



Chairperson's statement

Dr Anna Mokgokong *Non-executive chairperson*

Introduction

I am proud to be writing this report after almost a year as the chairperson of Jasco.

My first year at Jasco was hugely challenging. Delays in the take-up of orders in our Telecommunications and Security divisions, losses from discontinued operations, higher interest charges and the strong Rand combined to make this a very difficult time.

In this tough environment the benefits of having a diversified portfolio of businesses shone through and despite these difficult conditions, Jasco successfully implemented a number of key strategies that provided an improved financial and operational base to take the business forward.

We took charge of the factors under our control and focused strongly on: improving manufacturing and sales efficiencies in our core operating divisions; the closure of non-performing businesses; and ensuring good working capital management.

However, one of our most strategic developments during the year was the finalisation of our black economic empowerment (BEE) transaction that is set to truly transform us.

The acquisition of Tasslelane Investments (Pty) Ltd, a wholly-owned subsidiary of BEE company Community Investment

Holdings (Pty) Ltd (CIH) has turned theory into reality and has changed us into a black majority controlled company.

Although we have not yet achieved significant financial results from the transaction, we are proud of taking this step to becoming a diverse and representative organisation. We have already been able to tender for a number of new business opportunities previously not open to us and believe it is only a matter of time before these opportunities start to improve our results.

Results

The results during this year were not satisfactory, with revenue decreasing by 15,9%, EBITDA declining by 55,3% and comparative headline earnings decreasing by 90%. However, all core operating divisions were profitable and cash generative and our unwavering focus on improving the way we operate, managed to start turning the company around in the second half of the year.

The comparative headline loss of 2,8* cents per share in the first half converted to a comparative headline profit of 4,2* cents per share for the year as a whole. Operating profit before interest in the second half of the year was R7,7 million compared to R3,6 million at the interim stage.

The CEO's report contains detailed information on the group's financial and operational results and an explanation of the accounting policies and comparative headline earnings, which are marked with an asterisk* throughout this report.

Corporate governance

Jasco believes that the King II Report on Corporate Governance (King II) provides a useful tool for companies

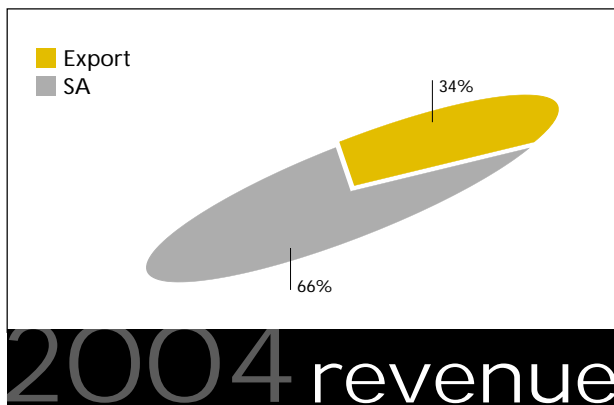
to benchmark their actions and to effectively report its sustainability performance to all its stakeholders.

We fully endorse the principles of King II, and our efforts towards implementing the principles of good governance are detailed in a dedicated corporate governance section in this annual report.

Transformation

Jasco has always been committed to addressing the imbalances in our society. We have focused on BEE, social responsibility and training. Further information about our sustainable development policies are outlined elsewhere in this annual report.

Jasco respects the rights of all its employees regardless of race, colour or gender. We aspire to work in an environment that reflects the society in which we live. We have an Employment Equity plan in place that addresses all of these issues. 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 adopted by the government.



Jasco will be a significant player in the African Telecommunications industry: ■ In public networks, Jasco will be a niche provider of solutions, products and services to access the network. ■ In private networks, Jasco will be an integrator and supplier of security systems. ■ Jasco will also be a niche component manufacturer to the electrical and electronic industries.

Value

However, we are committed to improving that rating, with a particular focus on internal transformation. For this reason, we remain committed to supporting affirmative procurement wherever possible and are implementing additional and widespread training of our employees, as well as an annual company bursary scheme.

Board changes

The year under review saw a number of board changes.

Theo Rutstein stepped down as chairperson after five years. During his term as chairperson, Theo led the company through its turnaround programme and played a pivotal role in the group's leadership and development. He remains on the board as the non-executive deputy chairperson and we value his continued input.

Sakhile Masuku accepted a partnership at PriceWaterhouse-Coopers with effect from 1 October 2003 and therefore resigned as a non-executive director. He was replaced by Patrick Chapwanya CA (SA) who also serves on our audit committee.

My appointment as chairperson became effective July 2003. I am very excited to have taken up this opportunity with Jasco. I was attracted by the group's diversity and its potential for growth and look forward to continue working with an exceptionally talented and motivated team.

Dividends

Unfortunately, as a result of the disappointing results of this year and the company's increased gearing, the directors deemed it prudent to pass the annual dividend. It remains

our intention to resume annual dividend payments on a three times cover basis as soon as the company's results and gearing improve.

Prospects

The group has emerged from a challenging year with a sharpened strategic and operational focus. In tough markets the group has managed to focus on improving the running of the business.

The group is well positioned to take advantage of an expected upturn in future business, placing us in an improved position to deliver higher earnings growth going forward.

The telecommunications sector in South Africa and Africa faces the prospect of excellent growth due to the need for addressing the current low tele-density and to bridge the



Our energy is now targeted at using our differentiated BEE positioning to provide telecommunications solutions, security systems and manufactured electronic components, and to deliver value to our shareholders.

divide between our continent and the developed world. The manufacturing sector boasts ongoing demand for domestic appliances as Africa's electrification drive continues and the security market is growing rapidly, especially in mining and financial sectors and city surveillance.

Jasco's BEE deal has strengthened the group to ensure long-term sustainable growth and has positioned the group to successfully bid for future business, especially in light of the empowerment charters in the financial, mining and more recently in the information and communication technology (ICT) sectors.

We have already done a lot of work to improve shareholder value and to achieve our primary objective of being a significant player in the African telecommunications industry. However, we still need to work harder, be more focused and more determined than ever before to ensure success.

Although the time ahead will continue to be challenging, we are on the right road to ensure we achieve a sustainable financial turnaround.

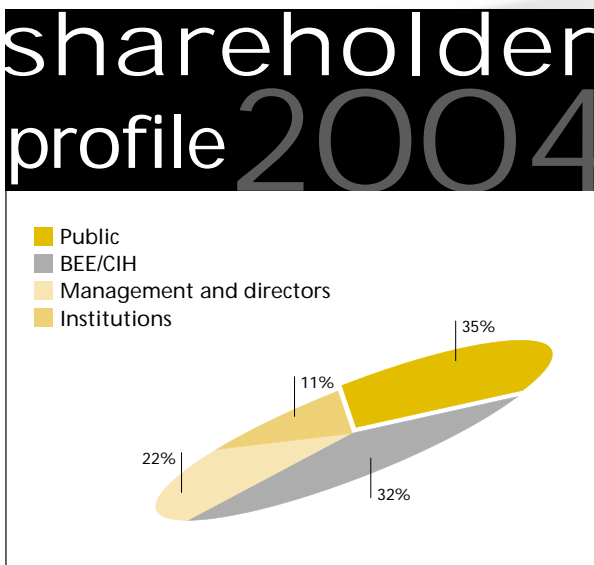
Appreciation

In conclusion, I would like to thank my colleagues on the board for their guidance and valued contribution. I would like to say a special thank you to our CEO Dr Stuart Robertson and his dedicated team for their hard work and commitment during a difficult year. I also wish to thank Joe Madungandaba for the major role he has played as executive director of group marketing.

I am looking forward to helping Stuart, Joe and their team during the coming year as they work to further improve the group's performance.

Finally, I would like to thank all our staff members, our customers, bankers and various professional advisors for their support.

of the board:



Dr ATM Mokgokong
(Non-executive chairperson)

Woodmead, Sandton
21 May 2004