

Notes to the Annual Financial Statements (continued)

for the year ended 29 February 2004

2. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (continued)

Financial Instruments (continued)

Investments

Investments are recognised on a trade-date basis and are initially measured at cost, including transaction costs.

At subsequent reporting dates, debt securities that the group has the expressed intention and ability to hold to maturity (held-to-maturity debt securities) are measured at amortised cost, less any impairment loss recognised to reflect irrecoverable amounts. The annual amortisation of any discount or premium on the acquisition of a held-to-maturity security is aggregated with other investment income receivable over the term of the instrument so that the revenue recognised in each period represents a constant yield on the investment.

Investments other than held-to-maturity debt securities are classified as either held-for-trading or available-for-sale, and are measured at subsequent reporting dates at fair value. Where securities are held for trading purposes, gains and losses arising from changes in fair value are included in net profit or loss for the period. For available-for-sale investments, gains and losses arising from changes in fair value are recognised directly in equity, until the security is disposed of or is determined to be impaired, at which time the cumulative gain or loss previously recognised in equity is included in the net profit or loss for the period.

Financial Liability and Equity

Financial liabilities and equity instruments are classified according to the substance of the contractual arrangements entered into. Debt instruments issued which carry a right to convert to equity that is dependent on the outcome of uncertainties beyond the control of both the group and the holder are classified as liabilities except where the possibility of non-conversion is remote.

Trade Payables

Trade payables are stated at their nominal value.

Derivative Financial Instruments

The group uses derivative financial instruments (primarily foreign currency forward contracts) to hedge its risks associated with foreign currency fluctuations relating to certain firm commitments and forecasted transactions. Such derivatives are initially recorded at cost, if any, and are remeasured to fair value at subsequent reporting dates.

Changes in the fair value of derivative financial instruments that are designated and effective as hedges of future cash flows are recognised directly in equity and the ineffective portion is recognised immediately in the income statement. If the cash flow hedge of a firm commitment or forecasted transaction results in the recognition of an asset or a liability, then, at the time the asset or liability is recognised, the associated gains or losses on the derivative that had previously been recognised in equity are included in the initial measurement of the asset or liability. For hedges that do not result in the recognition of an asset or a liability, amounts deferred in equity are recognised in the income statement in the same period in which the hedged item affects net profit or loss.

Changes in the fair value of designated fair value hedges and derivative financial instruments that do not qualify for hedge accounting are recognised in the income statement as they arise.

Hedge accounting is discontinued when the hedging instrument expires or is sold, terminated, or exercised, or no longer qualifies for hedge accounting. At that time, any cumulative gain or loss on the hedging instrument recognised in equity is retained in equity until the forecasted transaction occurs. If a hedged transaction is no longer expected to occur, the net cumulative gain or loss recognised in equity is transferred to net profit or loss for the period.

Derivatives embedded in other financial instruments or non-derivative host contracts are treated as separate derivatives when their risks and characteristics are not closely related to those of the host contracts and the host contracts are not carried at fair value with unrealised gains or losses reported in the income statement.

Revenue

Revenue represents the invoiced value of goods and services, excluding value added tax. Where revenue is received in advance in terms of long-term contracts, or revenue streams on these contracts do not match the expense streams or timing of service efforts, an appropriate portion of the revenue is deferred or accrued to achieve an appropriate recognition of revenue.

2. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (continued)

Goodwill and Negative Goodwill

Goodwill and negative goodwill represents the excess or shortfall of the cost of acquisition of the group's interest over the fair value of the identifiable assets and liabilities of a division, subsidiary, associate or jointly controlled entity at the date of acquisition. Goodwill is recognised as an asset or negative asset and impairment reviews are conducted annually to determine write-offs required, if any. Amortisation is charged so as to write off the cost of goodwill over the estimated useful life of the underlying acquisition, subject to a maximum of twenty years, using the straight-line method. Negative goodwill is amortised over the average lifespan of the depreciable assets underlying the acquired entity.

Foreign Currencies

Transactions in currencies other than South African Rand are initially recorded at the rates of exchange ruling on the dates of the transactions. Monetary assets and liabilities denominated in such currencies are translated at the rates ruling on the balance sheet date. Profit and losses arising on exchange are dealt with in the income statement.

Retirement Benefits

Payments to defined contribution retirement plans are charged as an expense as they fall due.

Provisions

Provisions are recognised when the group has a present legal or constructive obligation as a result of past events, for which it is probable that an outflow of economic benefits will be required to settle the obligation, and a reliable estimate can be made of the amount of the obligation.

Employee benefit plans

Options are granted to employees and directors in terms of equity compensation plans at the fair value of the company's shares at the date of granting the options. When exercised at a later date shares are issued at the option value. No expense is booked on the issue of shares to employees in terms of these plans.

Any losses or profits incurred by the group or the Datacentrix Holdings Share Trust on the exercise of options by employees are booked to the share premium. Shares held by the trust are treated as treasury shares. Any potential losses that could be incurred by the trust where vested options are immediately exercisable are booked against share premium. Potential losses or profit on vested options exercisable at future dates or profits on options exercisable immediately are disclosed by way of a note.

3. DIRECTORS

The directors in office at year-end and at the date of this report were as follows:

Executive	Non-Executive	Independent Non-Executive
Gary Morolo (Chairman)	Sam Nematswerani	Joan Joffe
Gerhard Uys (CEO)	Christoff Botha	Imogen Mkhize
Klaas Lammers		
Charl Joubert		
Stewart Barker		
Ahmed Mahomed		
Elizabeth Naidoo		

Appointments and Resignations During the Year

Ahmed Mahomed was appointed to the board in executive capacity on 1 March 2003. Elizabeth Naidoo was an invitee to the board of directors during part of the reporting period and was appointed to the board as an executive director on 6 October 2003. Natanya Kuper resigned on 20 November 2003 as non-executive director. There were no other changes to the board during the year under review.