 million to R64,8 million over the last six months, with R42,4 million cash being generated by operations. Shareholders were paid R11,9 million in dividends and R17,8 million was paid in taxation. R7,2 million went into acquiring property, plant and equipment, and R3,7 million in the repayment of foreign loans.

### Local market

Unit sales in our Fleet Management business through our branch network increased by 37% compared to the previous period. We have experienced an upturn in tender activities which included orders worth R10 million from eThekweni, Western Cape and City of Tshwane. The conclusion of our BEE transaction with Amabubesi and Western Breeze on 1 July 2006 has ensured that we comply with the requirements for securing Government business.

Our Stolen Vehicle Recovery (SVR) business has started to gain momentum. A number of breakthroughs in this period have shown that innovative thinking and value driven products will always find a keen market, even against well established competitors. Our SVR business will continue to be a focus area for management and should reach break-even during the next reporting period.

Our South African Communication Hub (Hub) in Centurion has become a major value driver in our local business, currently hosting 35 000 vehicles and 800 clients. The Hub enables us to provide an end-to-end service to our C-track clients, allowing them to focus on their operations, using the vehicle and fleet information we deliver to their desktops in real time. The Hub processes more than three million transactions per day, increasing daily as more clients realise the value the Hub brings to their businesses.

### International business

It has been an exciting period for our International Division, with unit sales growing 44%. Markets in countries other than Europe, UK and Pakistan have taken off, showing growth of over 300% and laying the foundation for successful businesses in these areas similar to our traditional markets. Across the globe, our partner Grameen Phone in Bangladesh (with a 66% market share in their local cellular industry) is gearing up to potentially match Pakistan in C-track unit sales in mid-2008. Silver Ridge (Malaysia), a distributor focusing on the SVR market, has also started to move ahead rapidly into its local OEM and insurance markets.

We have been extremely successful with C-track in the UK, winning the last four tenders we bid for and adding Virgin Media, Southern Water and two other large new water utility companies to our customer base. DigiCore Europe's distributors showed good growth on a solid installed base whilst Pakistan again increased unit sales by 27%.

### Technology

Our R&D and Product Support divisions have increased their capacities in support of our local and international growth. The release of new products and enhancements during the period has helped secure a number of new clients and orders. These new products, with the new South African maps due in March, will ensure that DigiCore remains well ahead of the competition. With the internet becoming a pervasive force in our industry, we have launched C-track Connect, our web and internet base-station software with full dynamic mapping. Several of our larger clients have now implemented C-track Connect in order to enjoy the advantage of an intranet-based solution and huge infrastructural savings. Several vertical market applications based on C-track have been released to add support for remote workforce and people management.

### Going forward

We are currently awaiting decisions on several major tenders, locally and internationally; the award of any one of these will result in an extremely busy and potentially profitable 12 months going forward.

Launching C-track Secure (our SVR product range) was very successful indeed. The Secure business is growing exponentially, already delivering an annuity income stream which is making a substantial contribution to DigiCore's business and profit. We are currently supplying ±3% of this market monthly with large scope and many opportunities to grow it further. Our C-track Secure is better placed on a price-performance ratio than any of the other products in the market and our high recovery rate has ensured that insurance companies are taking note.

The future is promising as the remaining 90% plus of commercial vehicle owners will be considering some form of telematics or tracking product in their vehicles in the next few years. DigiCore remains amongst the front runners in our markets, with a solid product and technology base and significant market experience. It is our belief that although the basic technologies applied in our C-track products have matured, barriers to entry are in fact becoming higher and we are optimistic about our future for the years to come.

For and on behalf of the board

NA Gasá

Chairman (acting)

27 February 2007

NH Vlok

Chief executive officer

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PSG Capital Limited

### Directorate

NA Gasá\* (Acting Chairman), NH Vlok (Chief Executive Officer),  
SR Aberdein, D du Rand, B Esterhuyzen\*, DA Nieuwoudt,  
BJ Richards#, MD Rousseau, SS Ntsaluba\*, Adv BS Khuzwayo\*  
\* Non-executive # British

### Company secretary

DA Nieuwoudt

### Website

www.digicore.com

Registration number 1998/012601/06

JSE code: DGC ISIN code: ZAE 000016945 ("the Group")

