

Notes to the Annual Financial Statements

for the year ended 29 February 2004

1. PRESENTATION OF FINANCIAL STATEMENTS

The annual financial statements, the classification and presentation of its components are consistent with prior periods, excluding the modifications for the revaluation of certain financial instruments to fair value and consolidation of the share trust.

2. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES

The annual financial statements of the group are prepared as a going concern on a historical cost basis, except for certain financial assets and liabilities that are measured on a fair value basis in terms of AC133 - Financial Instruments: Recognition and Measurement. The financial statements conform to South African Statements of Generally Accepted Accounting Practice and the Companies Act of South Africa (Act 61 of 1973). The following principal accounting policies have been consistently applied in all material respects, except for changes implemented due to AC133 that was introduced with effect from 1 October 2002 and the consolidation of the share trust, the effects of which are disclosed in note 10.

Basis of Consolidation

The consolidated annual financial statements incorporate the annual financial statements of the company and its subsidiary companies. The operating results of subsidiary companies are included from the effective dates of acquisition, up to the effective dates of disposal. All significant inter-company transactions and balances have been eliminated.

The JSE Securities Exchange of South Africa ("JSE") issued guidance on the consolidation of share trusts and the Datacentrix Holdings Share Trust has accordingly been consolidated into the financial statements of the group. Premiums that arise on the acquisition of subsidiary companies and any excess of the net assets of a subsidiary company over the cost of acquisition are treated in terms of the group's accounting policy for goodwill and negative goodwill.

Investment in Associate

An associate is an enterprise in which the group holds an equity interest and over which it has the ability to exercise significant influence, but not control, through its financial and operating policy decisions. It is neither a subsidiary nor a joint venture. The results, assets and liabilities of the associate are incorporated in the group's annual financial statements using the equity method of accounting. Interests in associates are carried in the balance sheet at cost as adjusted by post acquisition changes in the group's share of the net assets of the associate, less any impairment in the value of the investment.

Impairment of Assets

At each reporting date, the group reviews the carrying amounts of its tangible and intangible assets to determine whether there is any indication that those assets have suffered an impairment loss. If any such indication exists, the recoverable amount of the asset is estimated in order to determine the extent of the impairment loss (if any). Where it is not possible to estimate the recoverable amount of an individual asset, the group estimates the recoverable amount of the cash-generating unit to which the asset belongs. If the recoverable amount of an asset (or cash-generating unit) is estimated to be less than its carrying amount, its carrying amount is reduced to its recoverable amount. Impairment losses are recognised in the income statement.

Other than for goodwill, where an impairment loss subsequently reverses, the carrying amount of the asset (cash generating unit) is increased to the revised estimate of its recoverable amount. This is done so that the increased carrying amount does not exceed the carrying amount that would have been determined had no impairment loss been recognised in prior years. A reversal of an impairment loss is recognised in the income statement.

Property and Equipment

All items of property and equipment are stated at original cost less accumulated depreciation. Depreciation is charged so as to write off the cost of assets over their estimated useful lives, using the straight-line method, on the following basis:

Buildings:	5%
Motor vehicles:	25%
Furniture and fittings:	16,67%
Computer equipment:	33,33%
Office equipment:	15 to 33,33%
Software:	33,33%
Leasehold improvements:	over period of lease

2. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (continued)

Property and Equipment (continued)

Assets held under finance leases are depreciated over their expected useful lives on the same basis as owned assets or, where shorter, the term of the relevant lease. When the recoverable amount of an asset has declined below its carrying amount, the carrying amount is reduced to reflect the decline in value. In determining the recoverable amount of assets, expected cash flows are discounted to their present values.

The gain or loss arising on the disposal or scrapping of an asset is determined as the difference between the sales proceeds and the carrying amount of the asset and is recognised in income. Loose tool replacements are written off to income in the year in which the expense is incurred, and are shown at a nominal value in the balance sheet.

Leases

Leases are classified as finance leases whenever the terms of the lease transfer, substantially, all the risks and rewards of ownership to the lessee. All other leases are classified as operating leases.

Assets held under finance lease are recognised as assets of the group at their fair value at the date of acquisition. The corresponding liability to the lessor is included in the balance sheet as a finance lease obligation. Finance costs, which represent the difference between the total leasing commitments and the fair value of the assets acquired, are charged to the income statement over the term of the relevant lease so as to produce a constant periodic rate of charge on the remaining balance of the obligations for each accounting period.

Taxation

Taxation represents the sum of the tax currently payable and deferred tax. The charge for current tax is based on the results for the year as adjusted for items, which are non-assessable or disallowed. It is calculated using tax rates that have been enacted or substantively enacted by the balance sheet date.

Deferred tax is accounted for using the balance sheet liability method in respect of temporary differences arising from differences between the carrying amount of assets and liabilities in the financial statements and the corresponding tax basis used in the computation of taxable profit. In principle, deferred tax liabilities are recognised for all taxable temporary differences and deferred tax assets are recognised to the extent that it is probable that taxable profit will be available against which deductible temporary differences can be utilised. Such assets and liabilities are not recognised if the temporary difference arises from goodwill (or negative goodwill) or from the initial recognition (other than in a business combination) of other assets and liabilities in a transaction, which affects neither the tax profit nor the accounting profit.

Deferred tax liabilities are recognised for taxable temporary differences arising from investment in subsidiaries and associates, and interests in joint ventures, except where the group is able to control the reversal of the temporary difference and it is probable that the temporary difference will not reverse in the foreseeable future.

Deferred tax is calculated at the tax rates that are expected to apply to the period when the asset is realised or the liability is settled. Deferred tax is charged or credited in the income statement, except when it relates to items credited or charged directly to equity, in which case the deferred tax is also dealt with in equity.

Inventories

Inventories are stated at the lower of cost and net realisable value. Cost is determined on the weighted average basis. Redundant and slow-moving stocks are identified and written down with regard to their estimated economic or realisable values. Spares stock is depreciated over the average period of the underlying long-term contracts.

Financial Instruments

Financial assets and financial liabilities are recognised on the balance sheet when the entity becomes a party to the contractual provisions of the instrument.

Trade Receivables

Trade receivables are stated at their nominal value as reduced by appropriate allowances for estimated irrecoverable amounts.