

# Notes to the Annual Financial Statements (continued)

for the year ended 29 February 2004

## 4. OPERATING EXPENSES

	Group		Company	
	2004 R'000	2003 R'000	2004 R'000	2003 R'000
Cost of inventories sold	556 256	586 605	-	-
Staff costs	122 048	98 419	-	-
Other operating expenses	28 316	27 399	283	481
	<b>706 620</b>	<b>712 423</b>	<b>283</b>	<b>481</b>

## 5. OPERATING INCOME BEFORE INTEREST AND TAXATION

	Group	
	2004 R'000	2003 R'000
<i>Operating Income before interest and taxation takes the following items into account:</i>		
<b>Auditors' remuneration:</b>		
- Audit fees	1 000	515
- Fees for other services	405	155
- Prior year under provision	150	165
	<b>1 555</b>	<b>835</b>
<b>Depreciation and scrappings:</b>		
- Buildings	119	116
- Motor vehicles	263	231
- Furniture and fittings	473	434
- Computer equipment	4 657	3 967
- Office equipment	228	246
- Software	1 259	522
- Leasehold improvements	298	73
	<b>7 297</b>	<b>5 589</b>
<b>Operating lease payments:</b>		
- Properties	5 311	4 790
<b>Retirement fund contributions</b>	<b>9 093</b>	<b>6 597</b>
<b>Foreign exchange losses</b>	<b>952</b>	<b>5 187</b>

The majority of the foreign exchange losses incurred during the prior year related to losses incurred on foreign currency cash balances held with the strengthening of the Rand.

## 6. NET INTEREST RECEIVED AND DEEMED INTEREST

	Group		Company	
	2004 R'000	2003 R'000	2004 R'000	2003 R'000
<b>Net interest received</b>				
- Interest received on bank balances	10 343	7 528	20	110
- Interest paid on bank overdrafts	-	(92)	-	-
- Interest received from other institutions	133	-	133	-
- Capitalised lease liabilities	-	(16)	-	-
	<b>10 476</b>	<b>7 420</b>	<b>153</b>	<b>110</b>
<b>Deemed interest (AC133 fair value adjustment)</b>	<b>(1 243)</b>	<b>-</b>	<b>-</b>	<b>-</b>

## 7. TAXATION

	Group		Company	
	2004 R'000	2003 R'000	2004 R'000	2003 R'000
South African normal taxation comprising:				
Current taxation - current year	18 929	19 753	-	33
- prior year	(1 607)	-	-	-
Deferred taxation - current year	(1 143)	(2 024)	-	-
- prior year	2 787	-	-	-
Share of associate company's tax	57	340	-	-
	<b>19 023</b>	<b>18 069</b>	<b>-</b>	<b>33</b>
	%	%	%	%
Reconciliation of tax rate				
Statutory tax rate	30.0	30.0	30.0	30.0
- Expenses not allowed for tax	5.2	3.5	8.5	19.3
- Prior year under provision	3.2	-	-	-
- Income not taxable	(0.9)	(0.6)	(38.5)	(44.9)
Effective tax rate	<b>37.5</b>	<b>32.9</b>	<b>-</b>	<b>4.4</b>

## 8. CAPITAL DISTRIBUTION

The board has determined that it would be appropriate to commence with the declaration of a maiden dividend. The directors, however propose, subject to the approval of its shareholders and the JSE Listings Division, to reduce the share premium account of the company and to effect a capital distribution of 6.9 cents per share to the company's shareholders in lieu of a dividend.