

# INTEGRATED ANNUAL REPORT **2016**



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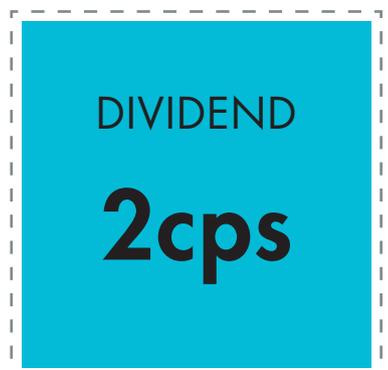
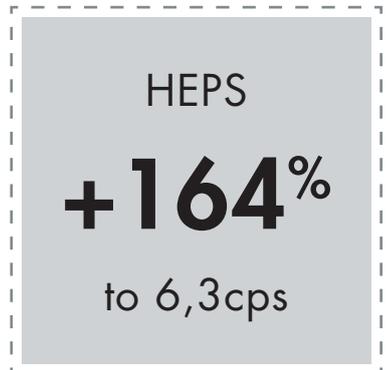
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# ABOUT THIS REPORT



THIS INTEGRATED ANNUAL REPORT COVERS THE ACTIVITIES OF JASCO FOR THE 12 MONTHS TO 30 JUNE 2016.

The board of directors approved this report on 16 September 2016.

## SCOPE AND BOUNDARY

The group operates in Southern Africa, East Africa and the Middle East.

This integrated annual report was compiled while considering the recommendations of the King III Report on Corporate Governance (King III) for South African reports and the International Integrated Reporting Council. We have documented our assessment of the King III principles in a register.

The group is evaluating the recommendations included in the draft King IV Report.

The annual financial statements comply with International Financial Reporting Standards (IFRS), the JSE Listings Requirements and the South African Companies Act.

## APPROVAL

The audit and risk committee is responsible for overseeing the content of the integrated annual report and recommended the report to the board for its approval.

Our independent auditors, Ernst & Young Inc, issued an unmodified audit opinion on the annual financial statements. This can be found on page 2 of the Annual Financial Statements. These are available at [www.jasco.co.za](http://www.jasco.co.za).



# MESSAGE FROM OUR FOUNDER – SIR JOHN ALFRED SHERRY



## DEAR JASCO STAKEHOLDERS

### 40 years and counting

2016 marks Jasco's 40th anniversary. I am proud of what Jasco has become since founding the company in 1976. Jasco embarked on a restructuring of its *modus operandi* which, due to the turbulent markets in the last few years, somewhat delayed our objectives. I am very confident that we now have a much-improved operational structure to take the company forward.

Due to my imminent permanent emigration to Malta, I have decided to retire from my position as a non-executive director at Jasco. I will remain a shareholder and intend to increase my holding as a continued sign of my belief in the management team and the company's strategy.

I am pleased to accept a consulting contract with Jasco as from 1 October 2016 and will be involved in assisting the company in achieving its future goals. This will enable me to continue making a contribution to the company that bears my name. In terms of the consulting contract I will also assist with developing the new markets for Jasco's products in the Middle East and North Africa.

Ladies and Gentlemen, I say "So Long rather than Good Bye" as I will be seeing you at each AGM for as long as my old bones permit.

I thank everyone who contributed to and supported Jasco over the last 40 years and assure one and all that everyone at Jasco will continue striving for excellence.

I end by reminding Jasco employees of my favourite quote that "It can be done, but nothing happens till someone sells something".

Best Wishes

Sir John Alfred Sherry

13 September 2016





*"I thank everyone who contributed to and supported Jasco over the last 40 years and assure one and all that everyone at Jasco will continue striving for excellence."*

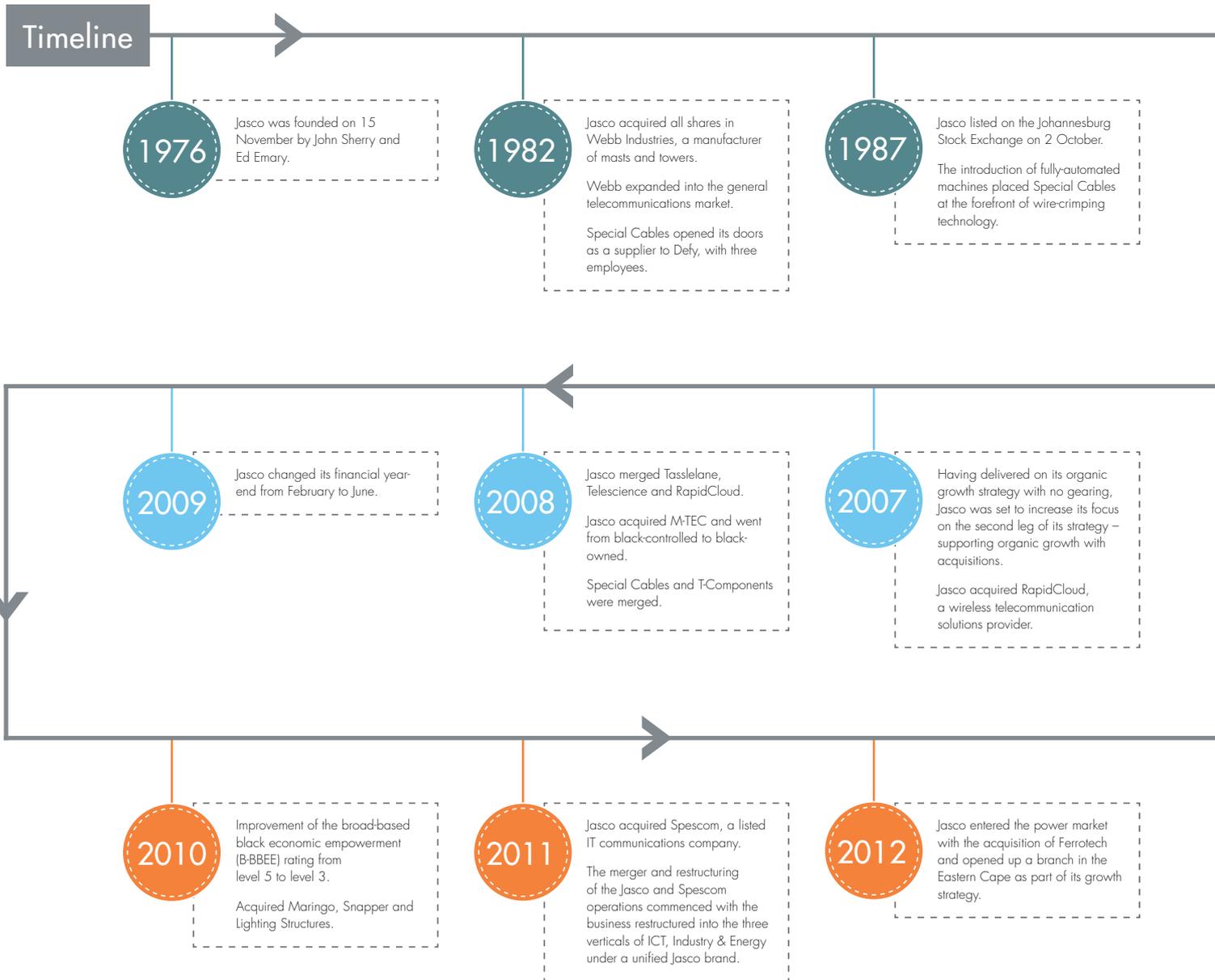
*Sir J A Sherry*

# 40 YEARS OF STRIVING FOR EXCELLENCE

## THE HISTORY OF JASCO

Founded in 1976 as the "John Alfred Sherry Company", Jasco celebrates its 40th anniversary this year.

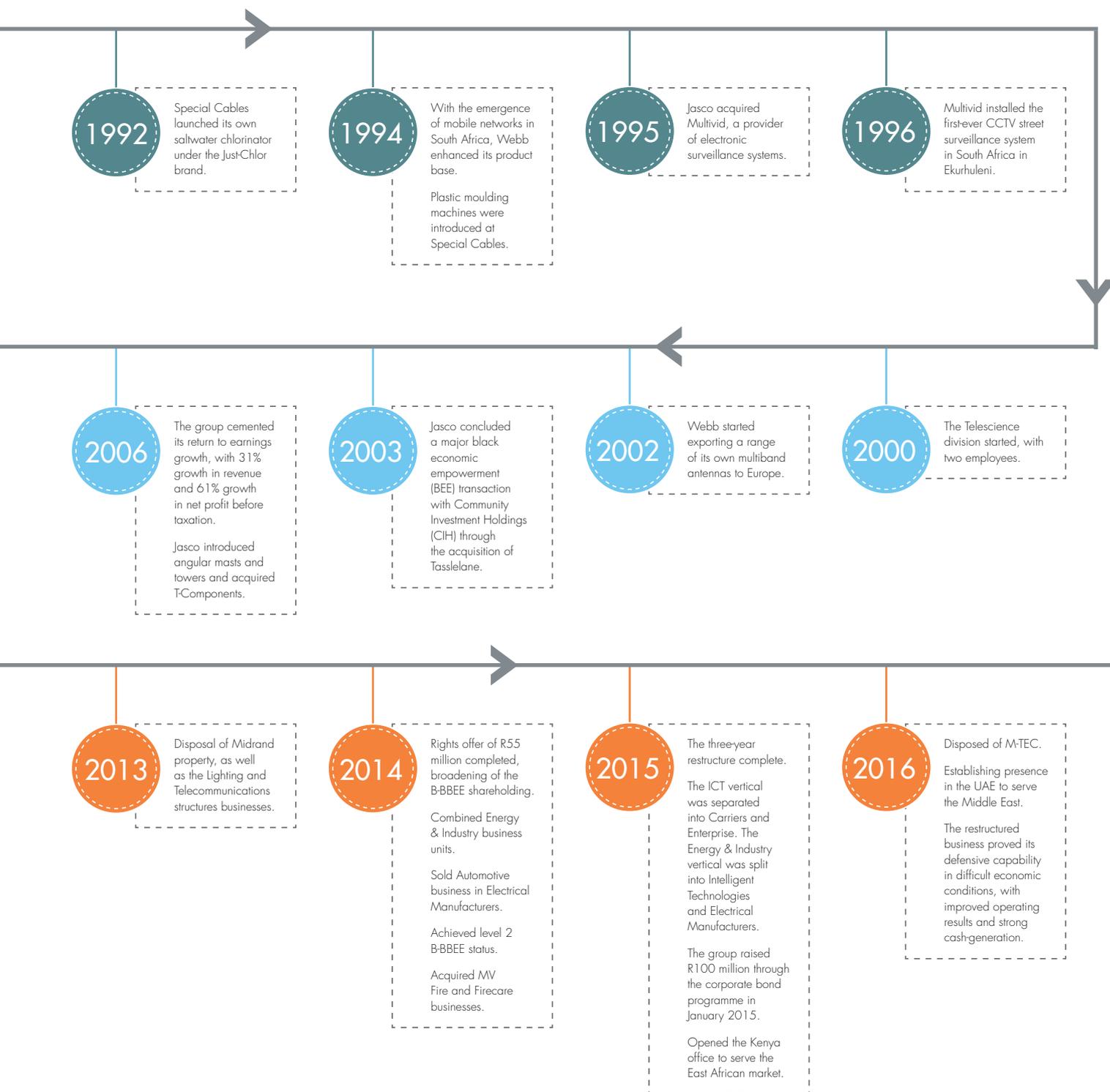
Jasco's history involved developing technology and applying it to the requirements of business. Over 40 years and in a dramatically-changing technological landscape, Jasco has consistently delivered business benefits to its customers.





Many businesses invent and commercialise technology. Others are experienced in helping clients transform their enterprises for competitive advantage. Jasco is unique in the depth of its capacity to do both.

At Jasco, innovation is a business model and an organising principle that commits the group to constantly reinvent itself in the products and services it offers clients, as well as in its internal operations.



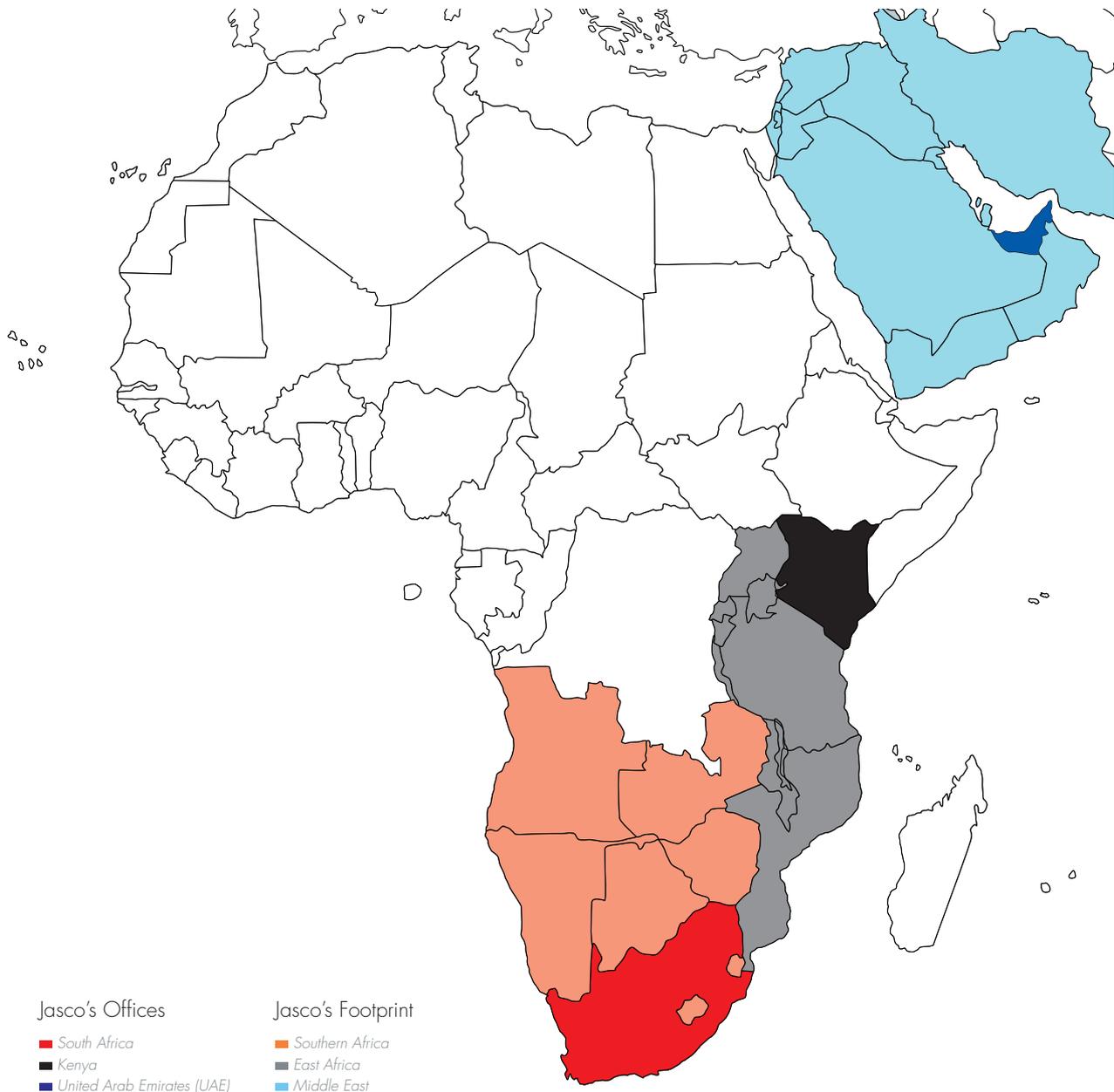
# ➔ ABOUT JASCO

JASCO IS A SOUTH AFRICAN-BASED GROUP THAT DELIVERS SMART TECHNOLOGIES ACROSS THE DISCIPLINES OF TELECOMMUNICATIONS, INFORMATION TECHNOLOGY, ENERGY AND INDUSTRY.

Jasco has been listed on the South African stock exchange, the JSE Limited, since 1987. We operate across South Africa and have an office in Kenya to conduct business in East Africa. We are also establishing a small satellite office in Dubai to serve the Middle East.

In South Africa, the group has a presence in five of the nine provinces, and services the other four from these offices. We are committed to diversity in our workforce and are a level 3 broad-based black economic empowerment (B-BBEE) contributor in terms of the Information and Communication Technology (ICT) B-BBEE Sector Code.

## JASCO'S PRESENCE





Jasco is an integrator and service provider of choice across the sectors of ICT, Power, including renewables, Water management, Broadcast and Building management. Jasco has the internal ability to perform across the complete value chain – from engineering, solutions development, procurement, construction and integration to maintenance. In essence, Jasco is an integrator for “Smart Cities”.

## GROUP STRUCTURE



\* Contribution to group revenue



# JASCO'S SOLUTIONS



## TELECOMMUNICATIONS

Jasco offers a complete range of infrastructure products and services for access, transmission, operational support systems and outside equipment. In addition, our Hi-Site Solutions allow telecommunications operators and service providers to rent space on Jasco's existing infrastructure, with full complementary site management and technical services.



## CONTACT CENTRES

Jasco is a value-added reseller and systems integrator of contact centres and communications tools and services. We manage and centralise these products and services to assist customers to reduce their costs and enhance their contact centre communications. This can be done on-site, hosted in a cloud, or as a pure managed service. We specialise in all aspects of contact centres, including scoping, design, supply, implementation and integration, project management, training and support and maintenance.



## SECURITY & FIRE

Jasco Security designs, installs and maintains security technology that includes surveillance (CCTV), monitoring of physical security and access control solutions. We have depth of skill and experience, together with a detailed understanding of the security challenges faced by organisations. Jasco Fire designs, manufactures, installs and integrates fire detection and suppression solutions as part of intelligent security and building management.



## POWER

Jasco offers full turnkey assurance and protection of power supply systems, including Uninterruptable Power Supplies (UPS), generators, transformers, voltage regulators and lightning protection. These all include remote monitoring solutions, which are tailored to the specific requirements of the customer. These offerings are supported by a highly-skilled team of engineers and systems integrators.



## DATA CENTRES

Jasco's Data Centres offer a number of services, most notably Co-Location Solutions through the NewTelco SA brand. It offers a carrier-neutral interconnection hub and an independent global "meet-me" room, providing local, regional and international carriers with a fast, cost-effective and reliable point of presence (PoP) in South Africa and a transparent connection to international destinations. The Data Centres also offer Infrastructure as a Service (IaaS), providing virtual computing resources, and Platform as a Service (PaaS) that delivers applications over the Internet.



## SMART BUILDINGS

Connectivity is the heart of a "smart building", which ensures access to the internet through bespoke solutions. Jasco offers energy optimisation and management tools, energy continuity such as UPS and generators, renewable energy solutions, security solutions and fire detection and suppression. A "smart building" also includes rooftop solutions which enable property owners to leverage their rooftops to offer alternate revenue streams. These are all enhanced through world-class Building Management Solutions (BMS).



## UNIFIED COMMUNICATIONS

Our offering enables seamless integration of communications technologies by unifying systems from multiple vendors by delivering a collaborative experience. This includes video into the traditional communications environment, enabling teams to communicate face-to-face without having to leave their office. Instant messaging allows users to communicate quickly and effectively, while audio, video and web conferencing, with document and application sharing, further enhances collaboration and reduces a company's travelling expenses and time.



## IT INFRASTRUCTURE

Businesses rely on IT infrastructure to deliver an efficient and professional service to their customers, as well as for effective internal systems operation. Networks are at the heart of effective IT infrastructure and must be both resilient and agile to cater for a dynamic business environment. In today's world, networks are required to adapt to new services and applications, which are essential for the successful delivery of business strategy and objectives. Jasco provides a full set of solutions to assist customers to address business needs and achieve agile, resilient networking.



## RENEWABLE ENERGY

Jasco Renewable Energy delivers Photo Voltaic (PV) solutions to the commercial sector, including rooftop and carport installation. We also offer a consulting energy optimisation service that includes the installation of Advanced Metering Infrastructure (AMI), which provides an accurate reading of consumption in real time, as well as audits to establish a baseline. Recommendations are provided to reduce energy consumption through a combination of technologies and approaches.



## WATER MANAGEMENT

Jasco is a leading provider of integrated water network management solutions, enabling water utilities to improve efficiencies and make smarter decisions and reduce their non-revenue water (NRW) challenges.



## BROADCAST

This offering consists of the design, build, installation, integration and maintenance of all aspects of technologies in the broadcast industry – from image capture through to transmission and storage. Jasco delivers complete video and audio solutions, from studio builds to mixing desks, cameras, tripods, tapes and post-editing archiving.



## COMPONENT MANUFACTURERS

Jasco manufactures a range of plastic moulds, metal pressings and wire harnesses for the domestic appliance industry. A full manufacturing service is offered, taking goods from raw materials to finished products that conform to the highest safety and quality standards.

# MATERIAL ISSUES

The group engaged with a range of stakeholders during the year. The issues communicated to management by our stakeholders were considered during the compilation of this integrated annual report. The board and management consider what constitutes material issues to the group. This year, we continued to interrogate the material issues through various forums, such as our main board and board sub-committee meetings.

<p><b>1</b></p> <p>NEW</p> 	<p><b>EMPLOYEE RETENTION</b></p> <p>The weak economy and the socio-political environment in South Africa have resulted in the emigration of skilled resources, particularly in the technical/engineering and financial fields. Consequently, the resources which remain are in high demand, with pressure in terms of salary packages to ensure retention.</p> <p><b>ACTION</b></p> <p>Key senior and technical management resources were either issued share options or placed on cash-settled retention schemes during the year under review. This will be continuously reviewed. We expect to issue additional share options in the next financial year. In exceptional cases, retention agreements will be implemented.</p>	<p><b>2</b></p> <p>NEW</p> 	<p><b>EMPLOYEE TRAINING</b></p> <p>Employees are trained at significant cost, with a focus during the last two years on cross-skilling. Jasco is placing particular emphasis on previously disadvantaged groups in their technical training and personal development. However, these skills sets are in high demand in the market, and despite the focus on training and retaining these resources, the employee turnover levels are higher than optimal.</p> <p><b>ACTION</b></p> <p>We intend to double our training efforts during the forthcoming year in the areas of functional discipline and self-improvement.</p>
<p><b>3</b></p> <p>NEW</p> 	<p><b>FUNDING OF POTENTIAL ACQUISITIONS</b></p> <p>There were no acquisitions during the current year. The prevailing economic climate is creating consolidation opportunities. Any future acquisitions will require funding, firstly from equity sources in the form of a new share issue or rights offer, and secondly from a new issue of debt either in terms of the corporate bond programme, or from other sources.</p> <p><b>ACTION</b></p> <p>Any issue of shares by Jasco will not be allowed to result in a dilution of earnings for existing shareholders. Any new debt issued will also have to be within the maximum gearing ratio of 50% set by management and the board.</p>		
<p><b>4</b></p> <p>UPDATE</p> 	<p><b>GEARING AND INTEREST COVER</b></p> <p>In 2015, the group's gearing ratio was 73,3%. Excluding project funding it was 54,2%, which exceeded the group's self-imposed maximum target of 50%. The EBITDA interest cover of 2,4 times was below the group's target of 3,5 times.</p> <p>Following the first receipt of the M-TEC proceeds, Jasco redeemed R10 million of the corporate bond and R10 million of other term debt. Further redemptions on the bond are planned over the period prior to the due date of 31 January 2018.</p> <p>The group's debt:equity ratio improved to 53,7% in 2016. Excluding project funding it is 42,5%. This is therefore now strategically below the maximum limit of 50%.</p> <p>The EBITDA interest cover of 3,8 times is pleasingly above the target of 3,5 times.</p>		



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UPDATE



## CONTINUED UNDERPERFORMANCE OF M-TEC

The sale of the M-TEC investment was concluded during the year and the first R20 million of the sale price was received in May 2016. The balance of the purchase consideration will be received over a three-year period, with the next payment scheduled for 1 November 2016 and on a monthly basis thereafter until 30 April 2019.

# 6

UPDATE



## ENSURING SUSTAINED PERFORMANCE OF THE ENTERPRISE BUSINESS UNIT

The Enterprise business unit required remedial action to ensure a sustained improvement in performance.

The restructured business unit benefited from improved operating efficiencies through the new enterprise resource planning (ERP) system. Despite the lower volumes during the second half of the year following tough market conditions, the management team continued its focus on reducing the cost base and delivered an improvement in operating profit of R3,7 million compared to the prior year's R0,9 million.

Although an improvement, this was below expectation and another round of restructuring commenced in August 2016 on the decision taken to discontinue a low-contributing security contract with a large financial institution.

# 7

UPDATE



## TRANSFORMATION OF JASCO

Jasco's B-BBEE rating was maintained at level 3 in 2016 on the current ICT B-BBEE sector codes.

The executive team has formulated its strategic plan to meet the requirements of the revised B-BBEE ICT sector codes for the 2017 verification.

During the year, the black ownership of Jasco fell below 50% due to the sale of shares by a mandated investor on the restructure of their asset management business.

Key B-BBEE shareholders have been approached to increase their shareholdings once Jasco's closed period ends on 26 September 2016 to return Jasco to a 51% black-owned entity.

# 8

UPDATE



## MACRO-ECONOMIC RISKS

Against a number of risks such as lack of growth in South Africa, commodity pricing and a volatile Rand, we are taking the following steps:

### Diversify into East Africa

The Kenya business start-up, focusing initially on the Enterprise product offering, delivered on the volume expectations and was ahead of expectation at the operating profit level. This territory offers good growth opportunities for Jasco's entire portfolio of integrated technology solutions. Jasco is assessing potential targets to complement the organic growth achieved.

### Diversify into the Middle East

During the last quarter Jasco assessed the region and opportunities, particularly in renewable energy. Local partners have been identified for this start-up business and statutory entities are in the process of registration in the Middle East.

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UPDATE



## CUSTOMER DEPENDENCY

The consolidation of the major telecommunications operators in our markets is increasing the customer concentration levels in the Carrier business unit.

During the year, the Carrier business unit diversified its product and service offering to the major telecommunications operators. It is also focusing on the Tier 2 telecommunications operators in the Southern African Development Community (SADC) markets.

Electrical Manufacturers also required further customer diversification in 2015. Management successfully targeted new customers and product lines, with good progress made in the last few months of the financial year.

# CHIEF EXECUTIVE OFFICER'S REVIEW



## INTRODUCTION

South Africa as a country had one of the most challenging years, which resulted in extremely tough trading conditions. This was even more pronounced in the second half of the year.

We had to operate in an inflation-driven economy, coupled with the depressed macro-economic environment.

We managed to maintain revenue at close to R1,1 billion, improved profit before interest and tax (excluding 2015 impairments to provide a like-for-like comparison) by 46%, profit after tax by 119%, earnings per share by 116% and headline earnings per share by 164%.

## JASCO'S PURPOSE

To inspire innovation through technology, to earn trust through integrity and to instil confidence through leadership.

## JASCO'S PHILOSOPHY

- Grow and work towards leading in our chosen technology sectors
- Attract, retain and invest in the best people to develop future leaders
- Develop strategic partnerships with customers, suppliers and the community at large
- Continue on the path of sustainable transformation and celebrate the diversity of the continent we serve

## DELIVERY ON STRATEGY

Jasco's strategy remains focused on ensuring that all business units are sustainably profitable. In addition, all business units must meet minimum revenue and profitability levels. To deliver on this strategy, during the year under review we continued to manage improvement programmes across the group, with special attention on the Enterprise business unit. The improvement programmes included headcount reduction, re-categorisation of certain contracts and only selecting new contracts that met a minimum profit level.

I am proud to announce that during the year under review, all business units were profitable. In addition, we further executed on our strategy of divesting from low-value manufacturing activities.

We are particularly pleased that the sale of our investment in M-TEC became unconditional. The first payment was received in line with the agreement. We will continue to manage the process and ensure that subsequent payments are received timeously.

The initial proceeds of the M-TEC sale were utilised to reduce our long-term debt.

No new acquisitions were pursued during the year, with management focusing on consolidating our position post the M-TEC sale and improving the quality of earnings.



*“2016 is a year of recognition as we celebrate 40 years of striving for excellence. This year has also been a year of stability and consolidation.”*

*Pete da Silva  
16 September 2016*

## ACHIEVEMENTS AND DISAPPOINTMENTS

The main achievements and disappointments during the year are outlined below.

### Achievements

- The sale of M-TEC
- Pleasing improvement in overall results, with all business units profitable
- Reduction in group debt, with an improvement in the debt:equity ratio
- 123% improvement in the cash position
- Establishment of the new enterprise resource planning (ERP) system in the first business unit, which led to improved productivity and transparency

### Disappointments

- Lack of growth in the South African market
- Exchange rate volatility
- Slow progress in the Enterprise business unit turnaround

## MANAGEMENT ACTIONS

Actions taken	Impact
Sale of M-TEC	▲ Protecting Jasco's results and freeing up management time
Paid down long-term debt	▲ Improved results and debt:equity ratio
Managed stock and debtors	▲ Improved cash position
Cost reduction project at the Enterprise business unit	▲ Improved profitability levels
Strategic contract selection	▲ Improved gross margin

# CHIEF EXECUTIVE OFFICER'S REVIEW (continued)

## INTEGRATED REPORTING CAPITALS

As a team we are evaluating the most recent developments in integrated reporting, which involves demonstrating how the six capitals represent the resources and relationships organisations use to create value. We have only just started on our journey of defining this clearly, but have attempted to start providing some disclosure on the two most relevant capitals this year.

### Financial capital

Managing Jasco's financial capital receives stringent management focus. Although we remain focused on both an organic and bolt-on acquisitive strategy, during our restructuring phase, we were particularly aware of the requirement to manage our financial resources carefully.

This year, we have therefore remained focused on organic growth, addressing gearing levels and cutting costs where required.

During the year, we have improved a number of financial measures. Particularly pleasing is the improvement in our gearing level and our cash generated from operations.

The prevailing economic climate is creating consolidation opportunities. However, any future acquisitions will require funding, firstly from equity sources in the form of a new share issue or rights offer, and secondly from a new issue of debt.

### Human capital

As outlined in our material issues, human capital has become a key aspect for our teams to manage. At the peak in 2014, Jasco employed 946 people. This reduced to 764 employees in the year under review. We believe this will further reduce to approximately 680 as we continue to refocus the group and our market positioning. The kind of employee Jasco requires has also changed significantly over the last five years, with a higher demand placed on professional white collar contributors, rather than the previously blue collar requirement.

The weak economy and the socio-political environment in South Africa have resulted in the emigration of skilled resources, particularly in the technical, engineering and financial fields. Consequently, the resources which remain are in high demand, with pressure in terms of salary packages to ensure retention. To address this, key senior and technical management resources were either issued share options or placed on cash-settled retention schemes during the year under review. This will be continuously reviewed. We expect to issue additional share options in the new financial year. In exceptional cases, retention agreements will be implemented.

Another issue in terms of human capital is the high level of training of technical employees, who are trained at significant cost. Jasco is placing particular emphasis on previously disadvantaged groups in their technical training and personal development. We intend to double our training efforts during the forthcoming year in the areas of functional discipline and self-improvement.

## DIVIDEND

Jasco's board is pleased to declare a dividend of 2 cents per share, after four years of no dividends.

## LOOKING FORWARD

We believe the current economic climate will prevail throughout 2017. To mitigate this, our ongoing strategy is to maintain our focus on costs and to grow our regional business on the continent, more specifically in Kenya (East Africa) and to establish our presence in the Middle East. In South Africa, cost reduction measures will continue, specifically in the Enterprise business unit, with the expectation that this business will deliver improved operating margins.

In the coming year we will start to evaluate bolt-on acquisitions to ensure smaller businesses achieve the required critical mass. As committed, any issue of shares by Jasco will not be allowed to result in a dilution of earnings for existing shareholders. Any new debt raised will also have to be within the maximum gearing ratio of 50% set by the board.

## APPRECIATION

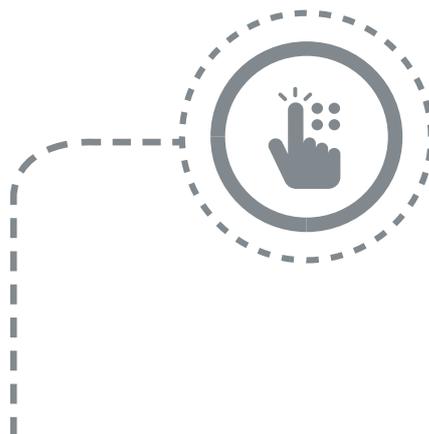
My appreciation goes out to the management team and employees at Jasco. Without you, we would not have been able to achieve our 40-year anniversary and to weather the last few challenging years.

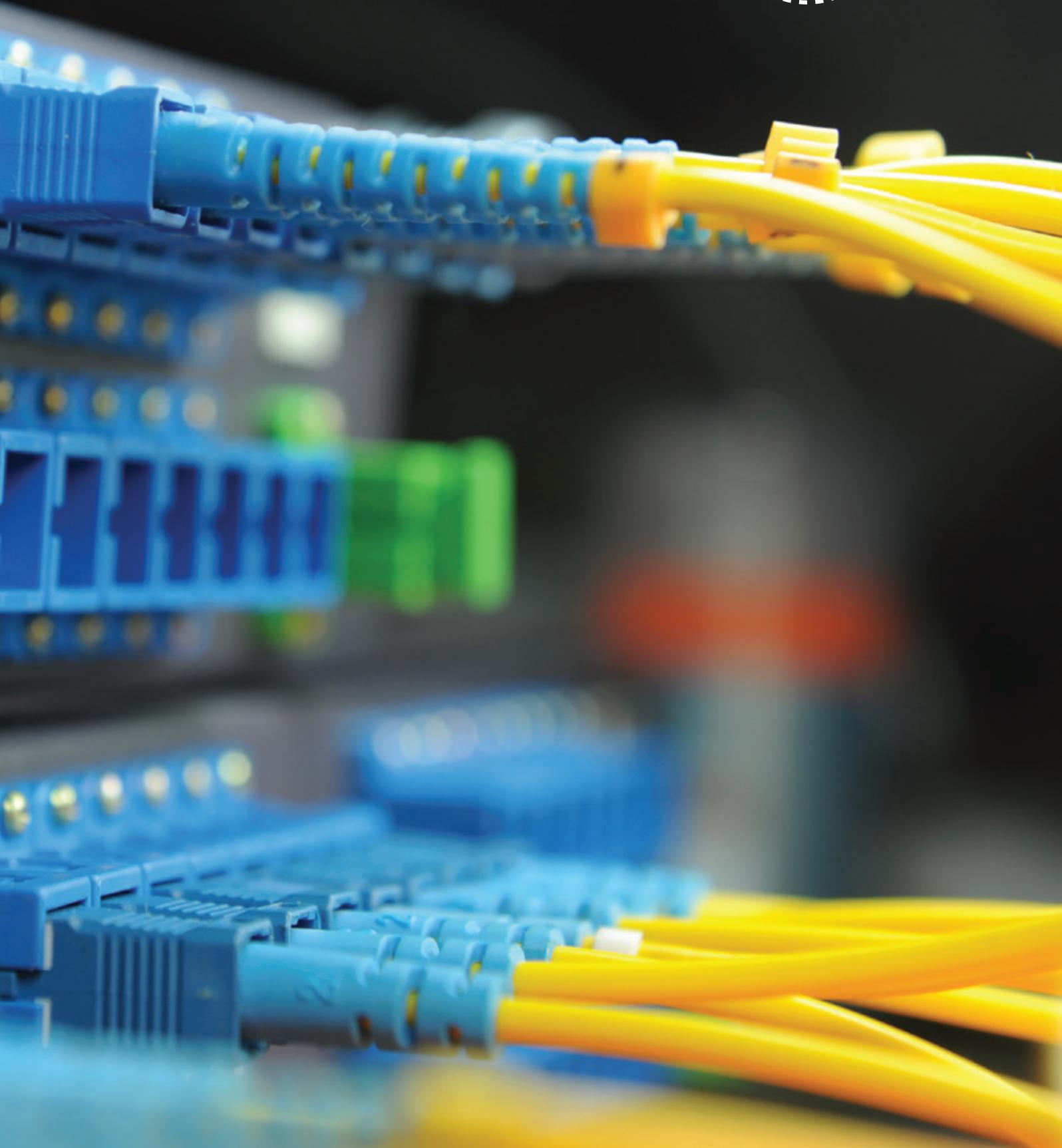
A special thank you goes out to our founder, Sir John Sherry, for his guidance and contribution over the last 40 years.

To our customers, suppliers and partners, thank you for keeping your faith in us. We look forward to the ongoing relationship.

I acknowledge the board for their strategic advice and ongoing support.

Due to the economic turmoil, the time ahead will be challenging and I would like to thank you all in advance for the support and encouragement that I know I will receive.





# CHIEF FINANCIAL OFFICER'S REVIEW

## INTRODUCTION

The financial year was characterised by a strong first half and a much weaker second half on a sharp downturn in the local economy and the volatile exchange rate impacting us negatively. In spite of the lower sales volumes in the second half, the overall result for the financial year was pleasing, with the restructured business proving its defensive capability.



The main achievements and disappointments during the year are outlined below.

### Achievements

- The sale of M-TEC and the receipt of the first R20 million in proceeds
- The reduction in long-term debt improved the gearing ratio from 73% to 54%
- The strong top- and bottom-line growth in Intelligent Technologies
- The good return on assets managed (ROAM) by the Carriers business
- The customer diversification in Electrical Manufacturers, with volumes from new customers in the fourth quarter
- The stabilisation of the Enterprise business unit following further significant cost reductions during the year
- The excellent cash generation from operations of R79,4 million

### Disappointments

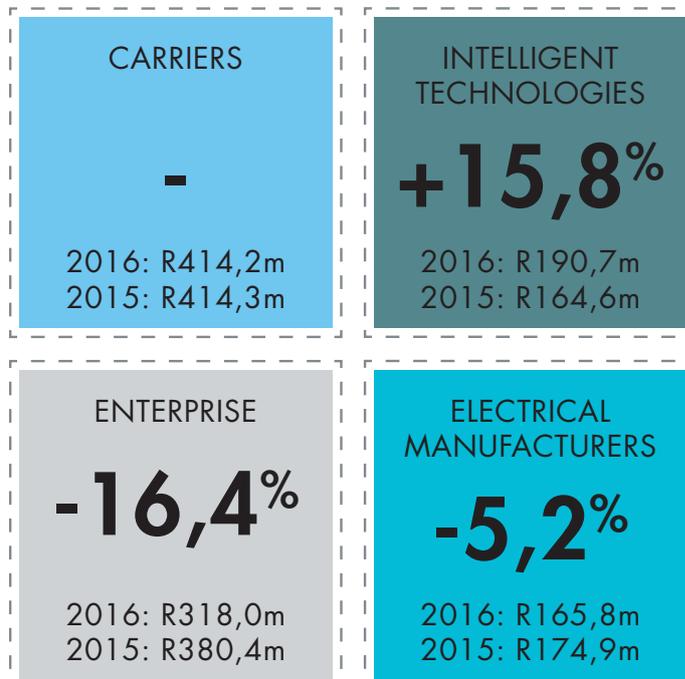
- Although an improvement on last year, the performance of the Enterprise business unit was below expectation due to lower sales volumes in tough trading conditions, the decision to protect margins, and foreign exchange losses
- The net foreign exchange losses of R5,4 million versus a net profit of R2,6 million in the prior year. R3,4 million of this loss was unrealised at year-end and arose due to the strengthening of the Rand following Brexit

## FINANCIAL OVERVIEW

### Statement of comprehensive income

Revenue decreased by 4,2% to R1,076 billion (2015: R1,124 billion) on lower volumes, particularly in the second half.

The contributors to revenue were:





Operating profit was R41,7 million in 2016 compared to the operating loss of R72,5 million in 2015 following once-off impairments and adjustments of R101,1 million last year.

The adjusted underlying operating profit improved by 46% from R28,6 million in 2015 to R41,7 million, mainly due to cost reductions offsetting the impact of the lower sales volumes. The net operating margin of 3,9% improved appreciably on last year's 2,6%.

Net interest cost of R15,2 million decreased from R16,0 million due to the reduction in interest paid following the part repayment of long-term debt, as well as the decrease in the overdraft.

The taxation charge of R10,5 million compares to a credit of R6,3 million in 2015 on higher profitability achieved at subsidiary level in this financial year.

Earnings of R14,2 million increased by 116% (2015: R83,3 million loss) and earnings per share (EPS) was up to 6,3 cents per share (2015: 38,7 cents loss per share). Headline earnings of R14,1 million increased by 175% (2015: R5,1 million) and headline earnings per share (HEPS) increased by 164% to 6,3 cents per share (2015: 2,4 cents per share). The weighted average number of shares in issue was higher at 224,6 million shares versus 215,2 million shares in 2015.

## Statement of financial position

### Investment in M-TEC

The investment was sold for R60 million during the year, with the first R20 million in proceeds received in May 2016. The balance of R40 million is reflected as a receivable and the next payment is expected in November 2016 followed by monthly payments of R1,5 million until 30 April 2019. The balance will attract interest at the prevailing prime rate and is secured by a pledge of the M-TEC shares. Jasco will retain representation on the M-TEC board until the proceeds are fully settled.

### Intangible assets and goodwill

In the prior year, the intangibles related to the voice transaction management applications (technology-related) were expected to reach their end of life in 2017 due to their replacement by cloud-based applications, and were consequently fully impaired. However, during the current year it became evident that the take-up of cloud-based applications was progressing at a much slower rate than initially expected. Consequently, the continued demand for the existing premises-based applications required further development at a cost of R9,5 million.

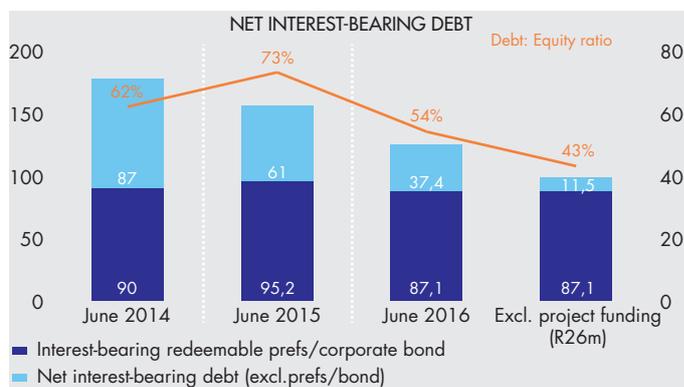
Goodwill was unchanged at R65,8 million following impairments of R19,4 million in the prior year. This assessment is conducted in accordance with Jasco's accounting policy to annually test the carrying value of goodwill for impairment.

### Fixed assets

Fixed assets of R61,1 million (2015: R59,4 million) increased slightly on capital expenditure of R14,5 million (2015: R15,6 million). This relates mainly to plant and machinery for the Electrical Manufacturers business unit, electronic equipment and an IT network upgrade.

## Long-term liabilities

The R100 million corporate bond issued in 2015 in terms of the Domestic Medium-Term Note Programme was partly redeemed by R10 million in the current financial year. The corporate bond attracts interest equivalent to the prime lending rate and is repayable in January 2018. Other term debt was also reduced by R10 million in the last quarter.



## Working capital

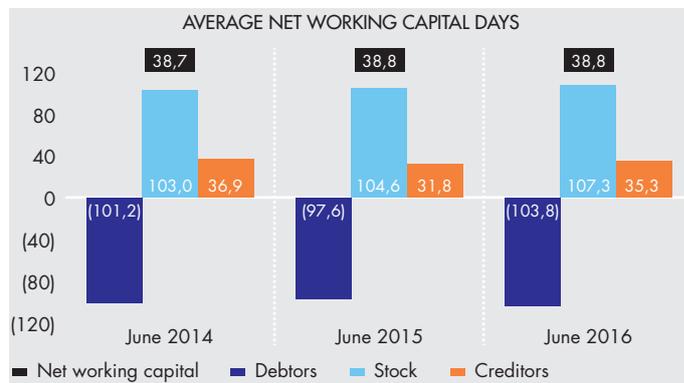
Jasco's working capital management remained an area of focus, with an overall reduction of R16,4 million achieved.

Inventories increased from R99,3 million to R108,7 million, mainly due to higher volumes in Intelligent Technologies and Electrical Manufacturers, which increased stock levels on the execution of its customer diversification strategy.

Trade and other receivables decreased from R370,7 million to R261,9 million on a combination of good cash collections and lower second half volumes.

Trade and other payables also decreased from R296,8 million to R208,2 million in line with the decrease in sales volumes, especially in the fourth quarter of the 2016 financial year.

Deferred maintenance revenue increased from R44,4 million to R63,1 million and relates mainly to service level agreements from the Enterprise business unit.



## Statement of cash flows

The statement of cash flows reflects a 61% improvement in cash generated from operations before working capital changes, with a cash inflow of R62,9 million compared to R39,1 million in 2015. Working capital changes reflect an inflow of R16,4 million (2015: R22,5 million outflow) on a decrease in both receivables and payables.

# CHIEF FINANCIAL OFFICER'S REVIEW (continued)

The net interest payment amounted to R15,9 million (2015: R16,0 million), while income tax payments of R8,9 million were higher than R4,3 million in the prior year. Total cash inflows from operating activities of R54,5 million compares favourably to the R3,7 million outflow in 2015.

Investing activities saw a cash inflow of R7,3 million (2015: R7,8 million outflow) related mainly to the proceeds from the M-TEC sale, which

were somewhat offset by capital expenditure. Financing activities saw an outflow of R23,1 million (2015: R11,6 million outflow) on the R20 million reduction of long-term liabilities, as discussed earlier.

Accordingly, Jasco's net bank position of R7,3 million improved by 123% from a R31,2 million overdraft. The trend is expected to continue due to the cash-generative nature of Jasco's profitability and management's focus on maintaining optimal working capital levels.

STATEMENT OF CASH FLOWS	
JUNE 2016 (Rm)	JUNE 2015 (Rm)
(31,2)	(8,1)
62,9	39,1
16,4	(22,5)
79,3	16,6
(15,9)	(16,0)
(8,9)	(4,3)
7,3	(7,8)
(23,1)	(11,5)
7,3	(31,2)

## KEY INTERNAL INITIATIVES

The following key internal initiatives are underway:

### Reducing debt levels and the interest burden

Management made good progress during the year to reduce long-term debt following the receipt of the first R20 million M-TEC sale proceeds. The priority is to continue reducing the corporate bond obligation and funding of the group's working capital requirements on receipt of the remaining M-TEC sale proceeds over the next three financial years. These expected inflows, coupled with the stronger cash generation we expect from Jasco going forward due to higher profitability levels from all business units, will allow us to substantially reduce the gearing profile of the group. The board has reviewed the target gearing ratios and maintained the maximum level of long-term debt target at 50% of equity. The current gearing ratio is 53,7%. However, excluding vendor funding relating to a Co-location Solutions project, it is 42,5%, which is below with the maximum threshold.

### Working capital management

The continued focus on working capital during the year is evident in the cash flows generated. Management will maintain this focus on a continued basis.

## Improving profitability of the Enterprise business

Although results improved from last year, the desired improvement in the profitability of this business was not achieved. The restructure of this business during the previous year resulted in a sharp reduction in overhead expenses, which offset the impact of lower sales. The substantial investment in the new ERP system and process re-engineering delivered the improved efficiencies during the second half of the year, as the employee base became more accustomed to the new operating system. The new ERP system has allowed management to determine the profitability levels per customer, which resulted in the termination of customer accounts that do not make a contribution to profits. This will necessitate a further reduction in headcount and overhead costs in the new financial year. The business unit will remain on the watch list to ensure that the improvement in 2016 translates to a meaningful level of profit in 2017.

## APPRECIATION

My sincere thanks to my colleagues who put in long hours during the year. My appreciation also to the board and CEO for their continued support in what was a tough year.



# OPERATIONAL REVIEWS

## CARRIERS

The Carriers business unit delivers telecommunications products and services across the value chain, from design and planning of networks to configuration, integration and support. As a systems integrator and distributor, our proven solutions focus on access, transmission and operational support systems for telecommunications networks across the African continent.



### Year under review

During the year, network operators continued focusing on cost reductions. This resulted in constrained capex spending. Notwithstanding this, we managed to maintain our new order and revenue levels by deploying additional optical network infrastructure for the two large fixed-line network operators in South Africa as they cater for the continued demand for data services, as well as in-building coverage solutions for mobile network operators. Additionally, we diversified our portfolio to meet the increase in demand for products and solutions, such as fibre to the home and business (FTTX).

Orders showed a small increase year-on-year of 2% to R443,3 million, which resulted in flat revenue of R414,2 million compared to last year's R414,3 million. The operating profit was down by 1% from R48,3 million to R47,8 million due to the volatility of the Rand to Dollar exchange rate. Nevertheless, the Carriers business unit still delivered a healthy operating margin of 11,5% (2015: 11,7%) and remains Jasco's largest profit contributor.

### Risks

- Consolidation in the telecommunications operator market due to reducing voice revenues not yet being offset by data or other revenue streams. This could result in a reduced number of customers, lower capex spend and increased pricing pressure
- Ongoing tough trading conditions in the South African economy, with no GDP growth forecast. It is therefore highly likely that a recessionary environment will develop. This may exert slower growth of data services and accelerate the decline in traditional voice revenues
- Continued volatility of the Rand to Dollar/Euro/GBP exchange rates, in particular the weakening of the Rand to the Dollar, which puts pressure on the affordability of contracts that have Dollar-denominated products and support elements

### Opportunities

- Increased spend from both major and second-tier telecommunications operators to meet demand for data services, specifically focusing on FTTX and adding additional network capacity through in-building mobile coverage solutions (Small Cells)
- Expansion of the existing portfolio into East Africa through our current portfolio and professional services ability
- Further expansion of the existing portfolio into new territories by completing the establishment of the Middle East office

### Looking forward

We anticipate continued market consolidation and cost reduction programmes in the telecommunications space, as well as tough market conditions within the overall South African economy. Against this, the Carriers business unit's portfolio is well positioned to maintain our current market share and take advantage of niche growth areas such as FTTX and in-building mobile coverage solutions.





## ENTERPRISE

The Enterprise business unit delivers end-to-end solutions, including contact centres, unified communications, workforce optimisation, IT infrastructure and security and fire solutions to corporates in Southern and East Africa.



### Year under review

The year under review continued to be difficult due to tough trading conditions in South Africa. Even though a better result than last year was achieved, this business unit is still not achieving the targeted profitability levels. Strong performance was seen by the East Africa office and the fire solutions division. The ERP system was successfully implemented, which now allows management to determine profitability levels by customer. As outlined in the CFO's review, this allows us to exit projects that do not meet the minimum profit levels.

Revenue was down by 16,4% to R318,0 million compared to last year, largely due to tough trading conditions and the business unit prioritising profitable projects. The operating profit was up by 299,6% off a low base, to R3,7 million. Significant overhead cost reductions were achieved during the year.

### Risks

- Ongoing tough trading conditions in the South African market, which will impact negatively on margins and revenue growth
- Continued volatility of the Rand to Dollar/Euro/GBP exchange rates and in particular the weakening of the Rand to the Dollar. This puts pressure on the affordability of contracts that have Dollar-denominated product and support elements
- Shortage of qualified, experienced and skilled technical resources, which affects service delivery capability

### Opportunities

- Cross-selling and up-selling of the broader Enterprise and Jasco group offerings to the existing customer base
- Continued expansion of the existing portfolio into East Africa through our professional services ability
- Further expansion of the existing portfolio into new territories by completing the establishment of the Middle East office
- Expansion through strategic partnerships and/or bolt-on acquisitions to ensure critical mass in the security, fire and IT infrastructure business

### Looking forward

Even though tough market conditions will remain in South Africa, increased market share is being targeted through focused bolt-on acquisitions. Diversification into new territories, such as East Africa and the Middle East, will be continued to mitigate volatile Rand exposure and allow for improved growth and profitability. Differentiation through our professional services ability in highly-complex projects and Jasco's cross-selling will continue to be developed.

This business unit will remain on the watch list to ensure a return to sustainable profits at an acceptable level.



# OPERATIONAL REVIEWS (continued)

## INTELLIGENT TECHNOLOGIES

Intelligent Technologies comprises broadcast solutions, smart buildings, data centres, water management, power solutions and renewable energy solutions.



### Year under review

The business unit continued to deliver excellent results, with a 15,8% increase in revenue to R190,7 million from R164,6 million and a 31,9% increase in operating profit to R17,5 million from R13,3 million. The operating margin continued to improve from 8,1% to 9,2%.

The increase in revenue during the year was due to significant growth in the power solutions business where there was continued demand for power quality and power assurance solutions. The broadcast solutions business delivered a strong result, with projects outside South Africa contributing meaningfully. The property technology management business showed significant progress and in excess of 500 properties are now under Jasco's management.

### Risks

- South African economy and lack of capex investment by customers
- Volatile exchange rates
- The South African government not supporting renewable energy initiatives
- Increased competition in the uninterrupted power supplies (UPS) market

### Opportunities

- Increased local broadcast content requirements in Southern Africa as the Digital Terrestrial Television (DTT) networks go live
- Digitalisation of broadcast operations
- Growth into Southern and East Africa with our existing portfolio of solutions by taking advantage of our regional presence
- Expanded service offerings in the power solutions business
- Targeted bolt-on acquisitions in markets where growth opportunities exist

- Further growth in the property technology management business by expanding the number of properties under Jasco's management, as well as the range of solutions offered
- Focused water management solutions to utility providers to reduce wastage
- Expanded involvement in the Internet of Things (IoT) market

### Looking forward

The Intelligent Technologies business unit is expected to continue its growth. All segments can expect growth based on the various opportunities that present themselves in Southern and East Africa.

In Southern Africa, a number of DTT networks have recently gone live, which will stimulate the demand for local content and production by broadcasters. Jasco, through its partnerships with international technology providers, is well-positioned to provide production and high-demand digitalisation and archive solutions.

The demand for power quality and assurance solutions in Southern and East Africa presents a strong opportunity for the power solutions and renewable energy businesses. With the increasing reliance of corporates and government on IT solutions, it is critical to have clean and reliable power supply.

Our property technology management business continues to grow, with new customers being signed up regularly and growing the base of annuity revenue. Our professional service has provided value to customers.

The IoT market is growing and the investment in IoT solutions from private and public organisations will continue to grow in the short- and medium term. Jasco will position itself as a solutions provider to ensure that value can be extracted through the deployment of technology to provide better efficiencies, as well as more accurate and timeous information.



## ELECTRICAL MANUFACTURERS

The Electrical Manufacturers business unit is a component manufacturer of plastic products, wire harnesses and metal pressings, with a special focus on the large and small home appliances market in South Africa.



### Year under review

The business unit was impacted by the low South African growth and volatile exchange rate, with a 5,2% decrease in revenue to R165,8 million from R174,9 million and a 2,7% decrease in operating profit to R12,6 million from R12,9 million. The operating margin continued to improve from 7,4% to 7,6% on improved gross margins and tight cost control.

The revenue decline during the year was attributable to a decline in volumes from its major customer on a depressed South African consumer market. Good progress was made in the latter part of the year on diversifying the customer base, with initial new sales volumes coming through in the fourth quarter.

### Risks

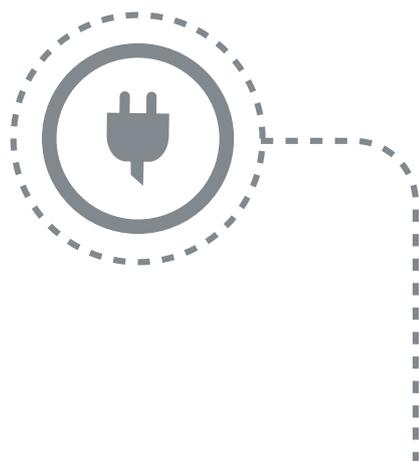
- South African economy, job losses and a reduction in disposable income of consumers
- Volatile exchange rates

### Opportunities

- Increased sales volumes to new customers
- Growing the product offering to cater for other industries
- Improving efficiencies in production, with higher levels of mechanisation and reduced electricity consumption

### Looking forward

The consumer market in South Africa remains under pressure with high debt servicing costs, cost inflation aggravated by the recent droughts, and imported inflation due to the weaker currency. In the face of these market conditions, our main strategic focus during the forthcoming year will be on growing the sales volumes from new customers, while keeping tight control over working capital and limiting costs. The management team will continue to look for opportunities to broaden its customer base in South Africa.





# MEASURES AND GOVERNANCE

# MESSAGE FROM THE CHAIRMAN



## INTRODUCTION

As outlined in the CEO's review, the team continues to take steps to address Jasco's challenges. As a board we remain confident that the team will steer the group towards a more sustainable performance, especially with the disposal of Jasco's stake in M-TEC.

## GOVERNANCE

We remain committed to high standards of governance and continue to monitor our performance against our strategy. This year is the fourth time we provide key measures at both a group and team level for stakeholders to track our delivery. Refer to pages 30 to 36 for these measures.

Even though the group's performance improved, it was not at the expected level. Accordingly, for the second year no short-term performance-based incentives were paid to the group executives.

The board appreciates the importance of risk management and maintains a risk and opportunity register that outlines a detailed mitigation process. Management is accountable for the design, implementation and monitoring of the risk management plan. The risk and opportunity register is monitored through a detailed process that involves rating the risk and categories with equivalent estimated values. The mitigation process involves allocating responsibilities to individual employees and target dates as a monitoring tool. To ensure that risk assessment is performed on a continual basis, the risk and opportunity register is monitored by the board at every meeting.

## TRANSFORMATION

Our commitment to transformation in South Africa remains in place. We maintained our status as a level 3 contributor in terms of the ICT Broad-Based Black Economic Empowerment (B-BBEE) sector charter, and are actively working towards improving this rating. We are particularly focusing on employment equity and skills development in light of the anticipated changes by the Department of Trade and Industry to the codes.

## ENVIRONMENTAL MANAGEMENT

During 2015, Jasco installed its own renewable Photovoltaic (PV) carport system, which produces 25% of the daily power consumption at the Midrand head office. This decreased the group's reliance on municipal electricity and reduced our carbon footprint. The expansion of this solar power project is planned for the new financial year and will produce 75% of Jasco's daily consumption once complete.

In addition, Jasco's fleet of vehicles were replaced with lower engine capacity vehicles. This has resulted in lower fuel consumption.

## APPRECIATION

My appreciation goes out to my fellow board members for their contribution during the year. Their support remained key to ensuring that we make the best decisions we can for all our stakeholders. I would like to express my sincere gratitude to the CEO, management team and all the employees for their commitment.

Finally I acknowledge the lifetime contribution over the last 40 years by Sir John Sherry. The Jasco board expresses its gratitude to him.

The coming year will no doubt present its fair share of challenges, but I am confident we can overcome the obstacles to help us grow Jasco into a leading smart technology provider.

Dr Anna Mokgokong  
Chairman

16 September 2016





# BOARD OF DIRECTORS



**Dr ATM (Anna) Mokgokong (59)**

*BSc, MBChB*

**Chairman (non-executive)**

Dr Anna joined the Jasco board in 2003. Dr Anna is the co-founder and executive chairman of Community Investment Holdings (Pty) Limited (CIH). In addition to chairing the Jasco board, Dr Anna also serves, in a non-executive capacity, on the boards of a few listed and unlisted companies.

Her business, education and public sector achievements are extensive and she has received numerous local and international awards. She has served on councils and committees for the University of South Africa (Unisa) and the University of Pretoria (UP). In the public sector, Dr Anna was the deputy chairman of the Independent Commission for the Remuneration of Public Office Bearers and the chairman on the board of the Small Development Enterprise Agency. In 1999 she was honoured as South Africa's Businesswoman of the Year and between 1998 and 2007 she received eight international awards recognising her business success. She is a member of the Clinton Global Initiative, where she contributes as a healthcare leader.



**MJ (Joe) Madungandaba (58)**

*CPA(SA), MDP*

**Deputy chairman (non-executive)**

Joe was appointed to the board of Jasco as an executive director in 2003. He became the non-executive deputy chairman in 2006. Joe is one of South Africa's leading black entrepreneurs who co-founded CIH, a large black-owned company, where the combined annual revenue of its investments exceeds R15 billion. He serves and has served on the boards and sub-committees of several companies. Joe also advised the South African Government Cabinet committee on RDP.

He studied towards a BCom at the University of the North/Witwatersrand, obtained a Certificate in Taxation (cum laude) from Unisa, and completed the Management Development Programme at Cranfield. Joe is a past winner of the BMF/Pretoria News Manager of the Year Award.

He gained extensive lecturing and consulting experience as a lecturer at Potchefstroom University's Business Advisory Bureau.



**AMF (Pete) da Silva (56)**

**Chief executive officer (executive)**

Pete studied Light Current Engineering at the Germiston Technikon. His management development programme was completed through Siemens and Duke University. Pete currently holds various board positions in the fields of telecommunications, electrical engineering, property development and the medical industry. Pete's previous positions included that of group CEO for AIGP and Siemens Southern Africa. He has also been a senior council member of the German chamber, a board member of the National Business Initiative (NBI), the Business Trust (BT) and Business Leadership South Africa (BLSA). Pete joined the board in 2009 as an independent non-executive director and became the CEO in 2011.



**WA (Warren) Prinsloo (44)**

*CA(SA)*

**Chief financial officer (executive)**

Warren joined the board in 2006 as the financial director. He qualified as a Chartered Accountant in 1998. Before Jasco, he spent six years with the Massmart group in various senior financial management positions. He is a board member of several of Jasco subsidiaries. Warren is a member of the Institute of Directors.



## JC (John) Farrant (76)

CA(SA)

### Director (lead independent non-executive)

John was a partner of Ernst & Young from 1967 until his retirement at the end of 1997. He was appointed to the Jasco board in 1997 and also serves as chairman of the audit and risk committee and is the lead independent non-executive director.

John is the chairman of a number of pension/provident and retirement annuity funds and a trustee of numerous family trusts. He is a director at Robson Savage (Pty) Limited, an actuarial science company.



## Sir JA (John) Sherry (78)

*Knight of Malta*

### Director (independent non-executive)

Sir John was the founder of Jasco in 1976 and served as chairman from inception until he stepped down in 1998 to become a non-executive member. In recognition of his humanitarian deeds, Sir John was made a Knight of Malta during 1998 and was granted the title of Chevalier.



## H (Haroon) Moolla (50)

*MBA e-Business, UK Cert director (IoDSA), Business Management Diploma*

### Director (independent non-executive)

Haroon's commercial and technical experience spans more than 25 years of consulting, operations and executive management, including private equity in South Africa, Dubai and California. Haroon joined the Jasco board in 2011. He currently serves as a member of the audit and risk committee and chairman of the social and ethics committee. Former directorships include positions at a financial services company and a next-generation social media company. Haroon is also an active member of the Corporate Governance Network and IT Governance forum at the Institute of Directors of South Africa.



## MSC (Shaheen) Bawa (57)

*BSc (Hons), (Applied Physics and Computer Control), MSc (Electrical Engineering)*

### Director (non-executive)

Shaheen joined the board in 2014. He is the CEO of Eclipse Unlimited Holdings (Pty) Limited, which invests in the ICT, energy, gaming, property and distribution sectors. In addition to serving as a director on the Jasco board, Shaheen also serves, in an executive and non-executive capacity, on the boards of several unlisted companies.



# EXECUTIVE COMMITTEE



AMF (Pete) da Silva (56)

**Chief executive officer (CEO)**

Refer to page 26 for his CV.



WA (Warren) Prinsloo (44)

**Chief financial officer (CFO)**

Refer to page 26 for his CV.



Mark Janse van Vuuren (49)

MBA

**Chief operating officer (COO)**

Mark was appointed as COO in 2013. Prior to this, he was the managing director of Jasco ICT Solutions from 2011 to 2013 and the divisional managing director of Telesciences from 2010 to 2011. Before joining Jasco, Mark was the managing director of Maringo Telecommunications, the COO of Nokia Siemens Networks SA and the managing director of Fixed Networks at Siemens Telecommunications. He has over 14 years' experience within the ICT sector, with expertise in management, operations and telecommunications.



Thapelo Petje (54)

MCom (UP), BCom (Hons) (SA), SEP (University of the Witwatersrand/Harvard University)

**Executive director (Group strategic sales)**

Thapelo joined Jasco in 2011 and heads up strategic sales across the group. His role focuses on strategic projects, new business development and maintenance of the existing customer base. He is involved in key sectors of the business that includes fixed and mobile telecommunications, transport (rail), power (energy) utilities and mining, as well as exploring opportunities in the rest of Africa. His expertise lies in strategy, business development and supply chain management.



## Paul Fick (60)

*BSc (Electronic Engineering) (University of Pretoria), B Eng (Honours) (Electronics) (University of Pretoria), MBA (Unisa)*

### **Chief technology officer (CTO)**

Paul joined Jasco in 2010 following the merger of Jasco and Spescom. At Spescom he was the managing director of Spescom DataFusion, the country's leading contact centre and unified communications solution provider. At Jasco he was responsible for Jasco Enterprise before his appointment as Jasco's CTO in 2013.



## Samantha Samuels (42)

*PR National Diploma/Marketing, Business Management Diploma*

### **Group executive (Supply chain management)**

Samantha has consulted to Jasco since 2011 and formally joined the group in 2012. Over this period she has helped to define the group's marketing and communications strategies, as well as the brand consolidation of Jasco. She has over 16 years of experience in marketing, events management, external and internal communications and corporate social investment. She has worked at the Department of Economic Affairs and Tourism, Vodacom Sport & Entertainment, Sail Sport & Entertainment, Vodacom Group and 360x Holdings. After her five-year tenure in marketing and communications at Jasco, she recently took over the leadership of the supply chain management of the group.



## Simoné Scheepers-Tait (40)

*NHD Business and Commercial AD Certificate Advance Labour Law (Unisa)*

### **Group executive (Human resources)**

After qualifying in labour law, Simoné started her career with Coetzee & Associates in 1998, a labour law firm specialising in labour and industrial relations. After six years, she joined Jasco as its group human resources manager in 2004, gaining experience in the telecommunications, manufacturing and security sectors. In 2013 she was promoted to the position of group executive: human resources. Simoné has over 17 years' experience in the field of labour relations and human resources. Simoné is a member of both the South African Rewards Association and the South African Payroll Association.



## Makwe Ngwato (41)

*Graduate Diploma in Marketing (IMM)*

### **Group executive (Marketing and communications)**

Makwe joined Jasco Group Marketing and Communications in 2013 as Group Marketing Manager. He was promoted to Group executive marketing and communications in 2016. Makwe has over 17 years' experience in the strategic marketing and corporate communications. He has worked for the Advtech Group, Monash University, Tsogo Sun, Absa, and Trinerger Brand Connectors on Vodacom Sponsorship Marketing.

# GROUP SCORECARDS

## TEAM PERFORMANCE AGAINST KEY PERFORMANCE MEASURES

The group has strict measures in place to monitor its progress against financial and non-financial measures. The next few pages outline these measures and how we performed against them.

### Key financial ratios

	2016	% change	2015	Comment
Debt:equity (%)	53,7	(26,7)	73,3	The gearing ratio improved substantially during the year on the repayment of debt. However, as this includes the vendor-funded term loan relating to the group's Co-location Solutions project, it still exceeds the group's self-imposed maximum target of 50%. Excluding this loan, the ratio is 42,5%.
Interest cover (times)	2,7	175,6	1,0	The interest cover pleasingly improved on higher operating profits.
EBITDA interest cover (times)	3,8	58,5	2,4	The EBITDA cover improved for the same reason, and is now above the internal target of 3,5 times.
Return on equity (ROE) (%)	6,3	115,8	(40,1)	Although an improvement on last year, the ROE is still below internal target levels of 15% per annum. Management is focusing on this.
Return on assets managed (ROAM) (%)	2,2	120,3	(11,0)	Although an improvement on last year, the ROAM is still below internal target levels. Management is focusing on this.
Headline earnings per share (HEPS) (cents)	6,3	163,9	2,4	A strong improvement in earnings, despite the impact of unrealised foreign exchange losses.
Net asset value per share (cents)	100,1	8,0	92,7	An increase following the improvement in profits for the year.
Tangible net asset value per share (cents)	60,6	6,2	57,0	An increase following the improvement in profits for the year.

### Key non-financial ratios

	2016	% change	2015	Comment
<b>B-BBEE rating scores (points)</b>				
Ownership	19,6	-	19,6	The group is 49% black-owned, of which 8% is black women-owned.
Management control	6,3	8,6	5,8	A moderate improvement resulting from the resignation of a non-executive director in 2015.
Employment equity	2,6	(33,3)	3,9	A deterioration on the inclusion of the management and staff of the Telesto and MV Fire acquisitions in 2015.
Skills development	3,1	(69,6)	10,2	This decreased as a result of the lower spend on training during 2015.
Preferential procurement	23,7	9,7	21,6	Procurement improved during the year. The focus on black women-owned suppliers remains a high priority.
Enterprise development	11,0	-	11,0	This area was maintained in 2016. This received focus, with new initiatives started in the second half of the year in light of the anticipated changes to the codes by the Department of Trade and Industry (dti).
Socio-economic development	12,0	-	12,0	Kaalfontein Primary School in Midrand was the main focus in 2016, with the addition of a new preschool classroom at the beginning of the calendar year, with another planned for 2017.
Total score	78,3	(6,9)	84,1	Level 3 (AA) contributor



## Key non-financial ratios

	2016	% change	2015	Comment
<b>Human resources</b>				
Number of employees – temporary and permanent	764	(5,9)	812	The employee complement decreased due to the review of the headcount and, where necessary, non-replacement of employees exiting and/or retrenchments due to changes in operational requirements.
Number of employees – permanent	709	(2,5)	727	The employee complement decreased due to the review and restructure within the Enterprise business unit.
Average number of employees	714	(16,2)	852	Based on the above, the average number of employees also decreased.
Revenue per average number of employees (R'million)	1,5	14,3	1,3	This increased following the decrease in headcount, despite the 4% decrease in revenue.
Operating profit/(loss) per average number of employees (R'000)	58,4	168,6	(85,0)	This improved on a return to profitability by the group.
Total assets per employee (R'000)	828	(10,3)	923	This decreased due to the decrease in accounts receivable.
Number of employees trained	208	(35,6)	323	The current year's formal training focused on those areas that directly impact employees' areas of responsibilities. Although additional informal on-the-job training also continued across the group, this is not included in the number of employees trained.
Percentage of employees trained	29	(23,2)	38	
Total training spend (R'million)	1,2	(23,1)	1,5	The increase in spend per trained employee was due to the increase in costs relating to the specialist and certification training programmes certain employees attended during the year under review.
Training spend per trained employee (Rand)	5 549	19,5	4 646	
New appointments	113	73,8	65	The majority of the appointments relates to short-term contracts.
Resignations, retrenchments, contract endings	161	11,8	144	The majority of terminations relates to limited duration contracts ending and retrenchments in line with the group's restructure.
Employee turnover (%)	23	35,3	17	Due to the business restructure, the group expected the continued high employee turnover percentage. These rates are monitored and reviewed in line with the group's strategy. Exit interviews are conducted with employees who leave as part of the employee exit process.
Number of minor injuries on duty	14	–	14	The number of injuries on duty remained low during the period. Employee safety remained a high priority.

# GROUP SCORECARDS (continued)

## FIVE-YEAR FINANCIAL REVIEW

	Note	2016 R'000	2015 R'000	2014* R'000	2013 R'000	2012 R'000
<b>Comprehensive income</b>						
Turnover		<b>1 070 033</b>	1 117 431	1 035 382	1 146 034	983 693
Operating profit/(loss)		<b>41 677</b>	(72 456)	17 594	(93 486)	31 213
Net interest paid		<b>(15 200)</b>	(16 046)	(14 544)	(19 330)	(14 282)
Share of (loss)/income from associate		<b>–</b>	(689)	110	(1 586)	10 080
Profit/(loss) before taxation		<b>26 477</b>	(89 191)	3 160	(114 402)	27 011
Taxation		<b>(10 534)</b>	6 343	3 480	6 974	(7 009)
Profit/(loss) for the year		<b>15 943</b>	(82 848)	6 640	(107 428)	20 002
Profit/(loss) for the year attributable to ordinary shareholders		<b>14 178</b>	(83 272)	5 416	(110 060)	21 935
Headline earnings adjustments		<b>(47)</b>	88 409	(4 444)	110 525	1 802
Headline earnings for the year		<b>14 131</b>	5 137	972	465	23 737
<b>Ratios and statistics</b>						
<b>Financial position</b>						
Equity attributable to the parent		<b>224 749</b>	207 768	286 472	225 656	339 842
Total equity		<b>231 849</b>	213 103	287 582	238 065	354 432
Total assets		<b>632 660</b>	749 423	746 141	877 204	815 254
Shares in issue ('000)		<b>229 319</b>	229 319	218 399	146 399	146 399
Treasury shares ('000)		<b>4 704</b>	5 129	5 129	5 127	5 481
Weighted average number of shares in issue ('000)	1	<b>224 616</b>	215 155	172 832	141 272	140 918
Net asset value per share (cents)		<b>100,1</b>	92,7	134,3	159,7	241,2
Net tangible asset value per share (cents)		<b>60,6</b>	57,0	82,2	93,1	148,0
<b>Liquidity</b>						
Debt:equity (%)	2	<b>53,7</b>	73,3	61,5	100,4	43,5
Interest cover (times)	3	<b>2,7</b>	1,0	0,9	0,8	3,0
Cash generated from/(utilised in) operations		<b>79 355</b>	16 621	25 463	(66 368)	24 480
<b>Profitability</b>						
EBITDA ('000)	4	<b>57 024</b>	37 994	34 768	45 318	64 063
Return on equity (%)	5	<b>6,3</b>	(40,1)	1,9	(48,8)	6,5
Return on assets managed (ROAM) (%)	6	<b>2,2</b>	(11,0)	0,9	(12,2)	2,5
Earnings/(loss) per share (cents)		<b>6,3</b>	(38,7)	3,1	(77,9)	15,6
Diluted earnings/(loss) per share (cents)		<b>6,3</b>	(38,7)	3,1	(77,9)	15,6
Headline earnings per share (cents)		<b>6,3</b>	2,4	0,6	0,3	16,8
Diluted headline earnings per share (cents)		<b>6,3</b>	2,4	0,6	0,3	16,8
<b>Human resources</b>						
Number of employees – temporary and permanent		<b>764</b>	812	946	844	793
Turnover per employee		<b>1 499</b>	1 300	1 171	1 358	1 240
Total assets per employee		<b>828</b>	929	789	1 039	1 028

Note:

1 Weighted average number of shares in issue – the weighted average number of shares in issue during each financial year, net of treasury shares arising from the consolidation of the Jasco Employee Share Incentive Trust and the Spescom Limited Share Trust.

2 Debt:equity (%) – interest bearing debt, expressed as a percentage of total equity.

3 Interest cover (times) – operating profit, net of headline earnings adjustments, before interest divided by net interest paid.

4 EBITDA – earnings before interest, tax, depreciation, amortisation, profit on disposals and impairment or fair value adjustment of investments.

5 Return on equity (%) – earnings attributable to equity holders of the parent as a percentage of closing equity attributable to equity holders of the parent.

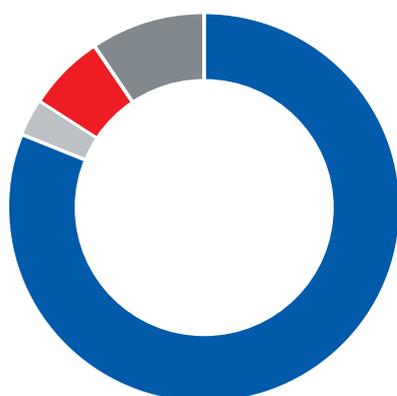
6 Return on assets managed (ROAM) (%) – profit for the year divided by the total assets at the end of the financial year.



## VALUE-ADDED STATEMENT FOR THE FINANCIAL YEAR ENDED 30 JUNE 2016

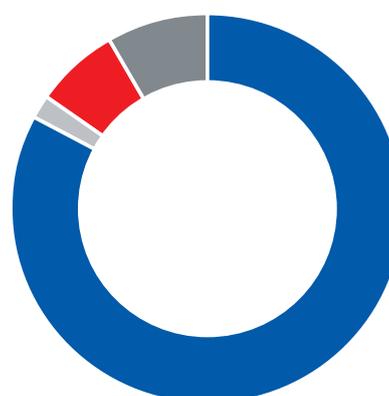
	2016 R'000	%	2015 R'000	%
Revenue	1 076 429		1 123 818	
Net cost of products and services	(739 979)		(721 412)	
Value added	336 450		402 406	
Other non-trading income/(expense )	47		(89 098)	
Net profit/(loss) on disposal of plant and equipment	302		(2 205)	
Loss on disposal of associate held for sale – M-TEC	(255)		–	
Profit on disposal of business unit/subsidiary	–		777	
Impairment of intangibles	–		(29 560)	
Loss on re-measurement of associate held for sale – M-TEC	–		(57 421)	
Equity accounted loss/(earnings)	–		(689)	
<b>Total wealth created</b>	<b>336 497</b>		<b>313 308</b>	
Distributed as follows:				
To employees				
• Salaries, wages and benefits	273 014	81,1	270 355	86,3
To government				
• Taxation	10 534	3,1	(6 343)	(2,0)
To providers of capital	21 596	6,4	22 433	7,1
• Interest on borrowings	21 596	6,4	22 433	7,1
Retained in the group	31 353	9,4	26 863	8,6
• Depreciation of plant and equipment	12 098	3,6	11 766	3,8
• Amortisation of intangibles	3 312	1,0	10 275	3,3
• Fair value adjustments	–	0,0	86 981	27,8
• Equity accounted loss	–	0,0	689	0,2
• Retained profit/(loss)	15 943	4,8	(82 848)	(26,5)
<b>Total wealth distribution</b>	<b>336 497</b>	<b>100,0</b>	<b>313 308</b>	<b>100,0</b>

**2016 Wealth distribution (%)**



■ To employees **81,1**      ■ To government **3,1**  
■ To providers of capital **6,4**      ■ Retained in the group **9,4**

**2015 Wealth distribution (%)**



■ To employees **86,3**      ■ To government **(2,0)**  
■ To providers of capital **7,1**      ■ Retained in the group **8,6**

# GROUP SCORECARDS (continued)

## TEAM MEASURES

### Key performance areas

Our team is strictly measured to ensure delivery against performance criteria. The next few pages outline how the board and management performed during the year.

#### Chairman

Dr Anna Mokgokong serves as chairman on a number of boards and has experience in business, remuneration practices and management. Refer to page 26 for her CV.

Key performance areas	Performance
<b>Effective and unified board</b>	<p>Board, sub-committee, chairman and individual director assessments are conducted annually. The board review indicated that the board provides sound governance and constructively contributes to board discussions. The non-executive directors apply independence of mind while engaging in board-related matters. The board also acts in the best interests of the company and its stakeholders.</p> <p>The chairman continues to drive the board's focus on ensuring that the profile, skills set, diversification, qualifications and individual qualities of its executive and non-executive directors serve the current and future requirements of the business and the ever-changing environment in which it operates.</p> <p>The chairman provides strategic input to the group through her broad knowledge of business and investment in the South African and international context.</p>
<b>Conflicts of interest</b>	<p>Conflicts are declared at each board meeting and conservatively interpreted.</p> <p>The chairman adheres to her fiduciary duty of care and skill codified in the Companies Act. All conflicts, even those broader than the definition of personal financial interests, are treated in line with section 75 of the Companies Act.</p> <p>The chairman and deputy chairman recused themselves from the discussions regarding the disposal of the investment in M-TEC.</p>
<b>Governance and compliance</b>	<p>No material breaches in terms of governance principles occurred in the year. Compliance with laws, rules, codes and standards from a company perspective are complied with, with support from the group company secretary.</p> <p>All governance and compliance matters were addressed, with support from the group company secretary.</p>
<b>Annual work plan delivery</b>	<p>The board work plan schedule and targets were met.</p>
<b>Board and executive committee (exco) interaction</b>	<p>The board meets quarterly, with one strategy session and the budget presentation that includes the executive committee members. When required, executive committee members are invited to attend board and committee meetings.</p>
<b>CEO and CFO appraisal</b>	<p>The CEO and CFO appraisals were completed.</p>
<b>Board attendance</b>	<p>The chairman participated in board and committee meetings, including through electronic participation.</p>



## Non-executive directors

The board of directors consists of members with experience in business, finance, engineering, information and telecommunications technologies and management. Refer to pages 26 and 27 for the CV of each director.

Key performance areas	Performance
<b>Skills, experience and knowledge of strategy, evaluation of performance, transformation, standards of conduct and legislative requirements</b>	The board review indicated that the board provides sound governance and constructively contributes to board discussions. The non-executive directors apply independence of mind while engaging in board-related matters. The board also acts in the best interests of the company and its stakeholders. The company's operations met all material statutory and compliance requirements.
<b>Level of board contribution</b>	All board and committee meetings met the quorum requirements, which allowed for robust and productive meetings. Active participation and director involvement are required to support the executive directors.
<b>Time allocation</b>	The non-executive directors manage their time efficiently with other commitments. They were readily available to assist executive management, when required. There was active involvement and participation on pertinent board matters.

## Chief executive officer (CEO)

The CEO has multiple years of experience in leading a large organisation with a background in engineering and telecommunications. He also has a deep understanding of the importance of the development of people with the right skills to meet the group's strategic objectives. Refer to page 26 for his CV.

Key performance areas	Performance
<b>Leadership</b>	The board reviews the performance of the CEO each year. This was completed and it was found that the CEO displays strong leadership qualities.
<b>Group financial performance</b>	As promised to the market, the restructured group delivered an improved financial performance, with strong cash generation and reduced levels of debt. However, the targeted EPS was not achieved. Accordingly the CEO did not receive any performance-based short-term incentive.
<b>B-BBEE</b>	The group achieved a level 3 B-BBEE contributor status in 2016, maintaining the 2015 position as targeted.
<b>Safety, health, environment and quality (SHEQ)</b>	No fatalities or major injuries were reported. A comprehensive SHEQ audit was conducted to ensure compliance to all health and safety requirements.
<b>Client focus</b>	Jasco's latest Net Promoter Score (NPS) was 36,0% (2015: 25,0%) compared to the international average of 24%.
<b>Capacity building</b>	Training decreased to 29% of employees due to a focus on cost-cutting in tough market conditions.
<b>Organisational development and succession</b>	Succession and development initiatives are in place and aligned with the mentorship programmes.
<b>Group strategic development</b>	The exit from the M-TEC investment was concluded and the focus on improving Jasco's financial performance post the three-year restructure is evident in the improved results.

# GROUP SCORECARDS (continued)

## Chief financial officer (CFO)

The CFO is a qualified chartered accountant with experience in finance, management, governance and strategy. Refer to page 26 for his CV.

Key performance areas	Performance
<b>Leadership</b>	The annual assessment of the CFO was conducted. This confirmed that he displays strong leadership qualities.
<b>Group financial performance</b>	As promised to the market, the restructured group delivered an improved financial performance, with strong cash generation and reduced levels of debt. However, the targeted EPS was not achieved. Accordingly no performance-based short-term incentive was paid.
<b>B-BBEE</b>	The group achieved a level 3 B-BBEE contributor status in 2016, maintaining the 2015 position as targeted.
<b>Organisational development and succession planning</b>	The finance team composition is well-balanced, with the requisite blend of skills and experience. The succession plan is well-developed and expected to meet the requirements of the organisation going forward.
<b>External and internal compliance management</b>	There were no adverse internal or external audit findings.
<b>Unqualified annual financial statements (AFS)</b>	Unqualified AFS were delivered within the three months required by the JSE Listings Requirements.
<b>Stakeholder communication and development</b>	Regular communication with all key stakeholders continued in 2016. Positive informal feedback was received from shareholders, customers and suppliers.

## Executive committee (Exco)

The exco members are individuals who have a combination of experience and skills in management, strategy, human resources, governance, finance, SHEQ, marketing and information technology. Refer to pages 28 and 29 for the CV of each member.

Key performance areas	Performance
<b>Leadership</b>	Positive leadership skills were displayed in the year under review following the group's restructure.
<b>Group financial performance</b>	As promised to the market, the restructured group delivered an improved financial performance, with strong cash generation and reduced levels of debt. However, the targeted EPS was not achieved. Accordingly no performance-based short-term incentives were paid.
<b>B-BBEE</b>	The group achieved a level 3 B-BBEE contributor status in 2016, maintaining the 2015 position as targeted.
<b>Organisational development and succession planning</b>	Succession and development initiatives are in place and aligned to the mentorship programmes.
<b>Technology skills acquisition and development</b>	The chief technology officer ensures a focus on technology advancements and the group information technology strategy.
<b>SHEQ</b>	A comprehensive SHEQ audit was conducted to ensure compliance with all health and safety requirements.
<b>Compliance and legislation</b>	Internal, external and International Organisation for Standardisation (ISO) audits were successfully conducted.
<b>Socio-economic development (SED)</b>	An SED plan was implemented, with a particular focus on education. The group exceeds the requirement of spending 1% of net profit after tax on SED initiatives.
<b>Stakeholder relationships</b>	Jasco's latest Net Promoter Score (NPS) was 36,0% (2015: 25,0%), compared to the international average of 24%. The employee climate survey conducted showed positive results.
<b>Teamwork</b>	The exco team focused on executing the group's strategic and operational plans. The employee climate survey conducted showed improved results from last year.





# REMUNERATION REVIEW

In line with King III requirements, this report forms the basis for shareholders' non-binding advisory votes at the next annual general meeting.

Jasco's remuneration strategy aims to compete for talent and critical skills in a very competitive workforce market and to retain quality employees who improve business performance and output, as well as service delivery to our customers. The remuneration strategy is designed to motivate individual and team performance, as a fair and competitive reward strategy is vital to being an employer of choice.

## MANAGING OUR SKILLS BASE

The management of our skills base remains a critical success factor in Jasco's achievement of growth objectives. To address this, we have implemented a talent management strategy to deliver on planned growth objectives. This includes attracting skilled employees, retaining key resources and implementing a mentorship and coaching programme.

Our mentorship programme focuses on mentoring and succession planning. Our leadership team is empowered with mentoring skills and our group executive team members are actively involved in the mentoring and coaching of key employees.

With transformation recognised as a competitive advantage in our home market of South Africa, our skills development programme focuses on the development of existing talent, as well as on fast-tracking black employees to ensure that the workforce reflects the demographics of the country.

Jasco invested R1,2 million on external skills development programmes during the year under review. 208 employees, representing 29% of total employees, received training, of which 73% were black employees.

Five internships were offered through our Media, Information and Communication Technologies Sector Education and Training Authority (MICT SETA). These interns are currently conducting their internships at our Enterprise and Carrier Solutions business units, as well as in the group human resources department.

A SETA-approved Adult Basic Education Training (ABET) programme is available to employees. Employee training and skills upgrading of technical employees extend to technologies and methodologies of Jasco partner solutions, including new products.

Skills priorities	Status
Living the group's values	We have a vision, purpose statement and set of values. Adherence is measured through key performance indicators.
Effective leadership	A leadership blueprint is in place and each executive member received detailed feedback on the extent to which he/she demonstrated the required leadership behavior. Refer to pages 30 to 36 for the team's performance against their measures. The roll-out of the feedback process to the next layer of management continues.
Skilled, engaged and competent employees	The Peromnes grading ensures effective benchmarking across the organisation and industry. In addition, it assists with formalising our training requirements across the group.
Succession	Succession for first-, second- and third-tier management levels are in place. During the year, the group reviewed succession at management and operational levels within all three management levels.
Transformation	Transformation within the group remains a high priority. Due to the various restructuring and review exercises across the business, new targets will be put in place, with continued focus on transformation and succession where required.

## REMUNERATION OVERVIEW

Jasco believes that the remuneration and reward of our employees are both a human resources and business matter, as it affects our ability to attract and retain high-calibre employees. It also impacts our operational efficiency, company culture, employee behaviour and ultimately the profitability and sustainability of the business.

Jasco therefore aligns the objectives of incentives with the organisation's performance-driven culture, business targets and strategic objectives.



## ELEMENTS OF REMUNERATION AND REWARD

The group's remuneration packages are split into guaranteed pay and short-term and long-term incentives.

Reward element	Instrument	Objective	Characteristics	Participants
Guaranteed pay – including benefits	<ul style="list-style-type: none"> <li>• Cost-to-company remuneration</li> <li>• Retirement fund</li> <li>• Healthcare</li> <li>• Risk benefits, including group life, income protection and funeral cover</li> <li>• Leave benefits</li> <li>• Employee assistance programme</li> </ul>	<ul style="list-style-type: none"> <li>• Attraction and retention</li> <li>• Reward individual performance</li> <li>• Drive long-term strategic objectives and targets</li> <li>• Competitiveness/market-related benchmarks</li> </ul>	<ul style="list-style-type: none"> <li>• Fixed</li> <li>• Benchmarked to the median of the industry and market</li> </ul>	All permanent salaried employees
Short-term incentives	<ul style="list-style-type: none"> <li>• Annual incentives</li> </ul>	<ul style="list-style-type: none"> <li>• Reward individual and group performance</li> <li>• Drive short-term objectives and targets</li> <li>• Attraction and retention</li> </ul>	<ul style="list-style-type: none"> <li>• Non-guaranteed</li> <li>• Variable</li> <li>• 8% to 40% of cost-to-company</li> </ul>	All permanent salaried employees
Long-term incentives	<ul style="list-style-type: none"> <li>• Share option schemes</li> <li>• Phantom share schemes (two-to-four-year vesting periods)</li> </ul>	<ul style="list-style-type: none"> <li>• Drive long-term strategic objectives and targets</li> <li>• Retention of key and critical employees</li> <li>• Reward individual and group performance</li> </ul>	<ul style="list-style-type: none"> <li>• Variable</li> <li>• 20% to 30% of cost-to-company</li> </ul>	Key executives

## EMPLOYEES

### Guaranteed pay

Guaranteed pay is managed on a cost-to-company basis, with flexibility in the selection of benefits within the scope and rules of our retirement fund, such as risk benefits. Participation in the group's retirement fund, life, disability and funeral cover are compulsory for all permanent salaried employees who fall outside the jurisdiction of bargaining councils. Although there is some flexibility when deciding on a healthcare provider, the group does have a healthcare provider of choice. Membership of a medical aid is compulsory either as a dependent or main member of the preferred provider.

Our guaranteed remuneration is competitive relative to the market. We benchmark against the market median, with remuneration levels reviewed at least once a year.

We participate in regular remuneration surveys to ensure our offering is competitive and in line with best practice.

The group focused on ensuring that its remuneration practices and policies are compliant with all legislation. We review our policies and practices on an annual basis to ensure only justifiable differences exist and to remove any newly-identified inappropriate differences.

Internal parity is promoted and remuneration differentiation between employees is based on criteria that are fair and objective.

The group's job evaluation system allows for differentiation in scope, areas of responsibility and fields of expertise. Increases in guaranteed pay for employees are based on a review of market data, consideration of the individual performance and potential,

as well as the business priorities of the group. Increases for salaried employees are during January of each year. Increases for waged-based employees are in accordance with the sectoral determinations, as set by the Department of Labour, or the regulations of the Metal and Engineering Industries Bargaining Council. Increases for waged-based employees are during July of each year.

### Short-term incentives

Short-term incentives are in place for all permanent salaried employees and are based on the achievement of key performance areas, with appropriately set targets which are measured on an annual basis. These include financial indicators, as well as job-specific key performance areas (KPA's), such as leadership, customer satisfaction, learning and development, technical competencies and timeous delivery on objectives.

## EXECUTIVES AND PRESCRIBED OFFICERS

The remuneration of executives and prescribed officers includes guaranteed pay and short- and long-term incentives.

### Guaranteed pay

The guaranteed remuneration of executives and prescribed officers are managed on the same basis as other salaried employees.

# REMUNERATION REVIEW (continued)

## Short-term incentives

Short-term incentives depend on the company's performance. It is generally paid on an annual basis and is based on the achievement of KPAs. KPAs are set annually and are designed to drive both financial and non-financial strategic targets and objectives. The KPAs of executives and prescribed officers include financial indicators such as revenue, profit before interest and tax, earnings per share and return on assets managed, as well as strategic indicators such as the roll-out and implementation of company strategy and objectives.

Even though the group's performance improved, it was not at the expected level. Accordingly, no short-term performance-based incentives were paid to group executives. This is the second year the executives have not been paid performance-based short-term incentives.

Where a business unit achieved the required results as per the KPAs set at the beginning of the financial year, a provision was made for the payment of short-term incentives. Payments will only be made in December 2016.

KPAs are cascaded down from senior levels into the organisation to ensure strategic alignment.

## Long-term incentives

Jasco operates a long-term share incentive (LTI) scheme, which awards shares or options to participants through the Jasco Employee Share Incentive Trust.

The Jasco Employee Share Incentive Trust was designed to provide participants with long-term incentives and to drive long-term strategic growth. Each participant receives an allocation of shares or options and is rewarded for the growth in the value of the shares. Vesting periods are two to four years and options lapse after five years.

During the year under review, share allocations and share option allocations were made to key individuals, as disclosed in the table below.

In addition to this, as the business units in our different verticals are diversified, with varying dynamics, the group has a phantom share scheme. The phantom share scheme rewards participants for the growth in the value of the business units in which they operate over a two- to four-year period. No phantom shares were issued during the year under review.

## Summary of 2016 remuneration of executive directors and prescribed officers

Rand	Short-term guaranteed	Short-term payment	Long-term share-based payment	Total
<b>Executive directors</b>				
AMF da Silva	3 801 168	–	1 331 376	5 132 544
WA Prinsloo	2 403 489	–	854 911	3 258 400
<b>Prescribed officers</b>				
M Janse van Vuuren	2 400 386	<sup>&amp;</sup> 169 953	233 961	2 804 300
T Peije	1 760 705	<sup>*</sup> 3 390	–	1 764 095
MMS Ebrahim	964 072	–	–	964 072
Total	11 329 820	173 343	2 420 248	13 923 411

<sup>&</sup> Short-term incentive paid relating to the Carrier Solutions business unit achieving its budget in 2015

<sup>\*</sup> Five-year long service award

## Summary of shares and options issued to executive directors and prescribed officers

Participant	Nature	Issue date	Lapse date	Number of shares/options	Exercise price
AMF da Silva	Shares	13 June 2016	N/A	1 328 818	81 cents
	Shares	2 June 2015	N/A	5 892 288	55 cents
	Shares	5 February 2014	N/A	720 000	72 cents
WA Prinsloo	Shares	13 June 2016	N/A	834 881	81 cents
	Shares	2 June 2015	N/A	3 253 830	55 cents
	Shares	5 February 2014	N/A	750 000	72 cents
M Janse van Vuuren	Options	28 June 2016	28 June 2021	735 546	81 cents
	Options	2 June 2015	June 2020	1 021 642	55 cents
	Options	5 February 2014	February 2019	637 000	72 cents



## REMUNERATION COMMITTEE

The remuneration committee is appointed by the board of directors. The role of the committee is to provide guidance and support to the board in fulfilling its responsibilities to shareholders, employees and other stakeholders by ensuring that the employees and management of the company are appropriately and equitably compensated for their services to the company and motivated to perform to the best of their abilities in the interest of all stakeholders. The committee also has to demonstrate objectivity in determining the remuneration in the interest of shareholders and to the strategic and financial health of the group.

The remuneration committee's responsibilities are to:

- Determine, agree and review the remuneration policy and framework of the group with the board
- Determine and agree the total remuneration package of the chief executive officer and chief financial officer and any other executive director
- Review the ongoing appropriateness and relevance of the remuneration policy in terms of its ability to attract and retain scarce and critical employees. This includes the review of company benefit structures, such as retirement and healthcare plans
- Make recommendations to the board and shareholders on the remuneration of non-executive directors
- Make recommendations regarding performance measures for executive directors
- Review the design of all share incentive plans for approval by the board and shareholders and determine whether awards will be made. If awards are made, the committee also has to determine the overall amount of these awards, the individual awards to executive directors and other senior executives, as well as the performance targets to be used
- Set guidelines for the annual increase in income of all employees
- Ensure compliance with applicable laws, codes and JSE Listings Requirements

## NON-EXECUTIVE DIRECTORS' REMUNERATION

Non-executive directors are paid a fixed fee, which is determined by the extent of their participation in sub-committees. The fees payable to non-executive directors are reviewed by the remuneration committee and approved by shareholders at the annual general meeting (AGM) each year. The proposed increases for 2017 are in line with inflation.

### Summary of remuneration of non-executive directors

Name	Role	2016 Financial	2016 Calendar	PROPOSED
		year	Year	1 Jan 2017 to
		Rand	Rand	31 Dec 2017
				Rand
Dr ATM Mokgokong	Chairman	410 810	422 775	448 142
MJ Madungandaba	Deputy chairman	398 870	410 487	435 116
JC Farrant	Lead-independent non-executive, audit and risk committee chairman, remuneration committee member, nominations committee member	315 432	324 625	344 103
MSC Bawa	Remuneration committee chairman	309 581	318 598	337 714
H Moolla	Social and ethics committee chairman, audit and risk committee member	309 581	318 598	337 714
Sir JA Sherry*	Audit and risk committee member	239 636	246 615	–
New independent director	Audit and risk committee member	–	–	261 412
Total		1 983 910	2 041 698	2 164 201

\* Retired on 13 September 2016.

# COMPANY SECRETARY REVIEW

Jasco implements a variety of policies, charters and practices to manage corporate governance. The group is subject to the various guidelines and requirements enacted by the JSE Limited (JSE). The board is ultimately responsible for ensuring that governance standards are met, with the support of senior management. The board maintains the view that the group is compliant with the provisions of the Companies Act, No. 71 of 2008 to the extent required.



In terms of the JSE Listings Requirements 8.63(i), the group's subsidiaries passed special resolutions to provide financial assistance to the other group companies, as contemplated in section 45 of the Companies Act to any one or more related or inter-related companies of the group. Shareholders voted in favour of this resolution.

## THE COMPANY SECRETARY

In line with the Companies Act and the JSE Listings Requirements, the board selects and appoints the group company secretary. During the year the company appointed Mrs Dora du Plessis of Sekretari (Proprietary) Limited as the new company secretary. Dora started her career in the company secretarial department of a small auditing firm in 1978 before founding Sekretari (Pty) Ltd in 1984. Sekretari provides company secretarial services to over 200 companies, of which 4 are listed. Dora has an Advanced Diploma in Company Secretarial Work and has remained up to date with changes in the Companies Act and governance regulations such as King III.

All directors have access to the advice and services of the group company secretary. The group company secretary assists directors, board committees and their members in obtaining professional advice. The group company secretary's statement of compliance is set out on page 3 of the consolidated financial statements, which can be found at [www.jasco.co.za](http://www.jasco.co.za).

The group company secretary is also responsible for alerting the directors to any relevant changes to the Companies Act, the Financial Markets Act, the JSE Listings Requirements, all governance reports, as well as any other statutory regulations or laws affecting them in their capacity as directors. The group company secretary also monitors the directors' dealings in securities and ensures adherence to prohibited periods for share trading. The appointment and removal of the group company secretary is a matter for the board as a whole.

In line with sections 3.84(i) and (j) of the JSE Listings Requirements, the chairman and the CEO conduct a detailed assessment to satisfy the board of the competence, qualifications and experience of the group company secretary.

This is usually performed through:

- A review of qualifications and experience
- An assessment (detailing all the legislative and King III requirements) by the chairman. This assessment specifically includes questions on how effectively the role as gatekeeper of good governance in the company is performed, the effectiveness of the arm's length relationship and how the role and duties as group company secretary is performed
- A performance review by the CEO against measured targets from a daily administrative perspective

The board is satisfied with the performance of the group company secretary during the year.

## KING III AND KING IV

As a listed company, Jasco operates in a regulated environment, which naturally drives us to adhere to the principles of King III. In line with the key areas of governance, the board applied the main principles imperative to the company, together with the Companies Act affecting the year under review.

The directors confirmed that they will continue to exercise their duties of care and skill and that they have taken reasonable steps to ensure application of governance principles in the group.

The group is evaluating the recommendations included in the draft King IV Report. We particularly support King IV's focus on ethical leadership, good governance, increased disclosure on remuneration and the recommendation that the board should provide oversight over the policies and plans that are developed from the approved strategy.



## King III compliance

The group conducted a detailed analysis of the extent to which the company's governance practices meet the recommendations of King III. This is provided on the company's website, [www.jasco.co.za](http://www.jasco.co.za). As previously reported, where compliance with the recommendations is not being met, the directors adhered to the "comply or explain" principle. Remedial action for non-adherence, where this is required, has been put in place.

The following table provides an indication of where the group was not complying during the previous reporting period, with an update provided.

Governance elements	Comments
2.16 The board should elect a chairman who is an independent non-executive director. The CEO of the company should not fulfil the role of chairman of the board.	Jasco's chairman is a non-executive director who is not independent. Despite this classification, the chairman applies independence of mind to matters under discussion. A lead independent non-executive director, Mr JC Farrant, serves on the board in line with the King III principle 2.16.3. The role of the chairman, Dr ATM Mokgokong, is separate to that of the CEO, Mr AMF da Silva.
2.18 The board should comprise a balance of power, with a majority of non-executive directors. The majority of non-executive directors should be independent.	In line with the recommendations of King III, Jasco has a unitary board structure, comprising: <ul style="list-style-type: none"> <li>• Three independent non-executive directors</li> <li>• Three non-executive directors, representing major shareholders</li> <li>• Two executive directors, being the group CEO and CFO</li> </ul> At 30 June 2016, Jasco's board consisted of an equal number of independent and non-independent non-executive directors. The retirement of Sir JA Sherry on 13 September 2016 has resulted in the board consisting of more non-independent than independent directors. Jasco is actively seeking a new independent non-executive director to restore the balance. The policy dealing with the division of responsibilities between the chairman and CEO noted in principle 2.16 helps to ensure a balance of power and authority to guarantee that no director has unfettered powers. The board charter and memorandum of incorporation further ensure that proper voting principles and processes are employed to enable a balance of power.
4.1 The board should be responsible for the governance of risk.	The board retains accountability for risk governance. Due to the inter-relationship of strategy, risk, performance and sustainability, this forms part of the strategic deliberations. Management reviewed the existing governance and risk structures and the extent to which this meets an enterprise risk management framework. A number of areas for improvement were identified. These will be addressed in the new financial year.

# COMPANY SECRETARY REVIEW (continued)

## INTERNAL CONTROL

Organisational policies, procedures, structures and approval frameworks provide direction, accountability and segregation of responsibilities and contain self-monitoring mechanisms. Both operational and executive management closely monitor the controls and actions taken to correct weaknesses, as they are identified. Each business unit has its own finance department headed by a finance executive with appropriate skill and experience. The business unit finance executives report to the group CFO, who is responsible for the overall financial control and reporting.

Standards of disclosure increased significantly and internal governance structures and roles have been reviewed and improved, where necessary, to reflect best practice. This occurred at both board and management levels.

Jasco uses an independent auditing firm to perform the internal audit function. Representatives of the firm report to the audit and risk committee.

## INSIDER TRADING

No employee may deal, directly or indirectly, in Jasco's ordinary shares on the basis of unpublished price-sensitive information regarding its business or affairs. Similarly, no director or officer may trade in shares of the company during a closed period, as determined by the board in accordance with JSE Listings Requirements. The group's closed periods are between the last day of the reporting period and the publication of the results, as well as during those periods when the group trades under a cautionary. The company secretary communicates these closed periods to the directors and employees of the company in advance.

## THE BOARD AND DIRECTORS

The board of directors adds value through strategic leadership and guidance, and ultimate oversight in ensuring a sustainable business that is accountable to shareholders and responsible to other stakeholders. The board operates in accordance with a detailed charter which defines the board's mission, roles, duties and responsibilities. The board adheres to its fiduciary duties and duty of skill and care codified in the Companies Act. This is reflected in the conflicts of interest policy, which also applies to directors.

Declarations of interest are confirmed at each board and committee meeting and are recorded in the minutes.

Jasco has a unitary board structure comprising:

- Three independent non-executive directors
- Three non-executive directors
- Two executive directors, being the group CEO and CFO

Directors are entitled to seek independent professional advice concerning the affairs of the group, at the group's expense, should they believe this to be in the best interest of the group. The board assessment conducted in 2016 also reaffirmed that no director has unfettered powers. A detailed annual plan ensures that the board executes all its responsibilities and complies with its charter.

The policy dealing with the division of responsibilities between the chairman and CEO helps to ensure a balance of power and authority to guarantee that no director has unregulated powers. The board charter and memorandum of incorporation further ensure that proper voting principles and processes are employed to enable a balance of power. All directors apply independence of mind to matters under discussion, which was reaffirmed during the board assessment.

## Strategy

The board is ultimately accountable and responsible to its shareholders and other stakeholders for setting the strategic direction of the company, together with the group's management team. The board acknowledges that strategy, risk, performance and sustainability are inseparable and gives effect to this by:

- Contributing to and approving the strategy on an annual basis, at which point past performance, key risks and sustainability matters are also debated
- Satisfying itself that strategy and business plans do not give rise to risks that have not been thoroughly assessed by management
- Identifying key performance and risk areas
- Ensuring that the strategy will result in sustainable outcomes
- Considering sustainability as a business opportunity that guides strategy formulation

## Delegation of authority

The group has adopted and complies with a detailed delegation of authority framework and policy, which stipulates the governance framework. Most policies are group-wide policies, applicable to all subsidiaries.

## Board evaluation and performance

Jasco undertakes an annual board evaluation, as recommended by King III. The board evaluation includes an evaluation of the board as a whole and of each board sub-committee, as well as of the chairman and each director to review their ability to add value. This is done through self-assessments and peer review processes. In addition, the remuneration committee facilitates the evaluation of executive management.

The performance review conducted post year-end indicated that the board is providing sound corporate governance and is working well with executive management. The board is well informed and attentive to key issues. The board continues to focus on ensuring that the profile, skills set, diversification, qualifications and individual qualities of its executive and non-executive directors serve the current and future needs of the business and the ever-changing environment in which it operates.

## Orientation and development

The group company secretary arranges an appropriate induction programme for new directors. New directors are informed of their responsibilities through extensive induction material, discussions



and visits to the main business units. All have access to key management members for information on Jasco's operations. They are taken through an induction programme designed to enhance their understanding of Jasco's legislative framework, its governance processes and the nature and operations of the business through full participation of the executive senior management. New and existing directors are invited to these programmes to gain first-hand knowledge of the operations and prospects of the group. Director development programmes were not required during the year and the board was provided with updates and material in the course of carrying out their functions.

## Appointments to the board

The appointment of new directors is approved by the board as a whole on recommendation of the nominations committee. Directors are appointed through a formal and transparent process, which includes the identification of suitable members and performance and background checks prior to nominations. Director appointments are formalised through an agreed contract of service between the company and the director.

## Independent directors

The board applies the principles contained in King III and the Companies Act guidelines to assess the independence of directors.

The nominations committee reviewed the independence of all non-executive directors using the guidelines recommended by King III, JSE Listings Requirements and the Companies Act. As the majority of the members of the board are not independent, the nominations committee declared appointing an independent director as a priority in 2017.

## Retirement and re-election of directors

All directors are appointed in accordance with Jasco's memorandum of incorporation and are subject to retirement by rotation and re-election by shareholders at least once every three years. Consequently, Mr MJ Madungandaba and Mr H Moolla will retire by rotation. Being eligible for re-election, offer themselves for re-election to the board. Sir JA Sherry retired from the board on 13 September 2016 and will not be available for re-election.

## Directors' remuneration

Non-executive directors receive a fee for their contribution to the board and the sub-committees on which they serve. Fees are determined by the remuneration committee and approved by the shareholders at the annual general meeting. The remuneration of executive directors is determined by the remuneration committee in accordance with the company's memorandum of incorporation, and approved by the board.

Information on directors' remuneration appears on pages 40 and 41.

## Risk management

The board appreciates the importance of risk management and has adopted a risk and opportunity register that outlines a detailed mitigation process. Management is accountable for the design, implementation and monitoring of the risk management plan.

The risk and opportunity register is monitored through a detailed process that involves rating the risk and categories with equivalent estimated values. The mitigation process involves allocation of responsibilities to individual employees and target dates as a monitoring tool. To ensure that risk assessment is performed on a continual basis, the risk and opportunity register is monitored by the board on a quarterly basis.

The board carries ultimate responsibility for establishing a framework for internal control. Jasco's controls focus on the critical risk areas identified by operational management and confirmed by the executive management. Controls are designed to provide reasonable assurance as to the integrity and reliability of the annual financial statements to safeguard, verify and maintain accountability of its assets and to detect fraud, potential liability, loss and material misstatement, whilst complying with applicable laws and regulations. An enterprise risk management framework and policy continues to receive management attention, with identified shortcomings to be addressed in the new financial year.

The board is assisted in its responsibility by the audit and risk committee. Its objective is to monitor and consider the risk management processes. The group's annual internal audit plan is designed to incorporate the outcomes of the risk management process. Internal audit is based on a risk-based audit approach.

## Board meetings

The board meets quarterly and on an ad hoc basis, as is deemed necessary. In fulfilling their duties to both Jasco and its stakeholders, the directors aim to act impartially and independently when considering matters of strategy, performance, allocation of resources and ensuring the highest levels of conduct. Non-executive directors play a major role in the board sub-committees, which operate within the adopted terms of reference for each sub-committee.

An agenda and supporting papers are distributed to all directors prior to each board meeting to allow members sufficient time to prepare for the meeting. Appropriate explanations and motivations are provided for items requiring resolution at the meeting.

This ensures that relevant facts and circumstances are brought to the attention of the directors. In terms of good governance, the directors may conduct unrestricted inspections of all the group's property, information and records.

## Board committees

The board committees assist the board in executing its duties and authorities. The board delegates the required authority to each committee to enable them to fulfil their respective functions through formal board-approved terms of reference. These are reviewed annually. Each committee has a detailed annual work plan to ensure full oversight of all matters within their delegated mandate.

# COMPANY SECRETARY REVIEW (continued)

Delegating authority to board committees or management does not mitigate or discharge the board and its directors of their duties and responsibilities.

The board has five committees through which it operates:

- Audit and risk committee
- Social and ethics committee
- Remuneration committee
- Nominations committee
- Investment committee

Each committee chairman reports formally to the board after each meeting on all matters within its duties and responsibilities, including recommendations on envisaged actions.

## *Audit and risk committee*

The committee consists of three independent non-executive directors. The chairman of the board is not the chairman of the audit and risk committee. The external auditors, internal auditors, the group CEO and the group CFO attend these meetings by invitation. The internal and external auditors have unrestricted access to the chairman of the audit and risk committee. The full report from the audit and risk committee is outlined on pages 4 and 5 of the consolidated financial statements. These can be found at [www.jasco.co.za](http://www.jasco.co.za).

Meetings are held quarterly. Four meetings were held in the year under review.

Apart from the statutory duties of the audit committee, as set out in the Companies Act and the provisions of the JSE Listings Requirements and King III principles, the purpose of the committee is to:

- Examine and review the group's financial statements and report on interim and final results, the accompanying messages to stakeholders and any other announcements on the company's results or other financial information to be made public
- Oversee co-operation between internal and external auditors, and serve as a link between the board and these functions
- Oversee the external audit function
- Approve the internal audit plan, fees and qualifications of the internal auditors
- Evaluate the qualifications and independence of the external auditor
- Approve external audit fees
- Approve the internal audit plan, fees and qualifications of the internal auditors
- Ensure effective internal financial controls are in place
- Review the integrity of financial risk control systems and policies
- Evaluate the scope and effectiveness of the internal audit function
- Evaluate the competency level of the CFO and finance function
- Comply with legal and regulatory requirements

During the year under review, the committee satisfied itself that Mr VWA Prinsloo possesses the appropriate level of expertise and experience to fulfil his responsibilities as group CFO to the board and the company.

## *Social and ethics committee*

The social and ethics committee is constituted as a statutory committee for purposes contained in section 72 of the Companies Act.

The committee comprises one independent non-executive director, the CEO and the executive head of strategic sales. The group's human resources executive, marketing and communications executive and the company secretary attend these meetings as permanent invitees. The chairman of the committee provides a report to the board on its initiatives and mandate.

The committee is governed by a charter and monitors group performance in terms of defined social and ethics performance indicators that have been formulated with reference to Regulation 43(5) of the Companies Act. This is further supported by a work plan which guides the committee on its mandate and responsibilities.

The committee met twice during the year. In response to the requirements of the Companies Act, the performance in the following areas was reviewed:

- Group policies (ethics, whistle-blowing, anti-corruption and procurement)
- Employment equity
- Socio-economic development
- Environmental impact

Whistle-blowing is supported by a procedural framework within Jasco and communicated to all Jasco employees. There were no whistle-blowing incidents reported during the review period.

The committee approved a comprehensive socio-economic development responsibility plan, which includes relevant training, learnerships, bursaries and investment into the Kaalfontein Primary School in Midrand. The committee also reviews the head office energy consumption and carbon footprint contributions at Jasco. During the year, the group ensured that electrical energy consumption was reduced, which resulted in significant current and potential future cost savings. There were no significant health and safety issues to report.



### **Remuneration committee**

The committee ensures that remuneration policies support the strategic aims of the business and enable the recruitment, motivation and retention of senior executives, while complying with regulatory and governance principles.

The remuneration committee comprises three non-executive directors and is chaired by an independent non-executive director. Meetings are attended on invitation by the group CEO, CFO and the group executive: human resources, when required. Two meetings were held during the year under review.

The remuneration committee ensures that remuneration practices focus executives on achieving long-term business objectives and growth in shareholder wealth. In satisfying this requirement, the committee reviews incentive arrangements, including key performance indicators and performance hurdles. The chairman of the committee reports to the main board on the activities and recommendations made by the committee. All minutes of the remuneration committee are tabled to the board for noting.

### **Nominations committee**

The nominations committee is responsible for ensuring that the procedures for appointments to the board are formal and transparent.

The committee consists of two members and is chaired by the board chairman. The committee did not meet during the year under review, but met on 13 September 2016.

The purpose of this committee is to:

- Provide recommendations on the composition of the board and board committees and ensuring that the board comprises individuals equipped to fulfil their role as directors of the company and the company secretary, aligned to the policy outlining the procedures for appointments to the board
- Provide comments and suggestions on committee structures of the board, committee operations, member qualifications and member appointment
- Review and recommend its annual training programme to the board

### **Investment committee**

The investment committee is constituted as a sub-committee to assist the board with the investment process of the group.

The committee oversees approval processes for investments. These are designed to ensure they are aligned to the group's agreed strategies and values. Risks are identified and evaluated, investments are fully optimised to produce the maximum shareholder value within an acceptable risk framework and appropriate risk management strategies are pursued.

The main purpose of the committee is to review investments in a structured, formal and transparent manner to ensure:

- Each project meets the strategic, technical and investment requirements of the company, which includes identifying and managing all project-related risks
- Critical decisions, project parameters, safety, health and environmental impacts and governance processes are followed and addressed prior to committing funds
- Each project enhances the portfolio value of the company

The committee also approves smaller projects within its mandate. The committee meets only when required. During the year under review, the committee did not meet as no acquisitions were considered. All discussions regarding the disposal of the investment in M-TEC were held at board level, with conflicted members recusing themselves.

# COMPANY SECRETARY REVIEW (continued)

## 2016 MEETING ATTENDANCE

The table below reflects attendance at board and sub-committee meetings for the year.

	Board (incl. budget)	Audit and risk committee	Remuneration committee	Social and ethics committee
Number of meetings held	6	4	2	2
<b>Chairman</b>				
Dr ATM Mokgokong	6			
<b>Deputy chairman</b>				
MJ Madungandaba	6		2	
<b>Independent non-executive directors</b>				
JC Farrant	6	4	2	
H Moolla	6	4		2
JA Sherry	6	4		
<b>Non-executive director</b>				
S Bawa	6		2	
<b>Executive directors</b>				
AMF da Silva	6	4	2	2
WA Prinsloo	6	4	2	

No investment committee or nominations committee meetings were held during the year.



**SUMMARISED  
ANNUAL  
FINANCIAL  
STATEMENTS  
2016**



# DIRECTORS' RESPONSIBILITY FOR FINANCIAL REPORTING

## TO THE SHAREHOLDERS OF JASCO ELECTRONICS HOLDINGS LIMITED

The directors are required in terms of the Companies Act, 2008, as amended, of South Africa to maintain adequate accounting records and are responsible for the content and integrity of the consolidated and separate annual financial statements and related financial information included in this report. It is their responsibility to ensure that the consolidated and separate annual financial statements fairly present the state of affairs of the group as at the end of the financial year and the results of its operations and cash flows for the period then ended, in conformity with International Financial Reporting Standards.

The summarised financial statements have been prepared in accordance with International Financial Reporting Standards (IFRS), the IAS 34 Interim Financial Reporting Standard, the SAICA Financial Reporting Guides as issued by the Accounting Practices Committee, the Financial Reporting Pronouncements as issued by the Financial Reporting Standards Council, the South African Companies Act, No. 71 of 2008, as amended and the Listings Requirements of the JSE Limited. The accounting policies and methods of computation used in the preparation of this report are consistent with those of the previous year. These summarised financial statements, which were derived from the underlying audited financial statements for the year ended 30 June 2016, have not been audited. The directors take full responsibility for the preparation of the consolidated and separate financial statements. The auditor's Ernst & Young Inc, have audited the annual financial statements for the year ended 30 June 2016 from which summarised report has been derived and on which an unmodified opinion was expressed. These are available at Jasco's registered office.

The directors acknowledge that they are ultimately responsible for the system of internal financial control established by the group and place considerable importance on maintaining a strong control environment aimed at reducing the risk of error or loss in a cost-effective manner. The standards include the proper delegation of responsibilities within a clearly defined framework, effective accounting procedures and adequate segregation of duties to ensure an acceptable level of risk. These controls are monitored throughout the group and all employees are required to maintain the highest ethical standards in ensuring the group's business is conducted in a manner that in all reasonable circumstances is above reproach. The focus of risk management in the group is on identifying, assessing, managing and monitoring all known forms of risk across the group. While operating risk cannot be fully eliminated, the group endeavours to minimise this risk by ensuring that appropriate infrastructure, controls, systems and ethical behaviour are applied and managed within predetermined procedures and constraints.

Based on the information and explanations given by management, the directors are of the opinion that the system of internal control provides reasonable assurance that the financial records may be relied on for the preparation of the consolidated and separate annual financial statements. However, any system of internal financial control can provide only reasonable, and not absolute, assurance against material misstatement or loss.

The directors have reviewed the group's cash flow forecast for the ensuing 12 months from the approval of these annual financial statements and, in the light of this review and the current financial position, they are satisfied that the group has or has access to adequate resources to continue in operational existence for the foreseeable future.

The external auditors are responsible for auditing and reporting on the consolidated and separate annual financial statements. The consolidated and separate annual financial statements have been examined by the group's external auditors and their report is presented on page 2 in the annual financial statements, which are available on the website [www.jasco.co.za](http://www.jasco.co.za).

The annual financial statements, which have been prepared under the supervision of WA Prinsloo CA(SA), on the going-concern basis, were approved by the board and were signed on its behalf by:



Dr ATM Mokgokong  
Non-executive chairman



AMF da Silva  
Chief executive officer



WA Prinsloo  
Chief financial officer

Midrand  
16 September 2016

# REPORT OF THE DIRECTORS



FOR THE YEAR ENDED 30 JUNE 2016

The directors have pleasure in submitting their report on the activities of the group and the company for the year ended 30 June 2016.

## Nature of the business

The trading activities of the group companies are divided into four main business segments, namely Carrier, Enterprise, Intelligent Technologies and Electrical Manufacturers.

## Financial results

The results of the operations for the year are set out in the consolidated and separate annual financial statements.

## Going concern

The consolidated and separate annual financial statements have been prepared on the basis of accounting policies applicable to a going concern. This basis presumes that funds will be available to finance future operations and that the realisation of assets and settlement of liabilities, contingent obligations and commitments will occur in the ordinary course of business.

The board has considered all operational and financial-related activity and forecasts for the ensuing 12 months from the approval of these annual financial statements.

## Plant and equipment

There were no material changes in the nature of the plant and equipment of the group or in the policy regarding their use.

## Share capital

The authorised share capital is 750 000 000 ordinary shares and 29 884 633 redeemable preference shares. The issued share capital is 229 319 191 ordinary shares.

For further information on the Jasco ordinary shareholders' spread, refer to page 58.

## Share incentive scheme

The Jasco Employee Share Incentive Trust was formed in 1993 to enable executives of the group to acquire shares in Jasco to provide them with incentives to advance the group's interests. The maximum number of shares and/or options that may be issued may not exceed 32 759 885 shares, being 15% of the issued share capital at the inception of the Trust and all subsequent capitalisation issues. The maximum number allowed for any one person is 8 735 969 of the issued share capital of the company. In terms of the scheme rules, 50% of shares issued and options granted may be exercised after two years, 75% after three years and 100% after four years. Further details relating to the Jasco Employee Share Incentive Trust are set out in note 18.1 to the financial statements.

The Spescom Limited Share Incentive Trust was formed in 1990 to enable all employees of the Spescom group to acquire options in Spescom to provide them with incentives to advance the group's interests. No future share options will be issued in terms of this share trust and it will be allowed to wind down. The maximum number of shares and/or options that may be granted by this trust may not exceed 20% of the issued ordinary share capital of Spescom Limited. The maximum number of shares and/or options that may be held by any one participant of the scheme may not exceed 1% of the issued share capital in question. The exercise price of the option is equal to 90% of the average market price determined for the month in which the share option is granted. The contractual life of the options is 10 years.

## Directors

Details of the present directorate of the company are set out on pages 26 to 27 of the Integrated Annual Report. In terms of the memorandum of incorporation of the company, Mr MJ Madungandaba and Mr H Moolla retire at the forthcoming annual general meeting and are eligible for re-election. Sir JA Sherry retired from the board on 13 September 2016.

## Subsidiary companies

Details are given on page 57.

## Borrowings

In terms of the memorandum of incorporation, the directors of the company are permitted to borrow or raise such funds as they deem necessary for the operation of the group. At the close of business on 30 June 2016, the total borrowings less cash resources was R117 279 000 (2015: R187 276 000). At 30 June 2016, the group had approved general banking facilities of R121 860 000 (2015: R126 796 000).

## Subsequent events

The directors are not aware of any material changes of circumstances or facts occurring between the accounting date and the date of this report, apart from the dividends declared.

## Special resolutions

The following special resolutions were passed at the previous annual general meeting:

- Non-executive directors' remuneration
- Financial assistance to a related or inter-related company or companies.

## Dividend

Dividend number 22 of 2 cents per share was declared on 13 September 2016. The record date will be 14 October 2016.



# REPORT OF THE DIRECTORS (continued)

FOR THE YEAR ENDED 30 JUNE 2016

## Directors' interests in share capital

At the close of business on 30 June 2016, the interests of the directors in the issued share capital of the company amounted to:

	2016	2015
<b>Direct – Beneficial</b>		
JC Farrant	150 000	150 000
H Moolla	14 918	14 918
JA Sherry	2 077 108	2 077 108
MSC Bawa	50 509	50 509
AMF da Silva	8 491 106	7 162 288
WA Prinsloo	4 863 711	4 003 830
<b>Indirect – Beneficial</b>		
MJ Madungandaba	19 163 725	19 163 725
ATM Mokgokong	8 213 025	8 213 025
MSC Bawa	3 538 815	3 538 815
<b>Indirect – Non-beneficial</b>		
JC Farrant	5 500	5 500
<b>Total</b>	<b>46 568 417</b>	44 379 718

Options	2016	2015
<b>Direct – Beneficial</b>		
AMF Da Silva	–	1 463 993
WA Prinsloo	–	580 000
<b>Total</b>	–	2 043 993

As announced on SENS on 14 June 2016, AMF da Silva and WA Prinsloo were awarded 1 328 818 and 834 881 shares respectively at 81 cents per share on 13 June 2016 by the Jasco Employee Share Incentive Trust.

As announced on 30 June 2015, AMF da Silva and WA Prinsloo were awarded 5 892 288 and 3 253 830 shares respectively at 55 cents per share on 2 June 2015 by the Jasco Employee Share Incentive Trust.

The company has not been informed of any material changes in these holdings up to the date of this report.

## Prescribed officers' interest in share capital

Options	2016	2015
<b>Direct – Beneficial</b>		
M Janse van Vuuren	2 394 488	1 658 942

As announced on SENS on 30 June 2016, M Janse van Vuuren was awarded 735 546 options at 81 cents per share on 28 June 2016 by the Jasco Employee Share Incentive Trust.

As announced on 30 June 2015, M Janse van Vuuren was awarded 1 021 942 options at 55 cents per share on 2 June 2015 by the Jasco Employee Share Incentive Trust.

# STATEMENT OF COMPREHENSIVE INCOME

FOR THE YEAR ENDED 30 JUNE 2016



	Notes	GROUP		COMPANY	
		2016 R'000	2015 R'000	2016 R'000	2015 R'000
Revenue	4	<b>1 076 429</b>	1 123 818	<b>4 089</b>	3 784
Turnover		<b>1 070 033</b>	1 117 431	–	–
Cost of sales		<b>(759 558)</b>	(792 811)	–	–
Profit before other income and expenses		<b>310 475</b>	324 620	–	–
Other income		<b>12 746</b>	19 133	<b>8 604</b>	7 776
Selling and distribution costs		<b>(2 137)</b>	(1 443)	–	–
Administrative expenses		<b>(205 990)</b>	(227 330)	<b>(7 757)</b>	(9 345)
Other expenses		<b>(73 417)</b>	(187 436)	<b>(281)</b>	(64 214)
Operating profit/(loss)		<b>41 677</b>	(72 456)	<b>566</b>	(65 783)
Finance income	5	<b>6 396</b>	6 387	<b>4 089</b>	3 784
Finance costs	5	<b>(21 596)</b>	(22 433)	<b>(16 309)</b>	(9 150)
Equity accounted share of loss from associate	11	–	(689)	–	–
Profit/(loss) before taxation	5	<b>26 477</b>	(89 191)	<b>(11 654)</b>	(71 149)
Taxation	6	<b>(10 534)</b>	6 343	<b>261</b>	397
Profit/(loss) for the year		<b>15 943</b>	(82 848)	<b>(11 393)</b>	(70 752)
Other comprehensive income		<b>31</b>	(1 190)	–	–
(this may subsequently be reclassified to profit or loss)					
Foreign currency translation reserve arising during the year		<b>31</b>	–	–	–
Reclassification adjustment on deregistration of foreign subsidiary		–	(1 190)	–	–
<b>Total comprehensive income/(loss) for the year</b>		<b>15 974</b>	(84 038)	<b>(11 393)</b>	(70 752)
Income/(loss) for the year attributable to:					
– non-controlling interests		<b>1 765</b>	424	–	–
– ordinary shareholders of the parent		<b>14 178</b>	(83 272)	<b>(11 393)</b>	(70 752)
		<b>15 943</b>	(82 848)	<b>(11 393)</b>	(70 752)
Total comprehensive income/(loss) attributable to:					
– non-controlling interests		<b>1 765</b>	424	–	–
– ordinary shareholders of the parent		<b>14 209</b>	(84 462)	<b>(11 393)</b>	(70 752)
		<b>15 974</b>	(84 038)	<b>(11 393)</b>	(70 752)
Earnings per ordinary share (cents) – basic	7	<b>6,3</b>	(38,7)		
– diluted	7.1	<b>6,3</b>	(38,7)		

# STATEMENT OF FINANCIAL POSITION

AT 30 JUNE 2016

	Notes	GROUP		COMPANY	
		2016 R'000	2015 R'000	2016 R'000	2015 R'000
<b>ASSETS</b>					
Non-current assets		<b>223 974</b>	203 254	<b>147 842</b>	104 195
Plant and equipment	8	<b>61 082</b>	59 419	-	-
Intangible assets	9	<b>88 731</b>	79 891	-	-
Investment in subsidiaries	10			<b>112 738</b>	102 098
Investment in associates	11	-	-	-	-
Deferred income tax	6	<b>31 779</b>	37 483	<b>652</b>	391
Other non-current assets	12	<b>42 382</b>	26 461	<b>34 452</b>	1 706
Non-current assets held for sale	11	-	58 000	-	-
Current assets		<b>408 686</b>	488 169	<b>64 225</b>	133 890
Inventories	13	<b>108 722</b>	99 301	-	-
Trade and other receivables	14	<b>261 689</b>	370 215	<b>174</b>	151
Amounts owing by group companies	10			<b>54 370</b>	133 739
Foreign currency contracts		<b>210</b>	497	-	-
Taxation refundable		<b>6 131</b>	4 037	-	-
Short-term portion of other non-current assets	12	<b>24 678</b>	13 276	<b>9 681</b>	-
Cash and cash equivalents	15	<b>7 256</b>	843	-	-
<b>Total assets</b>		<b>632 660</b>	749 423	<b>212 067</b>	238 085
<b>EQUITY AND LIABILITIES</b>					
Shareholders' equity		<b>231 849</b>	213 103	<b>56 422</b>	67 815
Share capital	16.2	<b>281 283</b>	281 283	<b>281 283</b>	281 283
Treasury shares	17	<b>(6 232)</b>	(6 912)	-	-
Non-distributable reserves	18	<b>6 599</b>	5 484	<b>14</b>	14
Retained loss		<b>(56 901)</b>	(72 087)	<b>(224 875)</b>	(213 482)
<b>Equity attributable to equity holders of the parent</b>		<b>224 749</b>	207 768	<b>56 422</b>	67 815
Non-controlling interests		<b>7 100</b>	5 335	-	-
<b>Non-current liabilities</b>		<b>110 747</b>	134 712	<b>87 065</b>	95 215
Interest-bearing liabilities	19	<b>104 717</b>	126 901	<b>87 065</b>	95 215
Deferred maintenance revenue	20	<b>2 721</b>	3 355	-	-
Deferred income tax	6	<b>3 309</b>	4 456	-	-
<b>Current liabilities</b>		<b>290 064</b>	401 608	<b>68 580</b>	75 055
Trade and other payables	21	<b>180 581</b>	272 637	<b>2 859</b>	2 891
Provisions	22	<b>22 597</b>	23 436	<b>446</b>	673
Amounts owing to group companies	10			<b>223</b>	313
Foreign currency contracts		<b>5 009</b>	731	-	-
Taxation payable		<b>1 656</b>	2 493	-	-
Deferred maintenance revenue	20	<b>60 403</b>	41 093	-	-
Short-term borrowings	23	<b>19 818</b>	61 218	<b>65 052</b>	71 178
<b>Total equity and liabilities</b>		<b>632 660</b>	749 423	<b>212 067</b>	238 085

# STATEMENT OF CASH FLOWS

FOR THE YEAR ENDED 30 JUNE 2016



	Notes	GROUP		COMPANY	
		2016 R'000	2015 R'000	2016 R'000	2015 R'000
<b>Cash flows from operating activities</b>		<b>54 513</b>	(3 678)	<b>(9 612)</b>	(7 621)
Cash receipts from customers		<b>1 235 888</b>	1 058 906	<b>12 365</b>	5 714
Cash paid to suppliers and employees		<b>(1 156 533)</b>	(1 042 285)	<b>(9 409)</b>	(7 969)
Cash generated from/(utilised in) operations	24.1	<b>79 355</b>	16 621	<b>2 956</b>	(2 255)
Interest received		<b>5 662</b>	6 387	<b>3 741</b>	3 784
Interest paid		<b>(21 596)</b>	(22 433)	<b>(16 309)</b>	(9 150)
Taxation paid	24.2	<b>(8 908)</b>	(4 225)	-	-
Dividend withholding tax paid		-	(28)	-	-
<b>Cash flows from investing activities</b>		<b>7 266</b>	(7 795)	<b>23 978</b>	(103 526)
Proceeds on disposal of associate (M-TEC)	24.3	<b>17 745</b>	-	-	-
Disposal of subsidiary, net of cash disposed of	24.4	-	(413)	-	-
Additions to intangibles		<b>(12 152)</b>	(8 078)	-	-
Decrease/(increase) in group company loan accounts				<b>24 693</b>	(103 526)
Receipts from finance lease asset		<b>15 132</b>	14 908	-	-
Increase in loan to the Jasco Employee Share Incentive Trust				<b>(715)</b>	-
Purchase of plant and equipment		<b>(14 538)</b>	(15 616)	-	-
Replacement of plant and equipment	24.5	<b>(2 918)</b>	(560)	-	-
Additions to plant and equipment	24.6	<b>(11 620)</b>	(15 056)	-	-
Proceeds on disposal of plant and equipment		<b>1 079</b>	1 404	-	-
<b>Cash flows from financing activities</b>		<b>(23 081)</b>	(11 557)	<b>(8 240)</b>	101 192
Cash flows from treasury shares		<b>(262)</b>	-	-	-
New shares issued		-	5 948	-	5 948
Non-current loans repaid		<b>(22 819)</b>	(115 415)	<b>(8 150)</b>	-
Non-current loans raised		-	95 215	-	95 215
Transactions with non-controlling shareholders		-	2 695	-	-
(Decrease)/increase in loan amounts owing to group companies				<b>(90)</b>	29
<b>Net increase/(decrease) in cash and cash equivalents</b>		<b>38 698</b>	(23 030)	<b>6 126</b>	(9 955)
Cash and cash equivalents at beginning of year		<b>(31 140)</b>	(8 110)	<b>(71 178)</b>	(61 223)
Revaluation of foreign cash balances		<b>(302)</b>	-	-	-
<b>Net cash and cash equivalents at end of year</b>		<b>7 256</b>	(31 140)	<b>(65 052)</b>	(71 178)
Cash and cash equivalents	15	<b>7 256</b>	843	-	-
Bank overdrafts	23	-	(31 983)	<b>(65 052)</b>	(71 178)
<b>Net cash and cash equivalents at end of year</b>		<b>7 256</b>	(31 140)	<b>(65 052)</b>	(71 178)

# SEGMENTAL REPORT AT 30 JUNE 2016

## Introduction

For management purposes, the group is organised into business units based on their products and services. Management monitors the operating results of its business units separately for the purpose of making decisions about resource allocation and performance assessment.

Kindly refer to the directors' report for more information on the segments.

	INCOME AND EXPENSES			Operating profit/(loss) <sup>†</sup> R'000	FINANCIAL POSITION		
	External R'000	Inter-group R'000	Total R'000		Assets R'000	Liabilities R'000	Capital expenditure R'000
<b>2016</b>							
Carriers	413 833	320	414 153	47 778	151 209	40 307	1 783
Enterprise	308 251	9 709	317 960	3 736	147 783	94 507	12 088
Intelligent Technologies	186 993	3 704	190 697	17 549	84 428	50 935	262
Electrical Manufacturers	164 910	852	165 762	12 600	84 301	23 382	4 374
<b>Sub-total operating divisions</b>	<b>1 073 987</b>	<b>14 585</b>	<b>1 088 572</b>	<b>81 663</b>	<b>467 721</b>	<b>209 131</b>	<b>18 507</b>
Other non-operating divisions	2 442	–	2 442	(36 786)	100 213	191 875	9 612
Adjustments	–	(14 585)	(14 585)	(3 200)	64 726	(195)	(1 429)
<b>Total</b>	<b>1 076 429</b>	<b>–</b>	<b>1 076 429</b>	<b>41 677</b>	<b>632 660</b>	<b>400 811</b>	<b>26 690</b>
<b>2015</b>							
Carriers	412 772	1 547	414 319	48 293	195 008	100 854	947
Enterprise	376 043	4 342	380 385	935	194 373	135 929	9 250
Intelligent Technologies	159 817	4 814	164 631	13 302	105 593	67 087	4 674
Electrical Manufacturers	174 291	615	174 906	12 947	78 749	20 103	1 645
<b>Sub-total operating divisions</b>	<b>1 122 923</b>	<b>11 318</b>	<b>1 134 241</b>	<b>75 477</b>	<b>573 723</b>	<b>323 973</b>	<b>16 516</b>
Other non-operating divisions	895	–	895	(42 716)	113 237	214 991	8 379
Adjustments	–	(11 318)	(11 318)	(105 217)	62 463	(2 644)	(18)
<b>Total</b>	<b>1 123 818</b>	<b>–</b>	<b>1 123 818</b>	<b>(72 456)</b>	<b>749 423</b>	<b>536 320</b>	<b>24 877</b>

<sup>†</sup> Segmental revenue and operating profit of the operating divisions includes the interest received and paid relating to the finance lease receivables, but excludes all other interest paid or received and is stated before making adjustment for inter-group administration fees.

The group has one customer that contributed more than 10% to group revenue, in the Electrical Manufacturers segment.

No secondary information is disclosed as the group mainly operated in one geographical segment during the year.

# SUBSIDIARY COMPANIES INCLUDED IN THESE RESULTS



		EFFECTIVE OWNERSHIP	
	Issued share capital	2016 %	2015 %
<b>Trading companies</b>			
<i>Direct</i>			
Jasco Trading (Pty) Limited	4 180	100	100
Jasco Cables Investments (Pty) Limited	543 780	100	100
Jasco Carrier Solutions (Pty) Limited	4 000	100	100
Jasco Energy and Industry Solutions (Pty) Limited	78 768 056	100	100
Jasco Networks (Pty) Limited	13 400	100	100
Jasco East Africa Limited	100	99	99
Jasco Enterprise (Pty) Limited	100	100	100
Jasco Systems (Pty) Limited	100	100	100
Jasco Managed Solutions (Pty) Limited (formerly Jasco Telecommunications (Pty) Limited)	1 380 120	100	100
<i>Indirect</i>			
Ferro Resonant Technologies (Pty) Limited <sup>§</sup>	1 000	100	100
Maringo Communications (Pty) Limited <sup>#</sup>	228	100	100
MV Fire Protection (Pty) Limited <sup>§</sup>	297	51	51
NewTelco South Africa (Pty) Limited <sup>§</sup>	100	67	67
Jasco Services (Pty) Limited <sup>§</sup>	100	82	82
<b>Dormant</b>			
Jasco Converged Solutions (Pty) Limited <sup>§</sup>	1 001	100	100
Jasco Properties (Pty) Limited	100	100	100
Jasco Transmission & Distribution (Pty) Limited*	100	100	100
Spescom Electronics Holdings (Pty) Limited	20 000	100	100
Telesto Communications (Pty) Limited	1 000	100	100
Webb Industries (Pty) Limited <sup>®</sup>	1 000	100	100
Webb Masts and Towers (Pty) Limited	400	100	100

With the exception of Jasco East Africa (Kenya) all the subsidiary companies are registered in South Africa.

\* Shares owned by Jasco Trading (Pty) Limited

# Shares owned by Jasco Carrier Solutions (Pty) Limited

§ Shares owned by Jasco Energy and Industry Solutions (Pty) Limited

® Shares owned by Webb Masts and Towers (Pty) Limited

	2016 R'000	2015 R'000
Aggregate profits of subsidiaries	58 034	59 652
Aggregate losses of subsidiaries	(2 851)	(188 392)
	55 183	(128 740)

# ORDINARY SHARE PERFORMANCE AND SHAREHOLDING

## Statistical highlights for the six years ended 30 June 2016

	2016	2015	2014	2013	2012	2011
<b>Jasco share price</b>						
Lowest share price (cents)	38	47	58	85	90	70
Highest share price (cents)	87	125	114	175	150	155
Closing share price (cents)	84	56	90	99	150	101
<b>Analysis of Jasco share transactions</b>						
Total number of transactions recorded on JSE	1 241	1 717	1 684	3 151	2 390	1 533
Total number of shares traded ('000)	23 220	15 696	20 246	24 594	24 365	21 219
Total number of shares traded as a percentage of weighted average issued shares (%)	10,1	7,1	11,6	16,8	16,6	14,5
Total value of shares traded (R'000)	14 018	12 035	16 564	35 213	27 870	24 956

## Analysis of Jasco shareholding at 30 June 2016

	Number of shareholders	% of total	Number of shares	% of total
<b>Size of shareholding</b>				
1 – 1 000	1 413	49,01	442 927	0,19
1 001 – 5 000	624	21,64	1 690 216	0,74
5 001 – 10 000	245	8,50	1 968 407	0,86
10 001 – 100 000	481	16,68	15 645 112	6,82
100 001 and over	120	4,17	209 572 529	91,39
	2 883	100,00	229 319 191	100,00
<b>Analysis of shareholders</b>				
Class				
– individuals	2 572	89,21	48 359 446	21,09
– financial institutions and corporate bodies	311	10,79	180 959 745	78,91
	2 883	100,00	229 319 191	100,00
<b>Major shareholders (5% or more of shares in issue)</b>				
– Goldsol II (Pty) Limited			50 000 000	21,80
– AfroCentric Investment Corporation Limited			44 263 793	19,30
– Community Investment Holdings (Pty) Limited (CIH)*			27 376 750	11,94
– TMM Holdings (Pty) Limited			23 564 619	10,28
<b>Analysis of Jasco shareholders' spread at 30 June 2016</b>				
Non-public				
– BEE partners	6	0,21	129 062 945	56,28
– Jasco directors <sup>†</sup>	7	0,24	9 945 225	4,34
– Associates of Jasco directors	1	0,03	5 500	–
– Jasco Employee Share Incentive Trust	1	0,03	3 469 362	1,51
– Spescom Limited Share Trust	1	0,03	2 164 837	0,94
	16	0,54	144 647 869	63,07
Public	2 867	99,46	84 671 322	36,93
	2 883	100,00	229 319 191	100,00

<sup>†</sup> Refer to the directors' report on page 52 for detailed information of the directors' interest in share capital.

\* CIH's shares are held by Malesela Holdings No 1 (Pty) Limited and the Inkonkoni Trust.

# NOTICE OF ANNUAL GENERAL MEETING



## Jasco Electronics Holdings Limited

(Incorporated in the Republic of South Africa)

Registration number: 1987/003293/06

JSE share code: JSC

ISIN: ZAE000003794

("Jasco" or "the company" or "the group")

Notice is hereby given that the 28th annual general meeting of shareholders for the year ended 30 June 2016 will be held in the company's auditorium, Jasco Office Park, Corner Alexandra Avenue and 2nd Street, Halfway House, Midrand on Wednesday, 2 November 2016 at 14:00 to consider, and if deemed fit, to pass with or without modification, the following resolutions as set out in this notice.

The board of directors of the company has determined, in accordance with section 62(3)(a), read with section 59(1)(a) and (b) of the Companies Act, No 71 of 2008, as amended (Companies Act), that the record dates for the purposes of determining which shareholders are entitled to:

- receive notice of the annual general meeting (the posting record date) is Friday, 16 September 2016; and
- attend, participate in and vote at the annual general meeting (the voting record date) is Friday, 21 October 2016.

## PRESENTATION OF AUDITED ANNUAL FINANCIAL STATEMENTS

The annual financial statements of the company and the group, including the reports of the directors, group audit and risk committee and the independent auditors, for the year ended 30 June 2016, will be presented to shareholders as required in terms of section 30(3)(d) of the Companies Act (abbreviated versions have been included in the Integrated Annual Report, with the full annual statements available on our website).

## PRESENTATION OF GROUP SOCIAL AND ETHICS COMMITTEE REPORT

A report of the members of the group social and ethics committee for the year ended 30 June 2016, as included in the Integrated Annual Report, will be presented to shareholders as required in terms of Regulation 43 of the Companies Regulations, 2011.

## RESOLUTIONS FOR CONSIDERATION AND ADOPTION

### 1. To re-elect Mr MJ Madungandaba and Mr H Moolla. Brief resumes for these directors appear on pages 26 and 27 of this report.

In accordance with the provisions of clause 28.8 of the company's memorandum of incorporation (Mol) and the Companies Act, which provide that at each general meeting of the company, one-third of the directors shall retire from office, but such directors may offer themselves for re-election. The board of directors has assessed the performance of the directors standing for election and re-election, as the case may be

and has found them suitable for appointment and reappointment.

### 1.1 Ordinary resolution number 1: Re-election of Mr MJ Madungandaba as a director

"RESOLVED that Mr MJ Madungandaba, who retires by rotation in terms of the Mol of the company and is eligible and available for re-election as a director of the company be and is hereby re-elected as a director of the company with effect from 2 November 2016."

### 1.2 Ordinary resolution number 2: Re-election of Mr H Moolla as a director

"RESOLVED that Mr H Moolla, who retires by rotation in terms of the Mol of the company and is eligible and available for re-election as a director of the company be and is hereby re-elected as a director of the company with effect from 2 November 2016."

*For the above resolutions to be passed, votes in favour must represent at least 50% + 1 of all votes cast and/or exercised at the meeting.*

### 2. Ordinary resolution number 3: Election of group audit and risk committee members

"RESOLVED that an audit and risk committee comprising independent non-executive directors, as provided in section 94(4) of the Act, set out below be and is hereby appointed in terms of section 94(2) of the Act to hold office until the next annual general meeting and to perform the duties and responsibilities stipulated in section 94(7) of the Companies Act and King III Report on Governance for South Africa 2009 and to perform such other duties and responsibilities as may from time to time be delegated by the board of directors for the company and all subsidiary companies.

The board of directors has assessed the performance of the group audit and risk committee members standing for election and has found them suitable for appointment. Brief CVs for these directors appear on pages 26 and 27 of this report. The retirement of Sir JA Sherry, creates a vacancy on the group Audit and Risk Committee which will be filled as soon as possible, through the appointment of a suitable independent non-executive director.

Mr JC Farrant (chairman); and

Mr H Moolla (member)."

*For the above resolution to be passed, votes in favour must represent at least 50% + 1 of all votes cast and/or exercised at the meeting.*

### 3. Ordinary resolution number 4: Election of group social and ethics committee members

"RESOLVED that a social and ethics committee, as provided in section 72(4) of the Act, and Regulation 43 of the Companies Regulations, 2011, set out below be and is hereby appointed in terms of regulation

# NOTICE OF ANNUAL GENERAL MEETING (continued)

43(2) of the Regulations to hold office until the next annual general meeting and to perform the duties and responsibilities stipulated in Regulation 43(5) of the Regulations and to perform such other duties and responsibilities as may from time to time be delegated by the board of directors for the company and all subsidiary companies.

The board of directors has assessed the performance of the group social and ethics committee members standing for re-election and has found them suitable for reappointment. Brief CVs for these members appear on pages 26 to 27 of this report.

Mr H Moolla (chairman);

Mr AMF da Silva (member); and

Mr TS Peñe (member)."

*For the above resolution to be passed, votes in favour must represent at least 50% + 1 of all votes cast and/or exercised at the meeting.*

#### 4. Ordinary resolution number 5: Reappointment of independent external auditors

As set out on page 46 the group audit and risk committee has assessed Ernst & Young Incorporated's performance, independence and suitability and has nominated them for reappointment as independent external auditors of the group, to hold office until the next annual general meeting.

"RESOLVED that Ernst & Young Incorporated, with the designated audit partner being Mr Gerwin Weinreich, be and is hereby reappointed as independent external auditors of the group for the ensuing year."

*For this resolution to be passed, votes in favour must represent at least 50% + 1 of all votes cast and/or exercised at the meeting.*

#### 5. Ordinary resolution number 6: Approval of the remuneration policy

"RESOLVED that through a non-binding advisory vote that the company's remuneration policy and its implementation, as set out in the remuneration report contained on pages 38 to 41 of this report, be and is hereby approved.

This ordinary resolution is of an advisory nature only and although the board will take the outcome of the vote into consideration when determining the remuneration policy, failure to pass this resolution will not legally preclude the company from implementing the remuneration policy as contained in this report."

*For this resolution to be passed, votes in favour must represent at least 50%+1 of all votes cast and/or exercised at the meeting.*

#### 6. Ordinary resolution number 7: General authority to place the authorised but unissued shares under the directors' control

It would be of advantage to grant the directors the necessary authority to enable the company to take expeditiously advantage of business opportunities (in the form of rights offers, acquisition issues and/or acquisitions of any shares in any group company owned by any minorities (as set out in paragraph (b) of the resolution below)). In order to be in a position to do so, the company is required, in terms of clause [9.4] of its Mol, to have shareholder approval to issue shares in such circumstances.

The company understands that this authority cannot be open-ended, and has therefore proposed that it be granted subject to:

- the restrictions set out below, particularly that the number of shares it is authorised to issue be limited to 29,95% (twenty nine point nine five percent) of the ordinary shares in issue as at the date of this notice of AGM, excluding treasury shares; and
- the company not being entitled and having no authority to issue any shares over and above the aforementioned threshold of 67 000 000 ordinary shares (which represents 29,95% (twenty nine point nine five percent) of the ordinary shares in issue as at the date of the notice of the AGM, excluding treasury shares), whether such issue is pursuant to this ordinary resolution 7 or pursuant to ordinary resolution 8.

"RESOLVED to place the undermentioned ordinary shares in the authorised but unissued share capital of the company at the disposal and under the control of the directors, until the next AGM of the company, who are hereby authorised and empowered, subject to the provisions of the Act and the JSE Listings Requirements, to allot, issue and otherwise dispose of such shares to such person/s on such terms and conditions and at such time/s as the directors may from time to time in their discretion deem fit, subject to:

- (a) a maximum amount of [insert] ordinary shares, which represents 29,95% (twenty nine point nine five percent) of the ordinary shares in issue as at the date of the notice of the AGM, excluding treasury shares, being placed at the disposal and under the control of the directors;
- (b) the company not being entitled and having no authority to issue any shares over and above the aforementioned threshold of 67 000 000 ordinary shares, which represents 29,95% (twenty nine point nine five percent) of the ordinary shares in issue as at the date of the notice of the AGM, excluding treasury shares), whether such issue is pursuant to this ordinary resolution 7 or pursuant to ordinary resolution 8;
- (c) this resolution shall not authorise the directors to effect an issue of shares for cash as contemplated in the JSE Listings Requirements; and
- (d) such authority shall be utilised to effect or implement relevant corporate action including but not limited to rights offers, acquisition issues and/or acquisitions of any shares in any group company owned by any minorities.

*For this resolution to be passed, votes in favour must represent at least 50%+1 of all votes cast and/or exercised at the meeting.*

#### 7. Ordinary resolution number 8: General authority to issue shares, and to sell treasury shares for cash

"Resolved, as an Ordinary Resolution, that the directors of the company and/or any of its subsidiaries, be and are hereby authorised, from time to time, by way of a general authority, to:

- allot and issue 11 465 959 shares or options (which number represents up to 5% of the company's equity shares at the date of this notice) in respect of all or any of the authorised but unissued ordinary shares in the capital of the company; and/or



- sell or otherwise dispose of or transfer, or issue any options in respect of ordinary shares in the capital of the company purchased by subsidiaries of the company; and
- issue shares for cash, to such person/s on such terms and conditions and at such times as the directors in their discretion deem fit, subject to the following limitations:
  - The securities which are the subject of the issue for cash must be of a class already in issue, or where this is not the case, must be limited to such securities or rights that are convertible into a class already in issue.
  - Any such issue may only be made to public shareholders as defined by the JSE Listings Requirements and not to related parties.
  - The number of ordinary shares issued for cash shall not in any one financial year in the aggregate exceed 5% (five percent) of the number of issued ordinary shares.
  - This general authority is valid until the earlier of the company's next annual general meeting or expiry of a period of 15 (fifteen) months from the date that this authority is given.
  - An announcement giving full details, will be released when the company has issued ordinary shares representing, on a cumulative basis within 1 (one) financial year, 5% (five percent) or more of the number of ordinary shares in issue prior to the issue.
  - In determining the price at which an issue of ordinary shares may be made in terms of this authority, the maximum discount permitted will be 10% (ten percent) of the weighted average traded price on the JSE of the ordinary shares over the 30 (thirty) business days prior to the date that the price of the issue is agreed between the company and the party subscribing for the shares.
  - Whenever the company wishes to use ordinary shares, held as treasury stock by a subsidiary of the company, such use must comply with the JSE Listings Requirements as if such use was a fresh issue of ordinary shares."

At present, the directors have no specific intention to use this authority and the authority will thus only be used if circumstances are appropriate.

*The reason for proposing ordinary resolution number 8 is to seek a general authority and approval for the directors to allot and issue ordinary shares in the authorised but unissued share capital of the company (excluding shares issued pursuant to the company's share incentive scheme), up to 5% (1 465 959 shares) of the number of ordinary shares of the company in issue at the date of passing of this resolution, in order to enable the company to take advantage of business opportunities which might arise in the future.*

*For this resolution to be passed, votes in favour must represent at least 75% + 1 of all votes cast and/or exercised at the meeting.*

#### 8. Ordinary resolution number 9: Authorise directors and/or secretary

"RESOLVED that any one director and/or group company secretary of the company or equivalent be and are hereby authorised to do all such things and to sign all such documents that are deemed necessary to implement the resolutions set out in the notice convening the annual general meeting at which these resolutions will be considered."

*For this resolution to be passed, votes in favour must represent at least 50% + 1 of all votes cast and/or exercised at the meeting.*

#### 9. Special resolution number 1: Non-executive directors' fees

To approve the remuneration of non-executive directors for the period 1 January 2017 until 31 December 2017.

Approval in terms of section 66 of the Companies Act is required to authorise the company to remunerate for their services as directors. Furthermore, in terms of King III and as read with the JSE Listings Requirements, remuneration payable to non-executive directors should be approved by shareholders in advance or within the previous two years.

"RESOLVED as a special resolution in terms of the Companies Act, No 71 of 2008, as amended that the remuneration of non-executive directors for the period 1 January 2017 until 31 December 2017 be and is hereby on the basis as set out as follows:

	Current Rand	Proposed Rand
Chairman of the board	422 775	448 142
Deputy chairman of the board	410 487	435 116
Audit and risk committee chairman	324 625	344 103
Social and ethics committee chairman	318 598	337 714
Remuneration committee chairman	318 598	337 714
Member of a sub-committee	246 615	261 412
Member of the board	173 323	183 722

*For this resolution to be passed, votes in favour of the resolution must represent at least 75% of all votes cast and/or exercised at the meeting.*

#### 10. Special resolution number 2: Financial assistance to a related or inter-related company or companies

"RESOLVED as a special resolution in terms of the Companies Act, No 71 of 2008, as amended, that the provision by the company of any direct or indirect financial assistance as contemplated in section 45 of the Companies Act to any 1 (one) or more related or interrelated companies of the company, be and is hereby approved, provided that:

1. (i) the specific recipient(s) of such financial assistance;
- (ii) the form, nature and extent of such financial assistance;
- (iii) the terms and conditions under which such financial assistance is provided, are determined by the board of directors of the company from time to time;

# NOTICE OF ANNUAL GENERAL MEETING (continued)

- the board has satisfied the requirements of section 45 of the Companies Act in relation to the provision of any financial assistance;
- such financial assistance to a recipient is in the opinion of the board of directors of the company, required for a purpose which, in the opinion of the board of directors of the company, is directly or indirectly in the interest of the company; and
- the authority granted in terms of this special resolution will remain valid for 2 (two) years or until the next annual general meeting."

*For this resolution to be passed, votes in favour of the resolution must represent at least 75% of all votes cast and/or exercised at the meeting.*

## 11. To transact such other business as may be transacted at an annual general meeting

### Litigation statement

Other than disclosed or accounted for in the annual financial statements, the directors of the company, whose names appear on pages 26 and 27 of this report, are not aware of any legal or arbitration proceedings, pending or threatened against the group, which may have or have had a material effect on the group's financial position in the 12 months preceding the date of this notice of annual general meeting.

### Material changes

Other than the facts and developments reported in the annual financial statements, there have been no material changes in the affairs, financial or trading position of the group since the signature date of the Integrated Annual Report and the posting date.

Further disclosure required in terms of the JSE Listings Requirements are set out in accordance with the reference pages in the annual financial statements of which this notice forms part:

- directors and management – refer to pages 26 to 29 of the Integrated Annual Report;
- major shareholders of the company – refer to page 58 of the Integrated Annual Report;
- directors' interest in the company's shares – refer to page 52 of the Integrated Annual Report; and
- share capital of the company – refer to page 36 of the consolidated financial statements.

### Identification, voting and proxies

In terms of section 63(1) of the Act, any person attending or participating in the annual general meeting must present reasonable satisfactory identification and the person presiding at the annual general meeting must be reasonably satisfied that the right of any person to participate in and vote (whether as a shareholder or as a proxy for a shareholder) has been reasonably verified. Suitable forms of identification will include the presentation of valid identity documents, driver's licences and passports.

The votes of shares held by share trusts classified as schedule 14 trusts in terms of the JSE Listings Requirements will not be taken into account at the annual general meeting for approval of any resolution proposed in terms of the JSE Listings Requirements.

A form of proxy is attached for the convenience of any certificated or dematerialised Jasco shareholders with own-name registrations who cannot attend the annual general meeting, but who wish to be represented thereat. To be valid completed forms of proxy must be received by the transfer secretaries of the company, Link Market Services South Africa (Pty) Limited, 11 Diagonal Street, Johannesburg, by no later than 14:00 on Monday, 31 October 2016.

All beneficial owners of Jasco shares who have dematerialised their shares through a CSDP or broker, other than those with own-name registration, and all beneficial owners of shares who hold certificated shares through a nominee, must provide their CSDP, broker or nominee with their voting instructions, in accordance with the agreement between the beneficial owner and the CSDP, broker or nominee as the case may be. Should such beneficial owners wish to attend the meeting in person they must request their CSDP, broker or nominee to issue them with the appropriate letter of authority. If shareholders who have not dematerialised their shares or who have dematerialised their shares with own-name registration and who are entitled to attend and vote at the annual general meeting do not deliver forms of proxy to the transfer secretaries timeously, such shareholders will nevertheless at any time prior to the commencement of the voting on the resolutions at the annual general meeting be entitled to lodge the form of proxy in respect of the annual general meeting, in accordance with the instructions therein with the chairman of the annual general meeting.

Each shareholder is entitled to appoint one or more proxies (who need not be shareholders of Jasco) to attend, speak and vote in his/her stead. On a show of hands every shareholder who is present in person or by proxy shall have one vote, and, on a poll, every shareholder present in person or by proxy shall have one vote for each share held by him/her.

Jasco does not accept responsibility and will not be held liable for any failure on the part of a CSDP or broker to notify such Jasco shareholder of the annual general meeting.

By order of the board



**CD du Plessis**  
Sekretari (Pty) Limited  
Group company secretary

Midrand  
16 September 2016

# FORM OF PROXY



## Jasco Electronics Holdings Limited

(Incorporated in the Republic of South Africa)

(Registration number: 1987/003293/06)

Share code: JSC ISIN: ZAE000003794

("Jasco")

For use ONLY by certificated shareholders and own-name dematerialised shareholders at the annual general meeting of Jasco shareholders to be held in the company's boardroom, Corner Alexandra Avenue and 2nd Street, Halfway House, Midrand, at 14:00 on 2 November 2016 or such later time that may be applicable ("the annual general meeting" or "AGM").

Dematerialised shareholders, other than with own-name registration, must NOT complete this form of proxy and must provide their Central Securities Depository Participant (CSDP) or broker with their voting instructions in terms of the custody agreement entered into between such shareholders and their CSDP or broker.

I/We \_\_\_\_\_ (Please print name in full)

of \_\_\_\_\_ (address)

being the registered holder/s of \_\_\_\_\_ ordinary shares in Jasco, hereby appoint (refer note 1):

1. \_\_\_\_\_ or failing him/her,

2. \_\_\_\_\_ or failing him/her,

3. the chairperson of the annual general meeting,

as my/our proxy to attend, speak and vote on my/our behalf at the annual general meeting which will be held for the purpose of considering and, if deemed fit, passing, with or without modification, the resolutions to be proposed thereat and at any adjournment thereof and to vote for or against the resolutions or to abstain from voting in respect of the shares in the issued capital of Jasco registered in my/our name/s, in accordance with the following instruction (refer to note 2):

	In favour	Against	Own discretion	Abstain
<b>As ordinary resolutions</b>				
1. To elect or re-elect directors				
1.1 To elect Mr MJ Madungandaba who retires by rotation and is eligible and available for re-election				
1.2 To elect Mr H Moolla who retires by rotation and is eligible and available for re-election				
2. To approve group audit and risk committee members				
3. To approve group social and ethics committee members				
4. To reappoint Ernst & Young Inc. as independent auditors of the company and the group and to note Mr Gerwin Weinreich as the designated audit partner until the next annual general meeting				
5. To endorse, through a non-binding advisory vote, the company's remuneration policy and its implementation, as set out in the remuneration report contained in the integrated annual report				
6. To place the authorised but unissued shares under the directors' control				
7. General authority to issue shares, and to sell treasury shares for cash				
8. To authorise directors and/or secretary of the company to implement the resolutions set out in the notice convening the annual general meeting				
<b>As special resolutions:</b>				
1. To approve the remuneration to be paid to the non-executive directors for the period 1 January 2017 until 31 December 2017				
2. To authorise financial assistance to related and inter-related companies				
<i>* Insert an "X" in the appropriate spaces above according to how you wish your votes to be cast. If no indication is given, the proxy may vote or abstain as he/she sees fit. If you wish to cast your votes in respect of a lesser number of shares than you own in Jasco, insert the number of shares held in respect of which you desire to vote (refer to note 2).</i>				

Signed at \_\_\_\_\_ on \_\_\_\_\_ 2016

Signature \_\_\_\_\_

Any Jasco shareholder entitled to attend and vote at the annual general meeting and at any adjournment thereafter may appoint one or more proxies to attend, speak and to vote in place of such Jasco shareholder. A proxy so appointed need not be a Jasco shareholder.

**Please read the notes overleaf.**



# NOTES TO THE FORM OF PROXY

## In accordance with section 58 of the Companies Act, 71 of 2008

1. A Jasco shareholder may insert the name of a proxy or the names of two alternative proxies of the Jasco shareholder's choice in the space/s provided, with or without deleting "the chairperson of the annual general meeting", but any such deletion must be initialled by the Jasco shareholder concerned. The person whose name appears first on the form of proxy and who is present at the annual general meeting will be entitled to act as proxy to the exclusion of those whose names follow.
2. Please insert an "X" in the relevant spaces according to how you wish your votes to be cast. However, if you wish to cast your votes in respect of a lesser number of shares than you own in Jasco, insert the number of ordinary shares held in respect of which you desire to vote. Failure to comply with the above will be deemed to authorise the proxy to vote or to abstain from voting at the annual general meeting as he/she deems fit in respect of all the shareholder's votes exercisable thereat. A Jasco shareholder or his/her proxy is not obliged to use all the votes exercisable by the Jasco shareholder or by his/her proxy, but the total of the votes cast and in respect whereof abstentions recorded may not exceed the total of the votes exercisable by the shareholder or by his/her proxy.
3. The date must be filled in on this form of proxy when it is signed.
4. The completion and lodging of this form of proxy will not preclude the relevant Jasco shareholder from attending the annual general meeting and speaking and voting in person thereat to the exclusion of any proxy appointed in terms hereof. Where there are joint holders of shares, the vote of the senior joint holder who tenders a vote, as determined by the order in which the names stand in the register of members, will be accepted.
5. Documentary evidence establishing the authority of a person signing this form of proxy in a representative capacity must be attached to this form of proxy unless previously recorded by the transfer secretaries of Jasco or waived by the chairperson of the annual general meeting of Jasco shareholders.
6. Any alterations or corrections made to this form of proxy must be initialled by the signatory/(ies).
7. A minor must be assisted by his/her parent or guardian unless the relevant documents establishing his/her legal capacity are produced or have been registered by the transfer secretaries of Jasco.
8. Completed forms of proxy and the authority (if any) under which they are signed must be lodged with or posted to and received by the transfer secretaries, Link Market Services South Africa (Pty) Limited, at 13th Floor Rennie House, 19 Ameshoff Street, Braamfontein, 2001 or the company secretary at Corner of Alexandra Avenue and 2nd Street, Halfway House, Midrand, 1632 (PO Box 860, Wendywood, 2144), by no later than 14:00 on Monday, 31 October 2016, being no later than 48 (forty-eight) hours before the annual general meeting to be held at 14:00 on 2 November 2016, provided that should the transfer secretaries or the company secretary receive a Jasco shareholder's form of proxy less than 48 (forty-eight) hours before the annual general meeting, such Jasco shareholder will also be required to furnish a copy of such form of proxy to the chairman of the annual general meeting before the appointed proxy exercises any of such Jasco shareholder's rights at the annual general meeting (or any adjournment of the general meeting).
9. Documentary evidence of all meeting participants, including proxies, must be attached to this proxy, unless previously recorded by the company secretary. CSDPs or brokers registered, voting on behalf or at the instruction of the form beneficial owners of shares registered, are requested that they identify the beneficial owners in the register on whose behalf they are voting and return a copy of the instruction of such owner to the company secretary or to the Transfer Secretaries, Link Market Services.
10. The chairman of the annual general meeting may accept or reject any form of proxy, in her/his absolute discretion, if it is completed other than in accordance with these notes.
11. If required, additional forms of proxy are available from the transfer secretaries of Jasco.
12. Dematerialised shareholders, other than with own-name registration, must NOT complete this form of proxy and must provide their CSDP or broker with their voting instructions in terms of the custody agreement entered into between such shareholders.
13. The directors have not made any provision of the electronic participation at the AGM.

# CORPORATE INFORMATION

## Group company secretary

Sekretari (Pty) Limited (represented by CD du Plessis)

## Registered office

Jasco Electronics Holdings Limited

Jasco Park

Corner Alexandra Avenue and 2nd Street

Midrand, Halfway House, 1685

(PO Box 860, Wendywood, 2144)

Telephone: +27 11 266 1500

## Auditors

Ernst & Young Inc.

Registered Auditor

102 Rivonia Road

Sandton, 2196

## Commercial bankers

The Standard Bank of South Africa Limited

Corporate and Investment Banking

3 Simmonds Street

Johannesburg, 2001

First National Bank of Southern Africa Limited

RMB Corporate

Corner Pritchard and Simmonds Streets

Johannesburg, 2001

## Transfer secretaries

Link Market Services South Africa (Pty) Limited

13th Floor, Rennie House

19 Ameshoff Street

Braamfontein, 2001

(PO Box 4844, Johannesburg, 2000)

## Sponsor

Grindrod Bank Limited

Fourth Floor Grindrod Towers

8A Protea Place

Sandton, 2196

# SHAREHOLDERS' DIARY

Annual general meeting

2 November 2016

## Reports

Interim for half-year to 31 December 2015

Published 10 February 2016

Audited results for the year to 30 June 2016

Published 26 September 2016

Integrated annual report posting date

30 September 2016





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2nd Street, Midrand, Gauteng



**WEBSITE**  
[www.jasco.co.za](http://www.jasco.co.za)