# REPORT OF THE INDEPENDENT AUDITORS

**To the members of Datacentrix Holdings Limited**

We have audited the accompanying financial statements and group financial statements of Datacentrix Holdings Limited, which comprise the balance sheets as at 28 February 2009, and the income statements, statements of changes in equity and cash flow statements for the year then ended, a summary of significant accounting policies and other explanatory notes, and the directors' report set out on pages 23 to 58.

**Management's Responsibility for the Financial Statements**

Management is responsible for the preparation and fair presentation of these financial statements in accordance with International Financial Reporting Standards and the Companies Act of South Africa. This responsibility includes: designing, implementing and maintaining internal control relevant to the preparation and fair presentation of financial statements that are free from material misstatement, whether due to fraud or error; selecting and applying appropriate accounting policies; and making accounting estimates that are reasonable in the circumstances.

**Auditors' Responsibility**

Our responsibility is to express an opinion on these financial statements based on our audit. We conducted our audit in accordance with statements of International Standards on Auditing. Those standards require that we comply with ethical requirements and plan and perform the audit to obtain reasonable assurance whether the financial statements are free from material misstatement.

An audit involves performing procedures to obtain audit evidence about the amounts and disclosures in the financial statements. The procedures selected depend on the auditor's judgement, including the assessment of the risks of material misstatement of the financial statements, whether due to fraud or error. In making those risk assessments, the auditor considers internal control relevant to the entity's preparation and fair presentation of the financial statements in order to design audit procedures that are appropriate in the circumstances, but not for the purpose of expressing an opinion on the effectiveness of the entity's internal control. An audit also includes evaluating the appropriateness of accounting policies used and the reasonableness of accounting estimates made by management, as well as evaluating the overall presentation of the financial statements.

We believe that the audit evidence we have obtained is sufficient and appropriate to provide a basis for our audit opinion.

**Opinion**

In our opinion, the financial statements present fairly, in all material respects, the financial position of Datacentrix Holdings Limited company and group as of 28 February 2009, and of their financial performances and their cash flows for the year then ended in accordance with International Financial Reporting Standards and in the manner required by the Companies Act of South Africa.

Deloitte + Touche

**Deloitte & Touche**
Registered Auditors
Per Zuleka Jasper
Partner

PO Box 11007, Hatfield, 0028
221 Waterkloof Road, Brooklyn, Pretoria, 0181

20 April 2009

National Executive: GG Gelink, Chief Executive; AE Swiegers, Chief Operating Officer; GM Pinnock, Audit; DL Kennedy, Legal, Financial Advisory Services and Tax; L Geeringh, Consulting; L Bam, Corporate Finance; CR Beukman, Finance; TJ Brown, Clients and Markets; NT Mtoba, Chairman of the Board
Regional Leader: X Botha

A full list of partners and directors is available on request.

A member of Deloitte Touche Tohmatsu





# DIRECTORS' REPORT

The directors have pleasure in presenting their report on the activities of the group and company for the year ended 28 February 2009.

**General Review**

The year under review is fully covered in the chairman's and the chief executive officer's reports.

**Share Capital**

There were no movements in the share capital of the company. Details of the authorised and issued share capital, together with details of shares issued during the year, appear in note 21 to the annual financial statements.

**Directors and Secretary**

Biographical notes of the current directors are shown within this report. Details of directors' remuneration, share appreciation rights and options are reported on in note 3.

During the financial year under review, Ms. Dudu Nyamane was appointed to the board as an independent, non-executive director and a member of the Human Resource, Remuneration and Nominations Committee. Ms. Dudu Nyamane and Mr. Israel Skosana resigned from the board. The board is happy to announce the appointment of Ms. Thenjiwe Chikane to the board. Ms. Chikane rejoins the board after serving for a brief period.

According to the company's Articles of Association, at the forthcoming Annual General Meeting, five directors should retire by rotation. All are eligible and have offered themselves for re-election.

The company secretary is Ithemba Statutory and Governance Solutions (Proprietary) Limited.

**Auditors**

Deloitte & Touche were the auditors for the year ended 28 February 2009 and will be re-appointed as auditors for the forthcoming year at the Annual General Meeting.

**Directors' Responsibilities**

The annual financial statements are the responsibility of the directors of the company. The directors fulfil this responsibility primarily by establishing and maintaining accounting systems and practices adequately supported by internal accounting controls. Such controls provide assurance that the group's assets are safeguarded, that transactions are executed in accordance with management's authorisation and that the financial records are reliable.

**Going Concern**

The directors consider that the group and company have adequate resources to continue operating for the foreseeable future and that it is therefore appropriate to adopt the going concern basis in preparing the annual financial statements. The directors have satisfied themselves that the group and company are in a sound financial position and that it has access to sufficient borrowing facilities to meet its foreseeable cash requirements.

**Audit and Risk Committee**

Details of the audit and risk committee are reported under the corporate governance report.

**Subsidiaries**

Details of principal subsidiary companies appear within note 15.

**Holding Companies and Major Shareholders**

Shareholders' holding beneficially, directly or indirectly in excess of 5% of the issued share capital of the company, are detailed in note 32.

**Financial Results**

The financial results for the year ended 28 February 2009 are set out in detail within these annual financial statements.

**Capital Expenditure**

The company spent R14.6 million on assets. R6 million was spent on spares stock, which is also classified as fixed assets.

**Dividends**

Details of the dividends and distributions declared and paid are shown in note 10.

**Events Subsequent to Balance Sheet Date**

The directors are not aware of any other matters or circumstances arising since the end of the financial year until the date of this report, not otherwise dealt with in the annual financial statements, which would significantly affect the financial position of the group or the results of its operations.

**Interests of Directors**

Details of directors' interest in contracts or share or reference to, are dealt with in the financial statements.

**Directors' Remuneration**

Details of directors' remuneration or reference to, are dealt with in the financial statements in note 3.

**Insurance**

The group has placed cover in the South African traditional insurance markets to ensure that all categories of risk are covered adequately. Additional cover on a per risk basis has been purchased where appropriate.

## FINANCIAL STATEMENTS

# INCOME STATEMENTS for the year ended 28 February 2009

| | | Group | | Company | |
|---|---|---|---|---|---|
| | Notes | 2009 R'000 | 2008 R'000 | 2009 R'000 | 2008 R'000 |
| Revenue | 4 | **1 513 322** | 1 346 971 | **-** | - |
| Changes in inventories of finished goods and work in progress | | **538** | (1 575) | **-** | - |
| Finished goods sold | | **(1 037 120)** | (928 057) | **-** | - |
| Employee benefits expense | | **(269 021)** | (223 525) | **-** | - |
| Depreciation, amortisation and impairments | | **(12 358)** | (10 154) | **-** | - |
| Operating expenses | | **(42 185)** | (36 718) | **(536)** | (355) |
| Income from investments | 5 | **19 832** | 12 632 | **68 012** | 70 008 |
| Finance costs | 6 | **3 472** | (3 495) | **-** | - |
| **Profit before taxation** | 7 | **176 480** | 156 079 | **67 476** | 69 653 |
| Income taxation expense | 8 | **(56 061)** | (54 214) | **(5 739)** | (5 726) |
| **Profit for the year attributable to ordinary shareholders** | | **120 419** | 101 865 | **61 737** | 63 927 |
| **Basic earnings per ordinary share (cents)** | 9 | **61.5** | 52.0 | | |
| Diluted basic earnings per ordinary share (cents) | 9 | **61.0** | 51.0 | | |
| **Dividend and proposed dividend per share (cents)** | 10 | **30.0** | 26.0 | | |

# BALANCE SHEETS as at 28 February 2009

| | | Group | | Company | |
|---|---|---|---|---|---|
| | Notes | 2009 R'000 | 2008 R'000 | 2009 R'000 | 2008 R'000 |
| **ASSETS** | | | | | |
| **Non-current assets** | | **82 623** | 79 185 | **90 984** | 84 140 |
| Property and equipment | 11 | **41 275** | 32 018 | **-** | - |
| Goodwill | 12 | **15 596** | 15 596 | **-** | - |
| Other intangible assets - software | 13 | **1 542** | 2 144 | **-** | - |
| Long-term receivables | 14 | **3 256** | 6 259 | **-** | - |
| Investment in subsidiaries | 15 | **-** | - | **90 984** | 84 140 |
| Deferred taxation assets | 16 | **20 954** | 23 168 | **-** | - |
| **Current assets** | | **527 710** | 469 344 | **6 834** | 6 883 |
| Loan to share trust | 17 | **-** | - | **6 627** | 6 627 |
| Inventories | 18 | **10 438** | 10 976 | **-** | - |
| Trade and other receivables | 19 | **284 431** | 236 472 | **26** | 136 |
| Cash and cash equivalents | 20 | **232 841** | 221 896 | **181** | 120 |
| **TOTAL ASSETS** | | **610 333** | 548 529 | **97 818** | 91 023 |
| **EQUITY AND LIABILITIES** | | | | | |
| **Capital and reserves** | | **360 625** | 294 476 | **97 787** | 90 926 |
| Share capital | 21 | **21** | 21 | **21** | 21 |
| Share premium | 21 | **37 366** | 38 145 | **39 280** | 39 280 |
| Treasury shares | 21 | **(37 166)** | (35 901) | **-** | - |
| Equity-settled share scheme reserve | 21 | **15 272** | 12 672 | **15 272** | 12 672 |
| Retained earnings | | **345 132** | 279 539 | **43 214** | 38 953 |
| **Non-current liabilities** | | **16 328** | 19 327 | **-** | - |
| Obligations under finance leases | 22 | **-** | - | **-** | - |
| Deferred revenue | 23 | **16 328** | 19 327 | **-** | - |
| **Current liabilities** | | **233 380** | 234 726 | **31** | 97 |
| Deferred revenue | 23 | **43 505** | 27 205 | **-** | - |
| Trade and other payables | 24 | **179 511** | 180 660 | **31** | 93 |
| Current taxation liabilities | | **8 087** | 24 575 | **-** | 4 |
| Provisions | 25 | **1 132** | 2 071 | **-** | - |
| Lease smoothing liability | | **1 145** | 215 | **-** | - |
| **TOTAL EQUITY AND LIABILITIES** | | **610 333** | 548 529 | **97 818** | 91 023 |

FINANCIAL STATEMENTS

# STATEMENTS OF CHANGES IN EQUITY for the year ended 28 February 2009

| | Share capital R'000 | Share premium R'000 | Treasury shares R'000 | Equity-settled share scheme reserve R'000 | Retained earnings R'000 | Total R'000 |
|---|---|---|---|---|---|---|
| **GROUP** | | | | | | |
| **Balance at 28 February 2007** | 21 | 40 709 | (25 958) | 8 642 | 225 054 | 248 468 |
| Profit for the year | - | - | - | - | 101 865 | 101 865 |
| Treasury shares - movement during the year | - | - | (9 943) | - | - | (9 943) |
| Share-based payments | - | - | - | 4 030 | - | 4 030 |
| Dividend paid | - | - | - | - | (47 380) | (47 380) |
| Loss on sale of treasury shares | - | (2 564) | - | - | - | (2 564) |
| **Balance at 29 February 2008** | **21** | **38 145** | **(35 901)** | **12 672** | **279 539** | **294 476** |
| Profit for the year | - | - | - | - | **120 419** | **120 419** |
| Treasury shares - movement during the year | - | - | **(1 265)** | - | - | **(1 265)** |
| Share-based payments | - | - | - | **2 600** | - | **2 600** |
| Dividend paid | - | - | - | - | **(54 826)** | **(54 826)** |
| Loss on sale of treasury shares | - | **(779)** | - | - | - | **(779)** |
| **Balance at 28 February 2009** | **21** | **37 366** | **(37 166)** | **15 272** | **345 132** | **360 625** |
| **COMPANY** | | | | | | |
| **Balance at 28 February 2007** | 21 | 39 280 | - | 8 642 | 24 699 | 72 642 |
| Profit for the year | - | - | - | - | 63 927 | 63 927 |
| Share-based payments | - | - | - | 4 030 | - | 4 030 |
| Dividend paid | - | - | - | - | (49 673) | (49 673) |
| **Balance at 29 February 2008** | **21** | **39 280** | - | **12 672** | **38 953** | **90 926** |
| Profit for the year | - | - | - | - | **61 737** | **61 737** |
| Share-based payments | - | - | - | **2 600** | - | **2 600** |
| Dividend paid | - | - | - | - | **(57 476)** | **(57 476)** |
| **Balance at 28 February 2009** | **21** | **39 280** | - | **15 272** | **43 214** | **97 787** |

# CASH FLOW STATEMENTS for the year ended 28 February 2009

| | Notes | Group 2009 R'000 | Group 2008 R'000 | Company 2009 R'000 | Company 2008 R'000 |
|---|---|---|---|---|---|
| **CASH FLOW FROM OPERATING ACTIVITIES** | | | | | |
| Cash receipts from clients | | **1 463 983** | 1 321 662 | **-** | - |
| Cash paid to suppliers and employees | | **(1 331 343)** | (1 157 492) | **(488)** | (164) |
| **Cash generated from (utilised in) operations** | 36 | **132 640** | 164 170 | **(488)** | (164) |
| Interest received | | **19 832** | 12 632 | **12** | 8 |
| Interest paid | | **3 472** | (3 495) | **-** | - |
| Dividend received from subsidiaries | | **-** | - | **68 000** | 70 000 |
| Dividend paid | | **(54 826)** | (47 380) | **(57 476)** | (49 673) |
| Taxation paid | 37 | **(70 335)** | (46 525) | **(5 743)** | (5 727) |
| **Net cash inflow from operating activities** | | **30 783** | 79 402 | **4 305** | 14 444 |
| **CASH FLOW FROM INVESTING ACTIVITIES** | | | | | |
| Additions to property and equipment to maintain operations | | **(20 555)** | (12 837) | **-** | - |
| Proceeds from sale of property and equipment | | **137** | 44 | **-** | - |
| Increase (decrease) in amounts receivable under finance leases | | **4 383** | (4 438) | **-** | - |
| Increase in investment and advance payments | | **-** | - | **(4 244)** | (14 333) |
| Acquisition of intangible assets | | **(531)** | (1 975) | **-** | - |
| **Net cash outflow from investing activities** | | **(16 566)** | (19 206) | **(4 244)** | (14 333) |
| **CASH FLOW FROM FINANCING ACTIVITIES** | | | | | |
| Increase in treasury shares | | **(1 265)** | (9 943) | **-** | - |
| Decrease in finance lease obligation | | **(2 007)** | (2 198) | **-** | - |
| **Net cash outflow from financing activities** | | **(3 272)** | (12 141) | **-** | - |
| **NET INCREASE IN CASH AND CASH EQUIVALENTS** | | **10 945** | 48 055 | **61** | 111 |
| Cash and cash equivalents at the beginning of the year | | **221 896** | 173 841 | **120** | 9 |
| **CASH AND CASH EQUIVALENTS AT THE END OF THE YEAR** | | **232 841** | 221 896 | **181** | 120 |

# NOTES TO THE ANNUAL FINANCIAL STATEMENTS

**for the year ended 28 February 2009**

**1. ADOPTION OF NEW AND REVISED INTERNATIONAL FINANCIAL REPORTING STANDARDS (IFRS)**

At the date of authorisation of the annual financial statements, the following Standards and Interpretations applicable to the group were in issue, but not yet effective.

- IFRS 1 and IAS 27 - (Amendment) Cost of an Investment in a Subsidiary, Jointly Controlled Entity or Associate - effective 1 January 2009
- IFRS 2 - Share-based Payment - Amendment relating to Vesting Conditions and Cancellations - effective 1 January 2009
- IFRS 3 - (Revised) Business Combinations - effective 1 July 2009
- IFRS 5 - (Amendment) Non-current Assets Held for Sale and Discontinued Operations - effective 1 July 2009
- IFRS 7 - Financial Instruments: Disclosures - Amendments enhancing disclosures about fair value and liquidity risk - effective 1 January 2009
- IFRS 8 - Operating Segments - effective 1 January 2009
- Amendment to IAS 1 - Presentation of Financial Statements - effective 1 January 2009
- IAS 23 - Borrowing Costs - Comprehensive revision to prohibit immediate expensing - effective 1 January 2009
- IAS 27 - Consolidated and Separate Financial Statements Amendment relating to cost of an investment on first-time adoption - effective 1 January 2009
- IAS 27 - (Amendment) Consolidated and Separate Financial Statements - effective 1 July 2009
- IAS 28 - (Amendment) Investments in Associates - effective 1 January 2009
- IAS 31 - (Amendment) Investment in Joint Ventures - effective 1 January 2009
- IAS 32 - Financial Instruments: Presentation - Puttable Financial Instruments and Obligations Arising on Liquidation - effective 1 January 2009
- IAS 39 - (Amendment) Eligible Hedged Items - effective 1 July 2009
- IAS 39 - Financial Instruments: Recognition and Measurement - Amendments for embedded derivatives when reclassifying financial instruments - effective 30 June 2009
- Annual improvements to IFRSs published in May 2008

At balance sheet date, the following accounting interpretations were in issue but not yet effective:
- IFRIC 13 - Customer Loyalty Programmes
- IFRIC 15 - Agreements for the Construction of Real Estate
- IFRIC 16 - Hedges of a Net Investment in a Foreign Operation
- IFRIC 17 - Distributions of Non-cash Assets to Owners
- IFRIC 18 - Transfers of Assets from Customers

These interpretations are not expected to have any material impact on the financial results of the group, except for added and changed disclosures.

**IAS 1**
On 6 September 2007, the IASB issued a revised IAS 1 - Presentation of Financial Statements. The main changes require an entity to:
- present all non-owner changes in equity (that is, "comprehensive income") either in one statement of comprehensive income or in two statements (a separate income statement and a statement of comprehensive income). Components of comprehensive income may not be presented in the statement of changes in equity;
- present a statement of financial position (balance sheet) as at the beginning of the earliest comparative period in a complete set of financial statements when the entity applies an accounting policy retrospectively, or makes a retrospective restatement;
- disclose income taxation relating to each component of other comprehensive income; and
- disclose reclassification adjustments relating to components of other comprehensive income.

IAS 1 changes the titles of financial statements as they will be used in IFRS:
- "Balance sheet" will become "statement of financial position";
- "Income statement" will become "statement of comprehensive income"; and
- "Cash flow statement" will become "statement of cash flows".

Entities are not required to use the new titles in their financial statements. All existing Standards and Interpretations are being amended to reflect the new terminology. The revised IAS 1 is effective for annual periods beginning on or after 1 January 2009.

**IAS 23**
On 29 March 2007, the IASB issued a revised IAS 23 - Borrowing Costs. The main change from the previous version is the removal of the option of immediately recognising as an expense borrowing costs that relate to assets that take a substantial period of time to get ready for use or sale. An entity is therefore required to capitalise borrowing costs as part of the cost of such assets.



**1. ADOPTION OF NEW AND REVISED INTERNATIONAL FINANCIAL REPORTING STANDARDS (IFRS) (continued)**

**IAS 23 (continued)**
The revised IAS 23 does not require the capitalisation of borrowing costs relating to assets measured at fair value, and inventories that are manufactured or produced in large quantities on a repetitive basis, even if they take a substantial period of time to get ready for use or sale.

The revised Standard applies to borrowing costs relating to qualifying assets for which the commencement date for capitalisation is on or after 1 January 2009.

**IAS 28 (revised) and IAS 31 (revised)**
In January 2008, the IASB issued IAS 28 (revised) - Investments in Associates and IAS 31 (revised) - Interests in Joint Ventures. These revised statements are effective for annual periods beginning on or after 1 July 2009. These statements were both revised to reflect the changes made in IAS 27 and IFRS 3 as discussed later in this note. The group will adopt this statement by the effective date.

**IAS 32**
In January 2008, the IASB amended IAS 32 - Financial Instruments: Presentation and IAS 1 - Presentation of Financial Statements with respect to the balance sheet classification of puttable financial instruments and obligations arising only on liquidation. As a result of the amendments, some financial instruments that currently meet the definition of a financial liability will be classified as equity because they represent the residual interest in the net assets of the entity. The amendments have detailed criteria for identifying such instruments, but they generally would include:
- puttable instruments that are subordinate to all other classes of instruments and that entitle the holder to a pro rata share of the entity's net assets in the event of the entity's liquidation. A puttable instrument is a financial instrument that gives the holder the right to put the instrument back to the issuer for cash or another financial asset or is automatically put back to the issuer on the occurrence of an uncertain future event or the death or retirement of the instrument holder; and
- instruments, or components of instruments, that are subordinate to all other classes of instruments and that impose on the entity an obligation to deliver to another party a pro rata share of the net assets of the entity only on liquidation.

The amendments are effective for annual periods beginning on or after 1 January 2009.

**IAS 39**
In August 2008, the IASB amended IAS 39 - Financial Instruments: Recognition and Measurement: Eligible Hedged Items (IAS 39). This amended standard is effective for annual periods beginning on or after 1 July 2009. This amendment clarifies how the principles that determine whether a hedged risk or portion of cash flow is eligible for designation should be applied. The group is in the process of evaluating the impact of this amendment on the group's results.

**IFRS 2**
On 17 January 2008, the IASB published final amendments to IFRS 2 - Share-based Payment to clarify the terms "vesting conditions" and "cancellations" as follows:
- vesting conditions are service conditions and performance conditions only. Other features of a share-based payment are not vesting conditions. Under IFRS 2, features of a share-based payment that are not vesting conditions should be included in the grant date fair value of the share-based payment. The fair value also includes market-related vesting conditions.
- all cancellations, whether by the entity or by other parties, should receive the same accounting treatment. Under IFRS 2, a cancellation of equity instruments is accounted for as an acceleration of the vesting period. Therefore any amount unrecognised that would otherwise have been charged is recognised immediately. Any payments made with the cancellation (up to the fair value of the equity instruments) are accounted for as the repurchase of an equity interest. Any payment in excess of the fair value of the equity instruments granted is recognised as an expense.

These amendments are effective for annual periods beginning on or after 1 January 2009.

**IFRS 3**
On 10 January 2008, the IASB published a revised IFRS 3 - Business Combinations and related revisions to IAS 27 - Consolidated and Separate Financial Statements, IAS 28 - Investments in Associates and IAS 31 - Interests in Joint Ventures.

The effective date will be for accounting periods beginning on or after 1 July 2009.

## 1. ADOPTION OF NEW AND REVISED INTERNATIONAL FINANCIAL REPORTING STANDARDS (IFRS) (continued)

**IFRS 3 (continued)**
The standard brings about the following pertinent changes:
- acquisition-related costs are to be recognised as period expenses in accordance with the appropriate IFRS;
- the standard changes the recognition and measurement principles related to step acquisitions;
- IFRS 3 has an explicit option available on a transaction-by-transaction basis, to measure any non-controlling interest in the entity acquired either at fair value or at the non-controlling interest's proportionate share of the net identifiable assets of the entity acquired; and
- IFRS 3 permits very few subsequent changes to the contingent consideration and only as a result of additional information about facts and circumstances that existed at the acquisition date. All other changes are recognised in profit or loss.

**IFRS 8**
IFRS 8 - Operating Segments replaces IAS 14 - Segment Reporting. IFRS 8 requires an entity to report financial and descriptive information about its reportable segments, which are operating segments or aggregations of operating segments that meet specified criteria. Operating segments are components of an entity about which separate financial information is available that is evaluated regularly by the chief operating decision maker in deciding how to allocate resources and in assessing performance.

IFRS 8 requires the amount reported for each segment item to be the measure reported to the chief operating decision maker for the purposes of allocating resources to that segment and assessing its performance. The group will adopt IFRS 8 on 1 March 2009 and is still considering the impact thereof. It will most likely change the current segmental disclosure in the annual financial statements.

**IFRIC 12**
The Interpretation addresses the accounting by private sector operators involved in the provision of public sector infrastructure assets and services, such as schools and roads. The Interpretation states that for arrangements falling within its scope (essentially those where the infrastructure assets are not controlled by the operator), the infrastructure assets are not recognised as property, plant and equipment of the operator.

IFRIC 12 - Service Concession Arrangements will be effective for financial periods beginning 1 January 2008.

**IFRIC 13**
IFRIC 13 - Customer Loyalty Programmes addresses accounting by entities that grant loyalty award credits (such as "points" or travel miles) to customers who buy other goods or services. Specifically, it explains how such entities should account for their obligations to provide free or discounted goods or services ("awards") to customers who redeem award credits. IFRIC 13 is effective for annual periods beginning on or after 1 July 2008.

Annual improvements to IFRSs amends a number of standards including changes in presentation, recognition and measurement plus terminology and editorial changes.

***Impact on Group***
Management assessed the Standards and Interpretations and do not believe that any of these will have a material impact on the results of the group in future periods, except for some additional and amended disclosures.

## 2. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES

The annual financial statements have been prepared in accordance with International Financial Reporting Standards (IFRS) on a basis consistent with the prior year. The financial statements have been prepared on the historical cost basis, except for the revaluation of certain financial instruments, which are stated at fair value or amortised cost, as applicable. The principal accounting policies adopted are set out below. All subsidiaries, and other entities controlled by the company complied with these accounting policies.

**Basis of Consolidation**
The consolidated annual financial statements incorporate the annual financial statements of the company, its subsidiary companies and the Datacentrix Holdings Share Trust, all of which are controlled by the company. Control is achieved where the company has the power to govern the financial and operating policies of an entity so as to obtain benefits from its activities. The operating results of subsidiary companies are included from the effective dates of acquisition, up to the effective dates of disposal. All inter-company transactions and balances have been eliminated on consolidation. 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.



## 2. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (continued)

**Business Combinations**
The acquisition of subsidiaries is accounted for using the purchase method. The cost of the acquisition is measured at the aggregate of the fair values, at the date of exchange, of assets given, liabilities incurred or assumed, and equity instruments issued by the group in exchange for control of the acquiree, plus any costs directly attributable to the business combination. The acquiree's identifiable assets, liabilities and contingent liabilities that meet the conditions for recognition under IFRS 3 - Business Combinations are recognised at their fair values at the acquisition date, except for non-current assets (or disposal groups) that are classified as held for sale in accordance with IFRS 5 - Non-Current Assets Held for Sale and Discontinued Operations, which are recognised and measured at fair value less costs to sell.

Goodwill arising on acquisition is recognised as an asset and initially measured at cost, being the excess of the cost of the business combination over the group's interest in the net fair value of the identifiable assets, liabilities and contingent liabilities recognised. If, after reassessment, the group's interest in the net fair value of the acquiree's identifiable assets, liabilities and contingent liabilities exceeds the cost of the business combination, the excess is recognised immediately in profit or loss.

The interest of minority shareholders in the acquiree is initially measured at the minority's proportion of the net fair value of the assets, liabilities and contingent liabilities recognised.

**Property and Equipment**
All items of property and equipment, except for land which is stated at cost, are stated at original cost less accumulated depreciation and any impairment losses. Depreciation is charged so as to write-off the cost of assets over their estimated useful lives to their residual values, using the straight-line method. Depreciation commences when the assets are ready for their intended use.

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. Computer equipment utilised in large enterprise outsourcing contracts are depreciated over the term of the contract to their residual values. 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 future cash flows are discounted to their present values.

A 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 as an expense in the year in which the expense is incurred, and are shown at a nominal value in the balance sheet.

**Non-Current Assets Held for Sale**
Non-current assets and disposal groups are classified as held for sale if their carrying amount will be recovered through a sale transaction rather than through continuing use. This condition is regarded as being met only when the sale is highly probable and the asset (or disposal group) is available for immediate sale in its present condition. Management must be committed to the sale, which should be expected to qualify for recognition as a completed sale within one year from the date of classification.

Non-current assets (and disposal groups) classified as held for sale are measured at the lower of the assets' previous carrying amount and fair value less costs to sell.

**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. Goodwill is reviewed for impairment on an annual basis, regardless of whether there are any indicators of impairment or more frequently when there is an indication that the cash generating unit to which it belongs may be impaired. 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. It is first allocated to reduce the carrying amount of goodwill allocated to the unit and then to the other assets of the unit on a pro-rata basis.

Other than for goodwill, where an impairment loss subsequently reverses, the carrying amount of the asset (or 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.

A cash generating unit within the group is the smallest identifiable group of assets that generates cash flows that are largely independent of the cash inflows from other assets or groups of assets.

**2. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (continued)**

**Intangible Assets**

***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.

All business combinations are accounted for by applying the purchase method. Goodwill is stated at cost less any accumulated impairment losses. Goodwill is allocated to cash generating units and tested annually for impairment. A recognised impairment loss is never reversed in a subsequent period.

Negative goodwill arising on an acquisition is recognised directly in income. On disposal of a subsidiary, the attributable amount of goodwill is included in the determination of the profit or loss on disposal.

***Software***
All items of software are stated at original cost less accumulated amortisation and impairment losses. Amortisation is charged so as to write-off the cost of assets over their estimated useful lives to residual values, using the straight-line method.

**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.

***The Group as Lessor***
Amounts due from lessees under finance leases are recorded as receivables at the amount of the group's net investment in the leases. Finance lease income is allocated to accounting periods so as to reflect a constant periodic rate of return on the group's net investment outstanding in respect of the leases.

Rental income from operating leases is recognised on a straight-line basis over the term of the relevant lease. Initial direct costs incurred in negotiating and arranging an operating lease are added to the carrying amount of the leased asset and recognised on a straight-line basis over the lease term.

***The Group as Lessee***
Assets held under finance leases are recognised as assets of the group at their fair value at the inception of the lease or, if lower, at the present value of the minimum lease payments. The corresponding liability to the lessor is included in the balance sheet as a finance lease obligation. Lease payments are apportioned between finance charges and reduction of the lease obligation so as to achieve a constant rate of interest on the remaining balance of the liability. Finance charges are charged to profit or loss.

Rentals payable under operating leases are charged to profit or loss on a straight-line basis over the term of the relevant lease. Benefits received and receivable as an incentive to enter into an operating lease are also spread on a straight-line basis over the lease term.

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

Deferred taxation 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 taxation basis used in the computation of taxable profit. In principle, deferred taxation liabilities are recognised for all taxable temporary differences and deferred taxation 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 taxation profit nor the accounting profit.

Deferred taxation liabilities are recognised for taxable temporary differences arising from investment in subsidiaries and associates, 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.



**2. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (continued)**

**Taxation (continued)**
Deferred taxation is calculated at the taxation rates that are expected to apply when the asset is realised or the liability is settled. Deferred taxation 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 taxation is also dealt with in equity.

Secondary taxation on companies (STC) is recognised in the year when dividends are declared, net of dividends received on which STC credits arise. A taxation asset is recognised on unutilised STC credits when it is probable that such STC credits will be utilised in future.

**Inventories**
All inventories are stated at the lower of cost and net realisable value. Cost is determined on the weighted average basis. Redundant and slow-moving inventories are identified and written-down with regard to their estimated economic or realisable values.

The net realisable value is determined as the estimated selling price in the ordinary course of business less the estimated costs necessary to make the sale.

**Financial Instruments**
Financial assets and financial liabilities are recognised in the balance sheet when the group becomes a party to the contractual provisions of the instrument.

**Financial Assets**
Investments are recognised and derecognised on trade date where the purchase or sale of an investment is under a contract whose terms require delivery of the investment within the timeframe established by the market concerned, and are initially measured at fair value, plus transaction costs, except for those financial assets classified as at fair value through profit or loss, which are initially measured at fair value.

Financial assets are classified into the following specified categories: financial assets at 'fair value through profit or loss' (FVTPL), 'held-to-maturity' investments, 'available-for-sale' (AFS) financial assets and 'loans and receivables'. The classification depends on the nature and purpose of the financial assets and is determined at the time of initial recognition.

***Effective Interest Method***
The effective interest method is a method of calculating the amortised cost of a financial asset and of allocating interest income over the relevant period. The effective interest rate is the rate that exactly discounts estimated future cash receipts (including all fees on points paid or received that form an integral part of the effective interest rate, transaction costs and other premiums or discounts) through the expected life of the financial asset, or, where appropriate, a shorter period. Income is recognised on an effective interest basis for debt instruments other than those financial assets designated as at FVTPL.

***Financial Assets at FVTPL***
Financial assets are classified as FVTPL where the financial asset is either held for trading or it is designated as at FVTPL. A financial asset is classified as held for trading if:
- it has been acquired principally for the purpose of selling in the near future; or
- it is a part of an identified portfolio of financial instruments that the group manages together and has a recent actual pattern of short-term profit-taking; or
- it is a derivative that is not designated and effective as a hedging instrument.

A financial asset other than a financial asset held for trading may be designated as at FVTPL upon initial recognition if:
- such designation eliminates or significantly reduces a measurement or recognition inconsistency that would otherwise arise; or
- the financial asset forms part of a group of financial assets or financial liabilities or both, which is managed and its performance is evaluated on a fair value basis, in accordance with the group's documented risk management or investment strategy, and information about the grouping is provided internally on that basis; or
- it forms part of a contract containing one or more embedded derivatives, and IAS 39 - Financial Instruments: Recognition and Measurement permits the entire combined contract (asset or liability) to be designated as at FVTPL.

Financial assets at FVTPL are stated at fair value, with any resultant gain or loss recognised in profit or loss. The net gain or loss recognised in profit or loss incorporates any dividend or interest earned on the financial asset. Fair value is determined in the manner described in note 31.

**2. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (continued)**

***AFS Financial Assets***
Unlisted shares and listed redeemable notes held by the group that are traded in an active market are classified as being AFS and are stated at fair value. Fair value is determined in the manner described in note 31. Gains and losses arising from changes in fair value are recognised directly in equity in the investments revaluation reserve with the exception of impairment losses, interest calculated using the effective interest method and foreign exchange gains and losses on monetary assets, which are recognised directly in profit or loss. Where the investment is disposed of or is determined to be impaired, the cumulative gain or loss previously recognised in the investments revaluation reserve is included in profit or loss for the period. Dividends on AFS equity instruments are recognised in profit or loss when the group's right to receive the dividends is established.

The fair value of AFS monetary assets denominated in a foreign currency is determined in that foreign currency and translated at the spot rate at the balance sheet date. The change in fair value attributable to translation differences that result from a change in amortised cost of the asset is recognised in profit or loss, and other changes are recognised in equity.

***Loans and Receivables***
Trade receivables, loans, and other receivables that have fixed or determinable payments that are not quoted in an active market are classified as loans and receivables. Loans and receivables are measured at amortised cost using the effective interest method, less any impairment. Interest income is recognised by applying the effective interest rate, except for short-term receivables when the recognition of interest would be immaterial.

***Impairment of Financial Assets***
Financial assets, other than those at FVTPL, are assessed for indicators of impairment at each balance sheet date. Financial assets are impaired where there is objective evidence that, as a result of one or more events that occurred after the initial recognition of the financial asset, the estimated future cash flows of the investment have been impacted.

For unlisted shares classified as AFS, a significant or prolonged decline in the fair value of the security below its cost is considered to be objective evidence of impairment.

For all other financial assets, including redeemable notes classified as AFS and finance lease receivables, objective evidence of impairment could include:
- significant financial difficulty of the issuer or counter-party; or
- default or delinquency in interest or principal payments; or
- it becoming probable that the borrower will enter bankruptcy or financial re-organisation.

For certain categories of financial asset, such as trade receivables, assets that are assessed not to be impaired individually are subsequently assessed for impairment on a collective basis. Objective evidence of impairment for a portfolio of receivables could include the group's past experience of collecting payments, an increase in the number of delayed payments in the portfolio past the average credit period of 60 days, as well as observable changes in national or local economic conditions that correlate with default on receivables.

For financial assets carried at amortised cost, the amount of the impairment is the difference between the asset's carrying amount and the present value of estimated future cash flows, discounted at the financial asset's original effective interest rate. The carrying amount of the financial asset is reduced by the impairment loss directly for all financial assets with the exception of trade receivables, where the carrying amount is reduced through the use of an allowance account. When a trade receivable is considered uncollectible, it is written-off against the allowance account. Subsequent recoveries of amounts previously written-off are credited against the allowance account. Changes in the carrying amount of the allowance account are recognised in profit or loss. With the exception of AFS equity instruments, if, in a subsequent period, the amount of the impairment loss decreases and the decrease can be related objectively to an event occurring after the impairment was recognised, the previously recognised impairment loss is reversed through profit or loss to the extent that the carrying amount of the investment at the date the impairment is reversed does not exceed what the amortised cost would have been had the impairment not been recognised. In respect of AFS equity securities, impairment losses previously recognised through profit or loss are not reversed through profit or loss. Any increase in fair value subsequent to an impairment loss is recognised directly in equity.

***Derecognition of Financial Assets***
The group derecognises a financial asset only when the contractual rights to the cash flows from the asset expire; or it transfers the financial asset and substantially all the risks and rewards of ownership of the asset to another entity. If the group neither transfers nor retains substantially all the risks and rewards of ownership and continues to control the transferred asset, the group recognises its retained interest in the asset and an associated liability for amounts it may have to pay. If the group retains substantially all the risks and rewards of ownership of a transferred financial asset, the group continues to recognise the financial asset and also recognises a collateralised borrowing for the proceeds received.

**2. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (continued)**

**Financial Liabilities and Equity Instruments issued by the Group**

***Classification as Debt or Equity***
Debt and equity instruments are classified as either financial liabilities or as equity in accordance with the substance of the contractual arrangement.

***Equity Instruments***
An equity instrument is any contract that evidences a residual interest in the assets of an entity after deducting all of its liabilities. Equity instruments issued by the group are recorded at the proceeds received, net of direct issue costs.

***Financial Liabilities***
Financial liabilities are classified as either financial liabilities at 'FVTPL' or 'other financial liabilities'.

***Financial Liabilities at FVTPL***
Financial liabilities are classified as at FVTPL where the financial liability is either held for trading or it is designated as at FVTPL. A financial liability is classified as held for trading if:
- it has been incurred principally for the purpose of repurchasing in the near future; or
- it is a part of an identified portfolio of financial instruments that the group manages together and has a recent actual pattern of short-term profit-taking; or
- it is a derivative that is not designated and effective as a hedging instrument.

A financial liability other than a financial liability held for trading may be designated as at FVTPL upon initial recognition if:
- such designation eliminates or significantly reduces a measurement or recognition inconsistency that would otherwise arise; or
- the financial liability forms part of a group of financial assets or financial liabilities or both, which is managed and its performance is evaluated on a fair value basis, in accordance with the group's documented risk management or investment strategy, and information about the grouping is provided internally on that basis; or
- it forms part of a contract containing one or more embedded derivatives, and IAS 39: Financial Instruments: Recognition and Measurement permits the entire combined contract (asset or liability) to be designated as at FVTPL.

Financial liabilities at FVTPL are stated at fair value, with any resultant gain or loss recognised in profit or loss. The net gain or loss recognised in profit or loss incorporates any interest paid on the financial liability. Fair value is determined in the manner described in note 31.

***Other Financial Liabilities***
Other financial liabilities, including borrowings, are initially measured at fair value, net of transaction costs. Other financial liabilities are subsequently measured at amortised cost using the effective interest method, with interest expense recognised on an effective yield basis. The effective interest method is a method of calculating the amortised cost of a financial liability and of allocating interest expense over the relevant period. The effective interest rate is the rate that exactly discounts estimated future cash payments through the expected life of the financial liability, or, where appropriate, a shorter period.

***Derecognition of Financial Liabilities***
The group derecognises financial liabilities when, and only when, the group's obligations are discharged, cancelled or they expire.

**Derivative Financial Instruments**
The group enters into a variety of derivative financial instruments to manage its exposure to interest rate and foreign exchange rate risk, including foreign exchange forward contracts, interest rate swaps and cross currency swaps. Further details of derivative financial instruments are disclosed in note 31.

Derivatives are initially recognised at fair value at the date a derivative contract is entered into and are subsequently remeasured to their fair value at each balance sheet date. The resulting gain or loss is recognised in profit or loss immediately unless the derivative is designated and effective as a hedging instrument, in which event the timing of the recognition in profit or loss depends on the nature of the hedge relationship. The group designates certain derivatives as either hedges of the fair value of recognised assets or liabilities or firm commitments (fair value hedges), hedges of highly probable forecast transactions or hedges of foreign currency risk of firm commitments (cash flow hedges), or hedges of net investments in foreign operations.

A derivative is presented as a non-current asset or a non-current liability if the remaining maturity of the instrument is more than 12 months and it is not expected to be realised or settled within 12 months. Other derivatives are presented as current assets or current liabilities.

# NOTES TO THE ANNUAL FINANCIAL STATEMENTS

**for the year ended 28 February 2009 (continued)**

## 2. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (continued)

### Derivitive Financial Instruments (continued)

***Embedded Derivatives***
Derivatives embedded in other financial instruments or other 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 measured at fair value with changes in fair value recognised in profit or loss.

***Fair Value Hedges***
Changes in the fair value of derivatives that are designated and qualify as fair value hedges are recorded in profit or loss immediately, together with any changes in the fair value of the hedged item that are attributable to the hedged risk. The change in the fair value of the hedging instrument and the change in the hedged item attributable to the hedged risk are recognised in the line of the income statement relating to the hedged item.

**Revenue**
Revenue is measured at the fair value of the consideration received or receivable and represents amounts receivable for goods and services provided in the normal course of business, net of discounts and value-added taxation. Revenue is recognised only when it is probable that the economic benefits associated with a transaction will flow to the group and the amount of revenue can be measured reliably.

Sale of goods is recognised when goods are delivered and title has passed.

The group generates revenue both as a principal and an agent. The group sells certain licences on behalf of software developers and recognises revenue as the difference between the gross sales price to the client and the gross cost paid to the licence provider. For all other classes of revenue the group generates revenue as a principal.

Revenue derived from services rendered relates to service and maintenance contracts taken out over a 12 to 36 month period. The revenue, which is deferred, is recognised over the period of the contract.

Interest income is accrued on a time basis, by reference to the principal outstanding and at the effective interest rate applicable, which is the rate that exactly discounts estimated future cash receipts through the expected life of the financial asset to that asset's net carrying amount.

Dividend income from investments is recognised when the shareholders' rights to receive payment have been established.

**Foreign Currencies**
Transactions in currencies other than South African Rands are initially recorded at the rates of exchange ruling on the dates of the transactions. Monetary assets and liabilities denominated in such currencies are retranslated at the rates ruling on the balance sheet date. Profit and losses arising on exchange are dealt with in profit or loss.

**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. The amount recognised as a provision is the best estimate of the consideration required to settle the present obligation at the balance sheet date taking into account the risks and uncertainties surrounding the obligation.

**Finance Costs**
All finance costs are recognised in profit or loss in the period in which they are incurred.

**Related Party Transactions**
The company does not have a single controlling shareholder. All subsidiaries of the group are related parties. A list of major subsidiaries is included in note 15. Transactions with directors and other key management personnel are disclosed in notes 3 and 35.

**Employee Benefits**
Options are granted to employees and directors in terms of equity compensation plans at 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.



## 2. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (continued)

### Employee Benefits (continued)

Any losses or profits incurred by the group or the Datacentrix Holdings Share Trust on the exercise of options by employees are accounted for against 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.

**Share-based Payments**
The group issues equity-settled payments to certain employees. Equity-settled share-based payments are measured at fair value at the date of grant. The fair value determined with the binomial model at the grant date of the equity-settled share-based payments is expensed on a straight-line basis over the vesting period, based on the group's estimate of shares that will eventually vest and adjusted for the effect of non-market vesting conditions.

The expected life used in the binomial model has been adjusted, based on management's best estimate, for the effects of non-transferability, exercise restrictions and behavioural considerations.

**Critical Accounting Judgements and Key Sources of Estimation Uncertainty**

***Critical Judgements in Applying the Group's Accounting Policies***
In the process of applying the group's accounting policies, which are described earlier in this note, management has made the following judgements that have the most significant effect on the amounts recognised in the financial statements:

*Revenue Recognition*
Note 4 sets out the different types of revenue recognised for the businesses of Infrastructure and Managed Services and the Solutions business. In making its judgement of how to treat the revenue of the various transactions, management considered the detailed criteria for the recognition of revenue from the sale of goods and services, set out in IAS 18 - Revenue, and in particular, whether the group had transferred to the buyer the significant risks and rewards of ownership of the goods.

***Key Sources of Estimation Uncertainty***
The key assumptions concerning the future, and other key sources of estimation uncertainty at the balance sheet date, that have a significant risk of causing a material adjustment to the carrying amounts of assets and liabilities within the next financial year, are discussed below.

*Impairment of Goodwill*
Determining whether goodwill is impaired requires an estimation of the value in use of cash generating units to which goodwill has been allocated. The value in use requires the group to estimate the future cash flows expected to arise from the cash generating unit and a suitable discount rate in order to calculate present value. The carrying amount of goodwill at the balance sheet date was R15,596 million (2008: R15,596 million) with no impairment losses in the current and prior financial year.

*Useful Lives and Residual Values of Assets*
Useful lives and residual values of assets are reviewed at least once a year, at year-end. Management is of the opinion that the useful lives and residual values of the assets currently carried are in line with industry norms. Refer to note 11 and 13 for details.

*Inventory Carried at Net Realisable Value*
The net realisable value of inventory represents the estimated selling price in the current market at balance sheet date. The group provides for the amount, which the cost of inventory is higher than the net realisable value multiplied by the units of stock on hand at balance sheet date. No such provision was required in the current year.

*Provision for Bad Debts*
The provision to bad debts relates to possible recoverability and ageing issues regarding specific debtors. These are analysed on a one-on-one basis. No provision was raised in the current and prior financial year.

*Fair Value of Financial Instruments*
As described in note 31, the directors used their judgement in selecting an appropriate valuation technique for financial instruments not quoted in an active market. For derivative financial instruments assumptions are made based on quoted market rates adjusted for specific features of the instrument. Other financial instruments are valued using a discounted cash flow analysis based on assumptions supported, where possible, by observable market prices or rates.

# NOTES TO THE ANNUAL FINANCIAL STATEMENTS

**for the year ended 28 February 2009 (continued)**

## 3. DIRECTORS

The directors in office at the date of this report were as follows:

**Executive:**
Ahmed Mahomed (Chief Executive Officer), Elizabeth Naidoo (Financial Director)

**Non-Executive:**
Gary Morolo (Chairman), Alwyn Martin, Joan Joffe, Thenjiwe Chikane

**Appointments and Resignations During the Year**
Dudu Nyamane was appointed to the board on 14 April 2008 as an independent, non-executive director. She resigned from the board on 9 March 2009. She was also a member of the Human Resource, Remuneration and Nominations Committee. Israel Skosana resigned from the board in October 2008. He served on the Human Resource, Remuneration and Nominations Committee as well as the Audit and Risk Committee. Alwyn Martin has been appointed to the Human Resource, Remuneration and Nominations Committee effective March 2009. Thenjiwe Chikane rejoined the board in April 2009, and also became a member of the Audit and Risk Committee.

**Restraint of Trade Agreements and Long-term Employment Contracts**
Both executive directors and most members of senior management are bound by restraint of trade agreements.

**Directors' Remuneration** (regarded as short-term employee benefits)

| *Executive Directors* | Salaries | Bonuses | Benefits | Retirement contributions | Total |
|---|---|---|---|---|---|
| **2009** | **R'000** | **R'000** | **R'000** | **R'000** | **R'000** |
| Ahmed Mahomed | **2 024** | **1 953** | **29** | **258** | **4 264** |
| Elizabeth Naidoo | **1 191** | **977** | **71** | **159** | **2 398** |
| **Total** | **3 215** | **2 930** | **100** | **417** | **6 662** |
| **2008** | | | | | |
| Gerhard Uys** | 1 809 | 2 965 | 44 | 230 | 5 048 |
| Ahmed Mahomed | 1 598 | 1 483 | 18 | 203 | 3 302 |
| Stewart Barker* | 581 | 452 | 22 | 68 | 1 123 |
| Elizabeth Naidoo | 1 018 | 777 | 64 | 136 | 1 995 |
| **Total** | 5 006 | 5 677 | 148 | 637 | 11 468 |

* Resigned 31 August 2007
** Resigned February 2008

No current or retired director receives a pension funded by the group.

| *Non-Executive Directors - Fees for Services as Directors* | Total 2009 R'000 | Total 2008 R'000 |
|---|---|---|
| Gary Morolo# | **688** | 625 |
| Alwyn Martin | **353** | 190 |
| Dudu Nyamane*** | **200** | - |
| Israel Skosana** | **336** | 215 |
| Imogen Mkhize* | **-** | 239 |
| Joan Joffe | **463** | 223 |
| **Total** | **2 040** | 1 492 |

# Gary Morolo has an interest in major shareholder Aka Capital (Proprietary) Limited and accordingly the fees were paid to this company.
* Resigned February 2008
** Resigned October 2008
*** Resigned March 2009

## 3. DIRECTORS (continued)

**Directors' Shareholding**

| *Executive Directors* | 2009 Beneficial Direct | 2009 Beneficial Indirect | 2008 Beneficial Direct | 2008 Beneficial Indirect |
|---|---|---|---|---|
| Ahmed Mahomed | **36 000** | **-** | 36 000 | - |
| **Total** | **36 000** | **-** | 36 000 | - |

| *Non-Executive Directors* | 2009 Non-beneficial Indirect | 2009 Beneficial Direct | 2009 Beneficial Indirect | 2008 Non-beneficial Indirect | 2008 Beneficial Direct | 2008 Beneficial Indirect |
|---|---|---|---|---|---|---|
| Joan Joffe | **-** | **502 685** | **-** | - | 502 685 | - |
| Gary Morolo | **61 152 467** | **-** | **20 000 000** | 61 152 467 | - | 20 000 000 |
| **Total** | **61 152 467** | **502 685** | **20 000 000** | 61 152 467 | 502 685 | 20 000 000 |

Gary Morolo is a shareholder in and director of major shareholder Aka Capital (Proprietary) Limited (Co-ordinated Network Investments (Proprietary) Limited and Eglin Investments Number 31 (Proprietary) Limited). There has been no change in shareholding up to date of these financial statements.

**Executive Directors' Share Options**
Share option allocations are considered and recommended by the board and approved by the Human Resource, Remuneration and Nominations Committee.

| | Number of options 29/02/2008 | New options allocated during the year | Expired, sold or lapsed during the year | Number of options 28/02/2009 | Option price | Granting date | Value of all options in total R |
|---|---|---|---|---|---|---|---|
| Ahmed Mahomed | 750 000 | - | - | **750 000** | R1.00 | 01/01/2002 | **750 000** |
| | 1 750 000 | - | - | **1 750 000** | R3.43 | 02/10/2006 | **6 002 500** |
| | - | 1 000 000 | - | **1 000 000** | R3.11 | 30/01/2009 | **3 110 000** |
| Elizabeth Naidoo | 125 000 | - | - | **125 000** | R1.00 | 08/01/2002 | **125 000** |
| | 1 000 000 | - | - | **1 000 000** | R3.43 | 02/10/2006 | **3 430 000** |
| | - | 600 000 | - | **600 000** | R3.11 | 30/01/2009 | **1 866 000** |
| | 3 625 000 | 1 600 000 | - | **5 225 000** | | | **15 283 500** |

Conditions and exercise periods are set out in the Datacentrix Holdings Share Trust Deed.

## 4. REVENUE

An analysis of the group's revenue for the year is as follows:

| | Group 2009 R'000 | Group 2008 R'000 |
|---|---|---|
| Sale of goods | **1 160 082** | 1 125 764 |
| Services rendered | **318 601** | 177 617 |
| Rental income - hardware | **21 964** | 18 620 |
| Commission income - sale of licenses | **12 675** | 24 970 |
| | **1 513 322** | 1 346 971 |

# NOTES TO THE ANNUAL FINANCIAL STATEMENTS

**for the year ended 28 February 2009 (continued)**

## 5. INCOME FROM INVESTMENTS

| | Group | | Company | |
|---|---|---|---|---|
| | 2009 R'000 | 2008 R'000 | 2009 R'000 | 2008 R'000 |
| Interest on bank deposits | **19 832** | 12 632 | **12** | 8 |
| Dividends received from subsidiaries | **-** | - | **68 000** | 70 000 |
| | **19 832** | 12 632 | **68 012** | 70 008 |

## 6. FINANCE COSTS

| | | | | |
|---|---|---|---|---|
| Interest paid to other institutions | **3 472** | (3 495) | **-** | - |

R3.5 million relates to the reversal of an interest accrual raised at the end of the previous financial year in relation to a section 24C allowance query raised by the South African Revenue Service.

## 7. PROFIT BEFORE TAXATION

Profit before taxation for the year has been arrived at after charging (crediting):

| | Group | |
|---|---|---|
| | 2009 R'000 | 2008 R'000 |
| **Auditors' remuneration** | | |
| - audit fees | **2 000** | 1 800 |
| - fees for other services (taxation and advisory services) | **115** | 347 |
| | **2 115** | 2 147 |
| **Net foreign exchange (gains) loss** | | |
| - realised | **(472)** | 1 785 |
| - unrealised | **16** | - |
| | **(456)** | 1 785 |
| **Depreciation of property and equipment** | **11 225** | 9 456 |
| **Total employee benefits expense** | **269 021** | 223 525 |
| **Operating lease payments - properties** | **8 270** | 5 833 |
| **Retirement fund contributions (included in employee benefits expense)** | **18 960** | 15 718 |
| **Amortisation of software** | **1 133** | 698 |
| **Profit on disposal of property and equipment** | | |
| - various assets | **(64)** | (74) |

## 8. INCOME TAXATION EXPENSE

| | Group | | Company | |
|---|---|---|---|---|
| | 2009 R'000 | 2008 R'000 | 2009 R'000 | 2008 R'000 |
| **Taxation charge** | | | | |
| SA normal taxation - current year | **52 610** | 56 982 | **-** | 4 |
| SA normal taxation - prior year | **(82)** | 133 | **(8)** | 77 |
| Deferred taxation - current year | **(2 164)** | (9 357) | **-** | - |
| Deferred taxation - prior year | **(50)** | (15) | **-** | - |
| Rate change adjustment | **-** | 826 | **-** | - |
| Secondary taxation on companies | **5 747** | 5 645 | **5 747** | 5 645 |
| | **56 061** | 54 214 | **5 739** | 5 726 |

SA normal income taxation is calculated at 28% (2008: 28%) of the estimated assessable profit for the year. Secondary taxation on companies is calculated at 10% (2008: 12.5% and 10% as from 1 October 2008) on the net dividends payable. The company elected to only pay secondary taxation on dividends declared by the company and not its subsidiaries. Deferred taxation is calculated at 28% (2008: 28%).

| | % | % | % | % |
|---|---|---|---|---|
| **Reconciliation of rate of taxation** | | | | |
| Taxation at statutory rate | **28.0** | 29.0 | **28.0** | 29.0 |
| Expenses (income) not allowed for taxation | **0.3** | 1.7 | **(28.0)** | (29.0) |
| Rate change adjustment | **-** | 0.5 | **-** | - |
| Secondary taxation on companies | **3.3** | 3.6 | **8.5** | 8.1 |
| Prior year under provisions | **0.2** | (0.1) | **-** | 0.1 |
| **Effective taxation rate for the year** | **31.8** | 34.7 | **8.5** | 8.2 |

## 9. EARNINGS PER SHARE AND OTHER PER SHARE INFORMATION

The calculation of the basic and diluted earnings per share attributable to the ordinary equity holders of the company is based on the following data:

| | Group | |
|---|---|---|
| | 2009 R'000 | 2008 R'000 |
| **Earnings for the purpose of earnings per share** | **120 419** | 101 865 |
| **Number of shares** | | |
| Weighted average number of ordinary shares for the purposes of earnings per share | **195 784 991** | 195 784 991 |
| Effect of dilutive potential ordinary shares: Share options | **1 509 903** | 3 849 315 |
| Weighted average number of ordinary shares for the purposes of diluted earnings per share | **197 294 894** | 199 634 306 |
| **Earnings per share (cents)** | | |
| Basic | **61.5** | 52.0 |
| Diluted | **61.0** | 51.0 |
| **Headline earnings for the purposes of headline earnings per share** | | |
| Earnings attributable to ordinary shareholders | **120 419** | 101 865 |
| Profit on disposal of assets | **(64)** | (74) |
| Headline earnings for the purposes of basic and diluted headline earnings per share | **120 355** | 101 791 |

## 9. EARNINGS PER SHARE AND OTHER PER SHARE INFORMATION (continued)

| | Group 2009 R'000 | Group 2008 R'000 |
|---|---|---|
| **Number of shares** | | |
| Weighted average number of ordinary shares for the purposes of headline earnings per share | 195 784 991 | 195 784 991 |
| Effect of dilutive potential ordinary shares: Share options | 1 509 903 | 3 849 315 |
| Weighted average number of ordinary shares for the purposes of diluted headline earnings per share | 197 294 894 | 199 634 306 |
| **Headline earnings per share (cents)** | | |
| Basic | 61.5 | 52.0 |
| Diluted | 61.0 | 51.0 |
| **Net asset value per share** | | |
| Net asset value per share is calculated by dividing the ordinary shareholder's equity by the issued share capital at year-end. | | |
| **Number of shares** | | |
| Weighted average number of shares (net of shares held by the Datacentrix Holdings Share Trust) | 195 784 991 | 195 784 991 |
| **Net asset value** | | |
| Ordinary shareholder's equity | 360 625 | 294 476 |
| Net asset value (adjusted for treasury shares) per share (cents) | 184.2 | 150.4 |
| **Tangible net asset value** | | |
| Tangible net asset value per share is calculated by dividing the ordinary shareholder's equity, less intangibles, by the issued share capital at year-end. | | |
| **Number of shares** | | |
| Weighted average number of shares (net of shares held by the Datacentrix Holdings Share Trust) | 195 784 991 | 195 784 991 |
| **Net asset value** | | |
| Ordinary shareholder's equity | 360 625 | 294 476 |
| Adjustment: less intangible assets | (17 138) | (17 740) |
| **Tangible net asset value** | 343 487 | 276 736 |
| Tangible net asset value (adjusted for treasury shares) per share (cents) | 175.4 | 141.3 |

## 10. DIVIDEND AND DECLARED DIVIDEND

On 7 May 2008 a dividend of 13.2 cents per share was paid to shareholders. In respect of the current year, the directors declared an interim dividend of 13.0 cents, and declared a final normal dividend of 17.0 cents, which is two times headline earnings per share cover, as per the policy. This brings the dividend to a total of 30.0 cents declared for the full year. This dividend has not been included as a liability in these financial statements as it was declared subsequent to year-end.

The declared dividend for 2009 is payable to all shareholders on the Register of Members on 8 May 2009. The total estimated dividend to be paid is R34,895,166.

## 11. PROPERTY AND EQUIPMENT - GROUP ONLY

| 2009 | Opening balance R'000 | Additions R'000 | Disposals R'000 | Closing balance R'000 |
|---|---|---|---|---|
| **COST** | | | | |
| Land | 1 915 | - | - | 1 915 |
| Buildings | 13 548 | - | - | 13 548 |
| Motor vehicles | 1 522 | 378 | (270) | 1 630 |
| Furniture and fittings | 4 535 | 1 648 | (30) | 6 153 |
| Computer equipment | 15 795 | 9 389 | (1 163) | 24 021 |
| Office equipment | 3 082 | 2 806 | (181) | 5 707 |
| Spare parts | 16 659 | 5 961 | (1 137) | 21 483 |
| Leasehold improvements | 1 041 | 373 | - | 1 414 |
| **Total** | 58 097 | 20 555 | (2 781) | 75 871 |

| | Opening balance R'000 | Depreciation R'000 | Disposals R'000 | Closing balance R'000 |
|---|---|---|---|---|
| **ACCUMULATED DEPRECIATION** | | | | |
| Land | - | - | - | - |
| Buildings | 249 | 3 | - | 252 |
| Motor vehicles | 865 | 279 | (240) | 904 |
| Furniture and fittings | 3 642 | 509 | (30) | 4 121 |
| Computer equipment | 8 692 | 4 392 | (1 120) | 11 964 |
| Office equipment | 2 614 | 449 | (181) | 2 882 |
| Spare parts | 8 986 | 5 428 | (1 137) | 13 277 |
| Leasehold improvements | 1 031 | 165 | - | 1 196 |
| **Total** | 26 079 | 11 225 | (2 708) | 34 596 |

| 2008 | Opening balance R'000 | Additions R'000 | Disposals R'000 | Closing balance R'000 |
|---|---|---|---|---|
| **COST** | | | | |
| Land | 1 915 | - | - | 1 915 |
| Buildings | 13 548 | - | - | 13 548 |
| Motor vehicles | 1 195 | 511 | (184) | 1 522 |
| Furniture and fittings | 4 175 | 367 | (7) | 4 535 |
| Computer equipment | 10 257 | 6 163 | (625) | 15 795 |
| Office equipment | 2 772 | 310 | - | 3 082 |
| Spare parts | 16 379 | 5 442 | (5 162) | 16 659 |
| Leasehold improvements | 997 | 44 | - | 1 041 |
| **Total** | 51 238 | 12 837 | (5 978) | 58 097 |

| | Opening balance R'000 | Depreciation R'000 | Disposals R'000 | Closing balance R'000 |
|---|---|---|---|---|
| **ACCUMULATED DEPRECIATION** | | | | |
| Land | - | - | - | - |
| Buildings | 249 | - | - | 249 |
| Motor vehicles | 744 | 167 | (46) | 865 |
| Furniture and fittings | 3 149 | 500 | (7) | 3 642 |
| Computer equipment | 6 164 | 3 089 | (561) | 8 692 |
| Office equipment | 2 141 | 473 | - | 2 614 |
| Spare parts | 7 729 | 5 184 | (3 927) | 8 986 |
| Leasehold improvements | 988 | 43 | - | 1 031 |
| **Total** | 21 164 | 9 456 | (4 541) | 26 079 |

# NOTES TO THE ANNUAL FINANCIAL STATEMENTS

**for the year ended 28 February 2009 (continued)**

## 11. PROPERTY AND EQUIPMENT - GROUP ONLY (continued)

| | Group 2009 R'000 | Group 2008 R'000 |
|---|---|---|
| **NET BOOK VALUE AND DEPRECIATION RATES APPLIED** | | |
| Land | 1 915 | 1 915 |
| Buildings (5%) | 13 296 | 13 299 |
| Motor vehicles (25%) | 726 | 657 |
| Furniture and fittings (16.7%) | 2 032 | 893 |
| Computer equipment (33.3%) | 12 057 | 7 103 |
| Office equipment (15% to 33.3%) | 2 825 | 468 |
| Spare parts (33.3%) | 8 206 | 7 673 |
| Leasehold improvements (period of lease) | 218 | 10 |
| **Total** | 41 275 | 32 018 |

Land comprises stand number 865 Kosmosdal, Extension 11, Gauteng with buildings and additions thereon at additional costs. The register of land and buildings is open for inspection at the registered office of the company.

Computer equipment includes an amount of R9,269,000 cost (2008: R3,664,000) and R2,726,000 accumulated depreciation (2008: R1,095,000) in relation to printers used within the Managed Print Services business on client premises.

## 12. GOODWILL

| | 2009 R'000 | 2008 R'000 |
|---|---|---|
| Carrying amount at the beginning of the year | 15 596 | 15 596 |
| Goodwill at acquisition | 24 114 | 24 114 |
| Accumulated impairments | (8 518) | (8 518) |
| Impairment recognised during the year | - | - |
| Carrying amount at the end of the year | 15 596 | 15 596 |
| Goodwill at acquisition net of amortisation and disposals | 24 114 | 24 114 |
| Accumulated impairments | (8 518) | (8 518) |

The group tests goodwill annually for impairment, or more frequently if there are indications that goodwill might be impaired. The calculations were done with reference to the smallest cash generating units being the Johannesburg and Solutions business units respectively. The recoverable amounts of the cash generating units are determined based on value in use. This value in use is determined by means of a discounted cash flow model. Three and five year cash flow forecasts respectively were used to assess this. The key assumptions in the calculations included an average discount rate of 14.5% (2008: 14.5%) and expected volume growth of zero percent. Management considers these rates to be highly conservative.

## 13. OTHER INTANGIBLE ASSETS - SOFTWARE

| | 2009 R'000 | 2008 R'000 |
|---|---|---|
| Carrying amount at the beginning of the year | 2 144 | 867 |
| Cost | 7 376 | 5 401 |
| Amortised to the beginning of the year | (5 232) | (4 534) |
| Additions during the year | 531 | 1 975 |
| Disposals during the year | - | - |
| Amortisation recognised during the year | (1 133) | (698) |
| Carrying amount at the end of the year | 1 542 | 2 144 |
| Cost at acquisition | 7 907 | 7 376 |
| Amortised to the end of the year | (6 365) | (5 232) |

The amortisation rate applied was 33% (2008: 33.3%).

## 14. LONG-TERM RECEIVABLES

| | 2009 R'000 | 2008 R'000 |
|---|---|---|
| Amounts receivable under finance leases | 7 022 | 11 405 |
| Short-term portion (within one year) (refer note 19) | 3 766 | 5 146 |
| Long-term portion (after one year) | 3 256 | 6 259 |



## 14. LONG-TERM RECEIVABLES (continued)

The group entered finance leasing arrangements for certain computer hardware. The average terms of the leases, which were entered into in 2006, are four years. The average effective interest rate is 10% (2008: 10%). This rate is considered to be market related and the fair value of the leases approximates the book values. The rate is fixed at the contract date, which exposed the group to fair value interest rate risk. Monthly instalments amount to R280,000 (2008: R280,000).

An amount of R10.9 million was prepaid to a supplier in respect of a desktop management outsource transaction with a client. This cost will be recovered over the period of the contract of 48 months. Eighteen months have passed and there is a remaining period of 30 months to recover this cost against future billings.

The group also financed an amount of R746,000 in respect of software and equipment for a business solutions outsource client.

## 15. INVESTMENT IN SUBSIDIARIES

| | Company 2009 R'000 | Company 2008 R'000 |
|---|---|---|
| Shares at cost | 22 313 | 22 313 |
| Amount owing by subsidiary companies | 68 671 | 61 827 |
| | 90 984 | 84 140 |

| | Issued share capital | | Effective percentage held | | Shares at cost | | Net receivable | |
|---|---|---|---|---|---|---|---|---|
| **Name of subsidiary** *Principal activity* | 2009 R'000 | 2008 R'000 | 2009 % | 2008 % | 2009 R'000 | 2008 R'000 | 2009 R'000 | 2008 R'000 |
| **Datacentrix (Proprietary) Limited** *IT infrastructure and managed services* | 2 | 2 | 100 | 100 | 10 857 | 10 857 | 59 799 | 52 955 |
| **Datacentrix Business Solutions (Proprietary) Limited** *Business solutions* | 200 | 200 | 100 | 100 | 9 799 | 9 799 | 8 872 | 8 872 |
| **Datacentrix Infrastructure Optimisation (Proprietary) Limited** *Dormant* | 22 220 | 22 220 | 100 | 100 | 1 657 | 1 657 | - | - |
| **Dezzo Trading (Proprietary) Limited** *Dormant* | 100 | 100 | 100 | 100 | - | - | - | - |
| **E-centrix (Proprietary) Limited** *Dormant* | 100 | 100 | 100 | 100 | - | - | - | - |
| **Datacentrix Properties (Proprietary) Limited** * *Property* | 100 | 100 | 100 | 100 | - | - | - | - |
| **Styleprops Services 18 (Proprietary) Limited** * *Dormant* | 100 | 100 | 100 | 100 | - | - | - | - |
| **Datacentrix Outsourcing (Proprietary) Limited** *Dormant* | 100 | 100 | 100 | 100 | - | - | - | - |
| **Dirigible IT (Proprietary) Limited*** *Dormant* | 100 | 100 | 100 | 100 | - | - | - | - |
| | | | | | 22 313 | 22 313 | 68 671 | 61 827 |

* Indirect holding, i.e. through a subsidiary

### 15. INVESTMENT IN SUBSIDIARIES (continued)

The interest of the group in the net income (loss) of its subsidiary companies and special purpose entity is:

| | Group 2009 R'000 | Group 2008 R'000 |
|---|---|---|
| Datacentrix (Proprietary) Limited | **109 682** | 92 630 |
| Datacentrix Solutions (Proprietary) Limited | **16 953** | 15 348 |
| Datacentrix Holdings Share Trust | **74** | - |
| Datacentrix Properties (Proprietary) Limited | **(27)** | (40) |
| | **126 682** | 107 938 |

### 16. DEFERRED TAXATION ASSETS

| | 2009 | 2008 |
|---|---|---|
| Trademarks | **-** | - |
| Provisions, forward exchange contract and lease liabilities | **7 716** | 9 085 |
| Property and equipment | **4 923** | 3 738 |
| Calculated taxation loss | **361** | 245 |
| Prepayments and restraint of trade payments | **(26)** | 7 |
| Deferred revenue on long-term contracts and finance leases | **7 980** | 10 093 |
| | **20 954** | 23 168 |
| **Movement in deferred taxation:** | | |
| Carrying amount at the beginning of the year | **23 168** | 14 582 |
| Movement in: | | |
| Trademarks | **-** | (508) |
| Provisions, forward exchange contract and lease liabilities | **(1 369)** | 1 939 |
| Property and equipment | **1 185** | 948 |
| Calculated taxation loss | **116** | 135 |
| Rate change adjustment | **-** | (827) |
| Prepayments and restraint of trade payments | **(33)** | (203) |
| Deferred revenue on long-term contracts and finance leases | **(2 113)** | 7 102 |
| **Carrying amount at the end of the year** | **20 954** | 23 168 |

The taxation effects of temporary timing differences of the company and subsidiary companies resulted in deferred taxation assets. It is probable that future taxable income will be sufficient to allow the taxation benefit to be realised.

### 17. LOAN TO SHARE TRUST

| | Company 2009 R'000 | Company 2008 R'000 |
|---|---|---|
| Loan to Datacentrix Holdings Share Trust | **6 627** | 6 627 |

The loan is unsecured, interest-free and there are no fixed terms of repayment. Refer to note 28 for details in respect of the share trust.

### 18. INVENTORIES

| | Group 2009 R'000 | Group 2008 R'000 |
|---|---|---|
| Finished goods | **3 853** | 3 676 |
| Work in progress | **2 217** | 4 449 |
| Consumables | **4 368** | 2 851 |
| | **10 438** | 10 976 |

Consumables stock relates to cartridges, which are supplied by the Managed Print Services business unit to clients. It was not necessary to adjust any inventories to net realisable value.

### 19. TRADE AND OTHER RECEIVABLES

| | Group 2009 R'000 | Group 2008 R'000 | Company 2009 R'000 | Company 2008 R'000 |
|---|---|---|---|---|
| Trade receivables | **271 700** | 229 621 | **-** | - |
| Short-term portion of long-term receivables (refer note 14) | **3 766** | 5 146 | **-** | - |
| Other receivables | **8 965** | 1 705 | **26** | 136 |
| | **284 431** | 236 472 | **26** | 136 |

The average credit period on sale of goods is 45 days (2008: 45 days). No interest is charged on the trade receivables. Trade receivables are provided for based on estimated irrecoverable amounts from the sale of goods, determined by reference to past default experience. There has historically been very limited bad debt due to the spread and quality of clients. No provision was raised in the current or prior year.

Before accepting any new client, the group considers bank and trade references to assess the potential client's credit quality and defines credit limits by client. There are no clients who represent more than 10% of the total balance of trade receivables.

Included in the group's trade receivable balance is debtors with a carrying amount of R10 million (2008: R8 million), which is past due at the reporting date for which the group has not provided as there has not been a significant change in credit quality and the amounts are still considered recoverable. The group does not hold any collateral over these balances. The average age of these receivables is 65 days (2008: 55 days).

### 20. CASH AND CASH EQUIVALENTS

| | Group 2009 | Group 2008 | Company 2009 | Company 2008 |
|---|---|---|---|---|
| Bank balances and cash | **232 841** | 221 896 | **181** | 120 |

The group and company had no overdrawn bank accounts at year-end and therefore no off-setting of bank accounts has occurred on the group's balance sheet. All cash resources are placed with reputable bankers.

### 21. SHARE CAPITAL, SHARE PREMIUM, TREASURY SHARES AND EQUITY-SETTLED SHARE SCHEME RESERVE

**Share Capital**

| | Group 2009 | Group 2008 | Company 2009 | Company 2008 |
|---|---|---|---|---|
| **Authorised** | | | | |
| 400,000,000 (2008: 400,000,000) ordinary shares of R0,0001 each | **40** | 40 | **40** | 40 |
| **Issued** | | | | |
| 205,265,683 (2008: 205,265,683) ordinary shares of R0,0001 each | **21** | 21 | **21** | 21 |

## 21. SHARE CAPITAL, SHARE PREMIUM, TREASURE SHARES AND EQUITY-SETTLED SHARE SCHEME RESERVE (continued)

| | Group | | Company | |
|---|---|---|---|---|
| **Share Premium** | **2009 R'000** | **2008 R'000** | **2009 R'000** | **2008 R'000** |
| **Carrying amount at the beginning of the year** | **38 145** | 40 709 | **39 280** | 39 280 |
| Loss on sale of treasury shares | **(779)** | (2 564) | **-** | - |
| **Carrying amount at the end of the year** | **37 366** | 38 145 | **39 280** | 39 280 |
| **Treasury Shares** | **(37 166)** | (35 901) | **-** | - |

The number of treasury shares held by the Datacentrix Holdings Share Trust amounts to 9,480,692 (2008: 9,480,692) ordinary shares.

| **Equity-Settled Share Scheme Reserve** | | | | |
|---|---|---|---|---|
| **Carrying amount at the beginning of the year** | **12 672** | 8 642 | **12 672** | 8 642 |
| Expensed during the year | **2 600** | 4 030 | **2 600** | 4 030 |
| **Carrying amount at the end of the year** | **15 272** | 12 672 | **15 272** | 12 672 |

The share-based payments expense in terms of IFRS 2 has been expensed to the income statement as part of the employee benefits and credited to this equity account.

## 22. OBLIGATIONS UNDER FINANCE LEASES

| | Group | |
|---|---|---|
| | **2009 R'000** | **2008 R'000** |
| Amounts payable under finance leases | **-** | 2 007 |
| Short-term portion (within one year) (refer note 24) | **-** | 2 007 |
| Long-term portion (after one year) | **-** | - |

The group leased certain computer hardware under finance leases. The average lease term was four years and the leases commenced in the 2006 financial year. The average effective borrowing rate was 10% (2008: 10%). Interest rates were fixed at the contract date and thus exposed the group to fair value interest rate risk. All leases were on a fixed repayment basis. The fair value of the leases approximated their carrying amounts. Monthly instalments amounted to R210,000 (2008: R210,000).

## 23. DEFERRED REVENUE

| | | |
|---|---|---|
| Carrying amount at the beginning of the year | **46 532** | 45 982 |
| Long-term portion | **19 327** | 18 327 |
| Short-term portion | **27 205** | 27 655 |
| Deferral of revenue during the year | **68 386** | 40 886 |
| Realisation of revenue during the year | **(55 085)** | (40 336) |
| Carrying amount at the end of the year | **59 833** | 46 532 |
| Long-term portion | **16 328** | 19 327 |
| Short-term portion | **43 505** | 27 205 |

Deferred revenue relates to service and maintenance contracts contracted for over a 12 to 36 month period. The related revenue, which has been deferred, is recognised over the period of the contract.

## 24. TRADE AND OTHER PAYABLES

| | Group | | Company | |
|---|---|---|---|---|
| | **2009 R'000** | **2008 R'000** | **2009 R'000** | **2008 R'000** |
| Trade payables | **130 675** | 131 734 | **-** | - |
| Short-term portion of finance lease obligations (refer note 22) | **-** | 2 007 | **-** | - |
| Other accruals and payables | **48 836** | 46 919 | **31** | 93 |
| | **179 511** | 180 660 | **31** | 93 |

## 25. PROVISIONS (short-term in nature)

| | Group | |
|---|---|---|
| | **2009 R'000** | **2008 R'000** |
| **Provision for Audit Fee** | | |
| Carrying amount at the beginning of the year | **2 071** | 2 008 |
| Provision made | **2 115** | 2 342 |
| Provision utilised | **(3 054)** | (2 279) |
| **Carrying amount at the end of the year** | **1 132** | 2 071 |

**Provision for audit fee**
The audit fee provision is based on the total budget approved by the Audit and Risk Committee.

## 26. CONTINGENT LIABILITIES, CAPITAL COMMITMENTS AND LITIGATION STATEMENT

The directors of the company are not aware of any legal or arbitration proceedings, pending or threatened against the group, which may have or have had, from 1 March 2009 up to the date of this notice, a material effect on the group's financial position.

The following bank guarantees were in place for subsidiary companies:

- R75,524 (2008: R75,524) and R108,000 (2008: R108,000) for rental payments for Datacentrix (Proprietary) Limited, with the beneficiaries respectively being Barrow Properties (Proprietary) Limited, Atlas Properties Limited and Rosehip Properties 6 (Proprietary) Limited.

There are unlimited cross-suretyships between all the subsidiaries and the company for bank facilities. The group has no material contingent liabilities or capital commitments.

## 27. OPERATING AND FINANCE LEASE ARRANGEMENTS

Minimum lease payments under operating leases are recognised in income for the year. Operating lease payments represent rentals payable by the group for certain of its office properties. At the balance sheet date, the group had outstanding commitments under non-cancellable operating leases, which fall due as follows:

| | Group | |
|---|---|---|
| | **2009 R'000** | **2008 R'000** |
| Within one year | **10 965** | 4 447 |
| In the second to fifth year | **18 846** | 5 190 |
| | **29 811** | 9 637 |

Operating leases relate to office facilities with lease terms of between one to three years, with an option to extend for a further three years. All operating lease contracts contain market review clauses in the event that the group exercises its option to renew. The group does not have an option to purchase the leased asset at the expiry of the lease period.

At the balance sheet date, the group had outstanding commitments under non-cancellable finance leases payable, which fall due as follows (refer note 22):

| | | |
|---|---|---|
| Within one year | **-** | 2 007 |
| In the second to fifth year | **-** | - |
| | **-** | 2 007 |

At the balance sheet date, the group had outstanding receivables under non-cancellable finance leases receivable, which fall due as follows (refer note 14):

| | | |
|---|---|---|
| Within one year | **(1 097)** | (3 081) |
| In the second to fifth year | **-** | (1 097) |
| | **(1 097)** | (4 178) |

## 28. SHARE-BASED PAYMENTS

**Equity-Settled Share Option Plan**

The group plan provides for a grant price equal to the average quoted market price of the group shares on the date of grant. The vesting period is 12 to 54 months for employees and 12 to 36 months for directors. If the options remain unexercised after a period of 10 years from the date of grant, the options expire. Furthermore, options are forfeited if the employee leaves the group before the option vests.

The share option plan is managed by the Datacentrix Holdings Share Trust. Datacentrix Holdings Limited funds the cash flow of the trust and has the obligation to fund the deficit of the trust on termination. The financial years in which an employee may exercise his/her options are as follows:

| Exercise price | 2009 | 2010 | 2011 | 2012 | 2013 | 2014 | Total |
|---|---|---|---|---|---|---|---|
| 92 cents | 23 000 | - | - | - | - | - | **23 000** |
| 100 cents | 1 114 340 | - | - | - | - | - | **1 114 340** |
| 125 cents | 20 000 | - | - | - | - | - | **20 000** |
| 130 cents | 59 375 | - | - | - | - | - | **59 375** |
| 140 cents | 50 000 | - | - | - | - | - | **50 000** |
| 150 cents | 37 000 | - | - | - | - | - | **37 000** |
| 170 cents | 35 000 | - | - | - | - | - | **35 000** |
| 200 cents | 133 203 | 1 172 | - | - | - | - | **134 375** |
| 215 cents | 10 000 | - | - | - | - | - | **10 000** |
| 230 cents | 47 500 | 2 500 | - | - | - | - | **50 000** |
| 240 cents | 43 750 | 6 250 | - | - | - | - | **50 000** |
| 245 cents | 9 844 | 1 406 | - | - | - | - | **11 250** |
| 250 cents | 192 969 | 77 188 | 38 593 | - | - | - | **308 750** |
| 260 cents | 16 406 | 6 563 | 3 281 | - | - | - | **26 250** |
| 270 cents | 7 813 | 9 375 | 14 062 | 12 500 | 12 500 | 6 250 | **62 500** |
| 285 cents | 9 375 | 3 750 | 1 875 | - | - | - | **15 000** |
| 300 cents | 820 575 | 117 225 | - | - | - | - | **937 800** |
| 305 cents | 31 250 | 20 625 | 22 500 | 16 250 | 16 250 | 8 125 | **115 000** |
| 308 cents | 43 750 | 6 250 | - | - | - | - | **50 000** |
| 310 cents | 31 250 | 17 500 | 16 250 | 10 000 | 10 000 | 5 000 | **90 000** |
| 311 cents | - | 765 833 | 998 333 | 998 334 | 465 000 | 232 500 | **3 460 000** |
| 325 cents | 70 000 | 30 000 | 17 500 | 2 500 | - | - | **120 000** |
| 330 cents | 18 750 | 17 500 | 17 500 | 11 250 | 5 000 | - | **70 000** |
| 331 cents | - | 2 500 | 5 000 | 5 000 | 5 000 | 2 500 | **20 000** |
| 343 cents | 1 925 000 | 825 000 | - | - | - | - | **2 750 000** |
| 350 cents | 42 500 | 20 000 | 13 750 | 3 750 | - | - | **80 000** |
| 351 cents | - | 1 875 | 3 750 | 3 750 | 3 750 | 1 875 | **15 000** |
| 360 cents | 7 500 | 12 500 | 12 500 | 12 500 | 5 000 | - | **50 000** |
| 380 cents | 17 500 | 15 000 | 15 000 | 12 500 | - | - | **60 000** |
| 390 cents | - | 7 500 | 7 500 | 7 500 | 7 500 | - | **30 000** |
| 400 cents | - | 31 875 | 33 750 | 33 750 | 33 750 | 1 875 | **135 000** |
| 420 cents | - | 7 500 | 7 500 | 7 500 | 7 500 | - | **30 000** |
| 430 cents | - | 17 500 | 17 500 | 17 500 | 17 500 | - | **70 000** |
| 450 cents | 22 500 | 22 500 | 22 500 | 22 500 | - | - | **90 000** |
| 460 cents | 15 625 | 6 250 | 3 125 | - | - | - | **25 000** |
| 480 cents | 3 125 | 6 250 | 6 250 | 6 250 | 3 125 | - | **25 000** |
| 485 cents | 6 250 | 6 250 | 6 250 | 6 250 | - | - | **25 000** |
| 486 cents | 12 500 | 12 500 | 12 500 | 12 500 | - | - | **50 000** |
| 495 cents | 6 875 | 13 750 | 13 750 | 13 750 | 6 875 | - | **55 000** |
| 499 cents | 9 375 | 28 750 | 28 750 | 28 750 | 19 375 | - | **115 000** |
| 500 cents | 66 250 | 106 250 | 106 250 | 106 250 | 40 000 | - | **425 000** |
| 520 cents | 10 625 | 13 750 | 13 750 | 13 750 | 3 125 | - | **55 000** |
| 530 cents | 10 000 | 12 500 | 12 500 | 12 500 | 2 500 | - | **50 000** |
| 533 cents | 5 000 | 10 000 | 10 000 | 10 000 | 5 000 | - | **40 000** |
| 550 cents | 4 375 | 8 750 | 8 750 | 8 750 | 4 375 | - | **35 000** |
| | 4 990 150 | 2 271 887 | 1 490 519 | 1 395 834 | 673 125 | 258 125 | **11 079 640** |

## 28. SHARE-BASED PAYMENTS (continued)

The inputs into the binomial model are as follows for both the current and prior year:

**Expected volatility:** The historical volatility percentages used, were calculated over the entire period of each grant from listing date of the share.
**Expected life:** 12 to 54 months
**Risk free rate:** The zero-coupon bond curve interest rate was used for each grant date in determining this rate.
**Expected dividends:** A dividend yield of 8.5% (2008: 5.5%), continuously compounded, was used based on industry averages.

| | Group | |
|---|---|---|
| | **2009 Options** | **2008 Options** |
| Outstanding at beginning of the year | **9 796 490** | 12 363 910 |
| Granted during the year | **3 995 000** | 1 505 000 |
| Exercised during the year | **(871 200)** | (3 118 983) |
| Forfeited during the year | **(1 840 650)** | (953 437) |
| Outstanding at the end of the year | **11 079 640** | 9 796 490 |

The weighted average share price at the date of exercise for share options exercised during the period was R4.17 (2008: R4.78).

Expected volatility was determined by calculating the historical volatility of the group's share price over the previous years since listing. The expected life used in the model has been adjusted, based on management's best estimate, for the effects of non-transferability, exercise restrictions, and behavioural considerations. The estimated fair value of the options at year-end amounts to R13,404,149 (2008: R21,793,271). The trust has a potential future exposure of Rnil (2008: Rnil) since the shares owned by the trust are more than the options not yet exercised that are in the money.

## 29. RETIREMENT BENEFIT PLANS

The Alexander Forbes Provident Fund with 786 members (2008: 692 members) is a defined contribution fund of which the majority of the group's permanent employees are members. These funds have been registered by the Registrar of Pension Funds and are governed by the Pension Funds Act 24 of 1956. The group does not provide any post-retirement medical benefits to its employees.

## 30. EVENTS AFTER THE BALANCE SHEET DATE

There are no material events after the balance sheet date that require additional disclosure.

## 31. FINANCIAL INSTRUMENTS

**Capital Risk Management**
The group manages its capital to ensure that entities in the group will be able to continue as a going concern while maximising the return to shareholders through the optimisation of the debt and equity balance. The group's overall strategy remains unchanged from 2008. There is currently no long-term debt on the balance sheet of the company, except for some finance leases in 2008 (refer note 22).

**Significant Accounting Policies**
Details of the significant accounting policies and methods adopted, including the criteria for recognition, the basis of measurement and the basis on which income and expenses are recognised, in respect of each class of financial asset, financial liability and equity instrument are disclosed in note 2 to the financial statements.

**Categories of Financial Instruments**

| GROUP 2009 | Loans and receivables R'000 | Other financial assets R'000 | Total R'000 | Fair value R'000 |
|---|---|---|---|---|
| **Financial assets** | | | | |
| Long-term receivables | **3 256** | **-** | **3 256** | **3 256** |
| Trade and other receivables | **284 431** | **-** | **284 431** | **284 431** |
| Cash and cash equivalents | **-** | **232 841** | **232 841** | **232 841** |
| | **287 687** | **232 841** | **520 528** | **520 528** |

## 31. FINANCIAL INSTRUMENTS (continued)

**Categories of Financial Instruments (continued)**

| GROUP 2008 | Loans and receivables R'000 | Other financial assets R'000 | Total R'000 | Fair value R'000 |
|---|---|---|---|---|
| **Financial assets** | | | | |
| Long-term receivables | 6 259 | - | 6 259 | 6 259 |
| Trade and other receivables | 236 472 | - | 236 472 | 236 472 |
| Cash and cash equivalents | - | 221 896 | 221 896 | 221 896 |
| | 242 731 | 221 896 | 464 627 | 464 627 |

| GROUP 2009 | FVTPL R'000 | Other financial liabilities R'000 | Total R'000 | Fair value R'000 |
|---|---|---|---|---|
| **Financial liabilities** | | | | |
| Trade and other payables | **179 511** | **-** | **179 511** | **179 511** |
| | **179 511** | **-** | **179 511** | **179 511** |
| **2008** | | | | |
| **Financial liabilities** | | | | |
| Trade and other payables | 180 660 | - | 180 660 | 180 660 |
| | 180 660 | - | 180 660 | 180 660 |

| COMPANY 2009 | Loans and receivables R'000 | Other financial assets R'000 | Total R'000 | Fair value R'000 |
|---|---|---|---|---|
| **Financial assets** | | | | |
| Loan to share trust and receivables | **6 627** | **-** | **6 627** | **6 627** |
| Trade and other receivables | **26** | **-** | **26** | **26** |
| Cash and cash equivalents | **-** | **181** | **181** | **181** |
| | **6 653** | **181** | **6 834** | **6 834** |
| **2008** | | | | |
| **Financial assets** | | | | |
| Loan to share trust and receivables | 6 627 | - | 6 627 | 6 627 |
| Trade and other receivables | 136 | - | 136 | 136 |
| Cash and cash equivalents | - | 120 | 120 | 120 |
| | 6 763 | 120 | 6 883 | 6 883 |

| COMPANY 2009 | FVTPL R'000 | Other financial liabilities R'000 | Total R'000 | Fair value R'000 |
|---|---|---|---|---|
| **Financial liabilities** | | | | |
| Trade and other payables | **31** | **-** | **31** | **31** |
| | **31** | **-** | **31** | **31** |
| **2008** | | | | |
| **Financial liabilities** | | | | |
| Trade and other payables | 93 | - | 93 | 93 |
| | 93 | - | 93 | 93 |

## 31. FINANCIAL INSTRUMENTS (continued)

**Financial Risk Management Objectives**

The group's financial function provides services to the business and co-ordinates access to domestic and international financial markets. The Executive Committee monitors and manages the financial risks relating to the operations of the group through monthly analysis reports, which analyses risks. These risks include market risk (including currency risk, fair value interest rate risk and price risk), credit risk, liquidity risk and cash flow interest rate risk.

The group seeks to minimise the effects of these risks by using derivative financial instruments to hedge these risk exposures. The use of financial derivatives is governed by the group's policies approved by the board of directors, which provide written principles on foreign exchange risk, interest rate risk, credit risk, the use of financial derivatives and non-derivative financial instruments, and the investment of excess liquidity. The group does not enter into or trade financial instruments, including derivative financial instruments, for speculative purposes.

**Market Risk**

The group's activities expose it primarily to the financial risks of changes in foreign currency exchange rates and interest rates. The group only enters into derivative financial instruments to manage its exposure to foreign currency risk; being forward foreign exchange contracts to hedge the exchange rate risk arising on the import of electronic equipment.

Market risk exposures are measured using sensitivity analysis. There has been no change to the group's exposure to market risks or the manner in which it manages and measures the risk.

**Foreign Currency Risk Management**

The group undertakes certain transactions denominated in foreign currencies. Hence, exposures to exchange rate fluctuations arise. Exchange rate exposures are managed within approved policy parameters utilising forward foreign exchange contracts.

**Forward Foreign Exchange Contracts**

It is the policy of the group to enter into forward foreign exchange contracts to cover all foreign currency payments and receipts within 100% of the exposure generated.

Foreign exchange contracts are entered into for most transactions as frequent purchases are made from foreign entities. On short-term contracts, currency fluctuations are passed onto clients. Limited currency risks related to long-term contract exist. At the balance sheet date, the group held no foreign denominated cash balances.

| 2009 | Foreign currency amount R'000 | Spot rate | R'000 | Fair value R'000 |
|---|---|---|---|---|
| US Dollars | **1 189** | **10.10** | **12 012** | **12 095** |
| Euro | **34** | **12.76** | **434** | **436** |
| | | | **12 446** | **12 531** |
| **2008** | | | | |
| US Dollars | 1 076 | 7.72 | 8 308 | 8 322 |
| Euro | 139 | 11.72 | 1 629 | 1 637 |
| | | | 9 937 | 9 959 |

**Foreign Currency Sensitivity**

The US Dollar is the primary currency to which the group is exposed. The following table indicates the group's sensitivity at year-end to the indicated movements in the US Dollar on financial instruments including forward foreign exchange contracts. The rates of sensitivity are the rates used when reporting the currency risk to the group and represents management's assessment of the possible change in the reporting foreign currency exchange rates.



## 31. FINANCIAL INSTRUMENTS (continued)

**Foreign Currency Sensitivity (continued)**

| 2009 | USD 1: R9.35 | R10.10 | R10.91 | R11.78 |
|---|---|---|---|---|
| Forex loss | **(382)** | **(413)** | **(446)** | **(482)** |
| Forward exchange contracts | **(115)** | **(124)** | **(134)** | **(145)** |
| Creditors | **(267)** | **(289)** | **(312)** | **(337)** |
| **2008** | **USD 1: R7.00** | **R7.72** | **R8.50** | **R9.30** |
| Forex loss | (1 829) | (2 017) | (2 221) | (2 430) |
| Forward exchange contracts | (1 862) | (2 053) | (2 260) | (2 473) |
| Creditors | 33 | 36 | 40 | 43 |

| 2009 | Euro 1: R11.82 | R12.76 | R13.78 | R14.88 |
|---|---|---|---|---|
| Forex loss | **(40)** | **(43)** | **(46)** | **(50)** |
| Forward exchange contracts | **(141)** | **(152)** | **(164)** | **(177)** |
| Creditors | **101** | **109** | **118** | **127** |
| **2008** | **Euro 1: R10.60** | **R11.72** | **R12.90** | **R14.00** |
| Forex profit | 209 | 232 | 255 | 277 |
| Forward exchange contracts | 91 | 101 | 111 | 121 |
| Creditors | 118 | 131 | 144 | 156 |

**Interest Rate Risk Management**

The group is not exposed to any interest rate risk as it has no debt, other than the finance lease in 2008, refer note 22.

**Credit Risk Management**

Credit risk refers to the risk that a counter-party will default on its contractual obligations resulting in financial loss to the group. The group has adopted a policy of only dealing with creditworthy counter-parties and obtaining sufficient collateral, where appropriate, as a means of mitigating the risk of financial loss from defaults.

Trade receivables consist of a large number of clients, spread across diverse industries. The group does not have any significant credit risk exposure to any single counter-party or any group of counter-parties having similar characteristics. Except as detailed in the following table, the carrying amount of financial assets recorded in the financial statements, which is net of impairment losses, represents the group's maximum exposure to credit risk without taking account of the value of any collateral obtained.

The group has the following amounts due from major clients:

| 2009 | Number of clients | Value R'000 | % |
|---|---|---|---|
| Greater than R5 million | **14** | **118 696** | **44** |
| Greater than R2 million but less than R5 million | **21** | **67 297** | **25** |
| Less than R2 million | **650** | **85 707** | **31** |
| | **685** | **271 700** | **100** |
| **2008** | | | |
| Greater than R5 million | 9 | 69 805 | 30 |
| Greater than R2 million but less than R5 million | 18 | 54 717 | 24 |
| Less than R2 million | 373 | 105 099 | 46 |
| | 400 | 229 621 | 100 |

**Liquidity Risk**

Liquidity risk is mainly attributable to the trade and other payables, but current cash and cash equivalents are sufficient to ensure payment of these balances.

### 32. SHAREHOLDER ANALYSIS

The analysis excludes shares deemed to be issued (refer to note 21).

| Major Shareholders | 2009 Number of shares | % | 2008 Number of shares | % |
|---|---|---|---|---|
| Aka Capital (Proprietary) Limited [Co-ordinated Network Investments (Proprietary) Limited and Eglin Investments Number 31 (Proprietary) Limited] | **81 152 467** | **40** | 81 152 467 | 40 |
| Nedbank Group | **22 177 719** | **11** | 22 177 719 | 11 |
| Gerhard Uys | **5 386 544** | **3** | 6 053 031 | 3 |
| Directors, management and staff | **2 204 090** | **1** | 2 477 226 | 1 |
| Datacentrix Holdings Share Trust | **9 480 692** | **5** | 9 480 692 | 5 |
| General public and corporate investors | | | | |
| - Investec | **19 318 332** | **9** | 27 826 746 | 13 |
| - Other | **65 545 839** | **31** | 56 097 802 | 27 |
| **Total** | **205 265 683** | **100** | 205 265 683 | 100 |

| 2009 | Number of shareholders | % | Number of shares | % |
|---|---|---|---|---|
| 1 to 10 000 shares | **1 237** | **80** | **3 531 186** | **2** |
| 10 001 to 50 000 shares | **171** | **11** | **4 307 181** | **2** |
| 50 001 to 100 000 shares | **30** | **2** | **2 340 233** | **1** |
| 100 001 to 500 000 shares | **61** | **4** | **14 764 572** | **7** |
| 500 001 to 1 000 000 shares | **20** | **1** | **14 861 267** | **7** |
| 1 000 001 shares and over | **22** | **2** | **165 461 244** | **81** |
| **Total** | **1 541** | **100** | **205 265 683** | **100** |
| **2008** | | | | |
| 1 to 10 000 shares | 1 296 | 82 | 3 597 826 | 2 |
| 10 001 to 50 000 shares | 152 | 10 | 3 781 712 | 2 |
| 50 001 to 100 000 shares | 29 | 2 | 2 279 522 | 1 |
| 100 001 to 500 000 shares | 54 | 3 | 14 108 958 | 7 |
| 500 001 to 1 000 000 shares | 20 | 1 | 14 435 724 | 7 |
| 1 000 001 shares and over | 25 | 2 | 167 061 941 | 81 |
| **Total** | 1 576 | 100 | 205 265 683 | 100 |

### 33. BORROWING POWERS OF THE COMPANY AND ITS SUBSIDIARIES

The borrowing powers of Datacentrix Holdings Limited's directors are unlimited.

The directors of the subsidiaries are governed by an approval framework, which is renewed by the Datacentrix Holdings Limited board from time to time.

### 34. SEGMENTAL ANALYSIS

All the group's activities are conducted within South Africa. For reporting purposes, the group is organised into two operating divisions. These divisions are the basis on which the group reports its primary segment information.

Principal activities are as follows:

- Infrastructure and Managed Services - supply of IT infrastructure and services;
- Business Solutions - supply of business solutions; and
- Other - remaining subsidiaries and special purpose entities of the group.

### 34. SEGMENTAL ANALYSIS (continued)

The business segmental information is presented below:

| 2009 | Infrastructure and Managed Services R'000 | Business Solutions R'000 | Other R'000 | Group R'000 |
|---|---|---|---|---|
| Segment revenue | **1 432 312** | **81 010** | **-** | **1 513 322** |
| Profit before taxation | **153 454** | **23 544** | **(518)** | **176 480** |
| Finance costs | **(3 483)** | **11** | **-** | **(3 472)** |
| Investment income | **(9 626)** | **(10 149)** | **(57)** | **(19 832)** |
| Segment result | **140 345** | **13 406** | **(575)** | **153 176** |
| Depreciation of property and equipment | **(10 864)** | **(361)** | **-** | **(11 225)** |
| Amortisation of software and goodwill impairments | **(845)** | **(288)** | **-** | **(1 133)** |
| Total assets | **474 450** | **70 289** | **65 594** | **610 333** |
| Deferred taxation assets | **(18 553)** | **(2 494)** | **93** | **(20 954)** |
| Segment assets | **455 897** | **67 795** | **65 687** | **589 379** |
| Total liabilities | **238 271** | **11 446** | **(9)** | **249 708** |
| Current taxation liabilities | **(7 527)** | **(650)** | **90** | **(8 087)** |
| Segment liabilities | **230 744** | **10 796** | **81** | **241 621** |
| Capital expenditure - property and equipment and intangible assets | **20 316** | **770** | **-** | **21 086** |
| **2008** | | | | |
| Segment revenue | 1 280 326 | 66 645 | - | 1 346 971 |
| Profit before taxation | 134 754 | 21 733 | (408) | 156 079 |
| Finance costs | 3 487 | 8 | - | 3 495 |
| Investment income | (6 867) | (5 756) | (9) | (12 632) |
| Segment result | 131 374 | 15 985 | (417) | 146 942 |
| Depreciation of property and equipment | (8 886) | (460) | (110) | (9 456) |
| Amortisation of software and goodwill impairments | (458) | (240) | - | (698) |
| Total assets | 426 094 | 64 334 | 58 101 | 548 529 |
| Deferred taxation assets | (21 010) | (2 262) | 104 | (23 168) |
| Segment assets | 405 084 | 62 072 | 58 205 | 525 361 |
| Total liabilities | 239 591 | 14 493 | (31) | 254 053 |
| Current taxation liabilities | (20 924) | (3 780) | 129 | (24 575) |
| Segment liabilities | 218 667 | 10 713 | 98 | 229 478 |
| Capital expenditure - property and equipment and intangible assets | 14 270 | 542 | - | 14 812 |

### 35. RELATED PARTY TRANSACTIONS

During the year the company and its subsidiaries, in the ordinary course of business, entered into various sale and purchase transactions with related parties. These transactions with related parties occurred under terms that are not less favourable than those arranged with third parties.

**Subsidiaries**
Details of investments in subsidiaries are disclosed in note 15. No goods and services were sold by the company to its subsidiaries. Dividends received are disclosed in the income statement and in note 5.

**Directors**
Details relating to the directors' emoluments are disclosed in note 3. The directors did not purchase any equipment or inventory during the current and prior years.

**Shareholders**
The principal shareholders of the company are detailed in the shareholders' analysis in note 32.

**Other Key Management Personnel**
The total amount paid to key management personnel comprises short-term employee benefits to the amount of R10,448,948 (2008: R6,827,125).

# NOTES TO THE ANNUAL FINANCIAL STATEMENTS

**for the year ended 28 February 2009 (continued)**

**36. RECONCILIATION OF PROFIT BEFORE TAXATION TO CASH GENERATED FROM (UTILISED IN) OPERATIONS**

| | Group | | Company | |
|---|---|---|---|---|
| | 2009 R'000 | 2008 R'000 | 2009 R'000 | 2008 R'000 |
| **Profit before taxation** | **176 480** | 156 079 | **67 476** | 69 653 |
| Adjusted for: | **(8 259)** | 2 164 | **(68 012)** | (70 008) |
| Profit on sale of property and equipment | **(64)** | (74) | **-** | - |
| Depreciation of property and equipment | **11 225** | 9 456 | **-** | - |
| Impairment of goodwill and amortisation of software | **1 133** | 698 | **-** | - |
| Interest received | **(19 832)** | (12 632) | **(12)** | (8) |
| Dividend received from subsidiary | **-** | - | **(68 000)** | (70 000) |
| Straight-line accounting for leases | **930** | (245) | **-** | - |
| Share-based payments | **2 600** | 4 030 | **-** | - |
| Loss on sale of treasury shares | **(779)** | (2 564) | **-** | - |
| Interest paid | **(3 472)** | 3 495 | **-** | - |
| **Operating profit (loss) before working capital changes** | **168 221** | 158 243 | **(536)** | (355) |
| Working capital changes | **(35 581)** | 5 927 | **48** | 191 |
| Inventories | **538** | (1 575) | **-** | - |
| Trade and other accounts receivable | **(49 339)** | (25 309) | **110** | 200 |
| Trade, other accounts payable and provisions | **13 220** | 32 811 | **(62)** | (9) |
| **Cash generated from (utilised in) operations** | **132 640** | 164 170 | **(488)** | (164) |

**37. TAXATION PAID**

| | | | | |
|---|---|---|---|---|
| Opening balance | **(24 575)** | (8 300) | **(4)** | (5) |
| Income statement charge - current and secondary taxation | **(56 061)** | (54 214) | **(5 739)** | (5 726) |
| Movement in deferred taxation balance | **2 214** | (8 586) | **-** | - |
| Closing balance | **8 087** | 24 575 | **-** | 4 |
| | **(70 335)** | (46 525) | **(5 743)** | (5 727) |





# NOTICE OF THE ANNUAL GENERAL MEETING

**DATACENTRIX HOLDINGS LIMITED**
(Incorporated in the Republic of South Africa), (Registration number: 1998/006413/06)
JSE code: DCT, ISIN: ZAE000016051, ("the company")

Notice is hereby given of the eleventh Annual General Meeting of members of Datacentrix Holdings Limited, which will be held at the registered office of the company, Block 7, Sanwood Park, 379 Queens Crescent, Lynnwood, Pretoria on Friday, 5 June 2009 at 10:00 to consider and if deemed fit, to pass, with or without modification, the following resolutions:

**Ordinary Resolutions**

1. "To receive, consider and adopt the annual financial statements for the year ended 28 February 2009, incorporating the reports of the directors and the auditors thereon."
2. "To re-elect by way of separate resolution the retiring directors in accordance with the provisions of the company's Articles of Association. The following retiring directors, being eligible, offer themselves for re-election: Gary Morolo, Ahmed Mahomed, Elizabeth Naidoo, Joan Joffe and Alwyn Martin.

   Abbreviated curriculum vitae in respect of each of these directors appear on pages 8 and 9 of this Annual Report."

3. "To authorise the board of directors to approve the executive directors' remuneration for the year ending 28 February 2010."
4. "To confirm the re-appointment of Deloitte & Touche, Registered Auditors, as the group's auditors until the next Annual General Meeting."
5. "To authorise the board of directors to approve the non-executive directors' fees for the financial year ending 28 February 2010."
6. "Resolved that in terms of the Listing Requirements of the JSE Limited ("JSE") and subject to the requirements of section 90 of the Companies Act, Act 61 of 1973, the mandate given to the directors of the company in terms of an authority to make general payments to shareholders be renewed subject to the following conditions:
   - that this authority to make general payments to shareholders be valid until the company's next Annual General Meeting or for 15 months from the date of the resolution, whichever period is shorter;
   - that the general payment will be made pro-rata to all shareholders;
   - that any general payment(s) may not exceed 20% of the company's issued share capital, including reserves but excluding minority interests, and re-valuations of assets and intangible assets that are not supported by a valuation by an independent professional expert acceptable to the JSE prepared within the last six months, in any one financial year, measured as at the beginning of such financial year;
   - an announcement be published containing the terms of the payment, the date of the general meeting at which the authority was obtained, the date on which payment is to be made and the effect of the payment on the company's earnings, headline earnings, net asset value and tangible net asset value per share; and
   - the company will not proceed with any general payments to shareholders until the company's sponsor has confirmed the adequacy of the company's working capital."

   The purpose of this resolution is to authorise the directors to make general payments to shareholders in terms of this resolution.
7. "Resolved that the authorised but unissued shares in the capital of the company be and are hereby placed under the control of the directors for allotment and issue at the discretion of the directors of the company subject to the applicable legislation and the requirements of any stock exchange on which the shares in the capital of the company may from time to time be listed."

**AUTHORITY TO DIRECTORS TO ISSUE UNISSUED SHARES FOR CASH**

It was proposed that in terms of the Listings Requirements of the JSE Limited ("JSE"), the directors be given the general authority to issue up to a maximum of 5% of the ordinary shares of one cent each for cash to the public as and when suitable situations arise, subject to the following conditions:

- the equity 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;
- the equity securities must be issued to public shareholders, as defined in paragraph 4.25 to 4.27 of the Listings Requirements of the JSE, and not to related parties;
- securities which are the subject of general issues for cash of a particular class, will be aggregated with any securities that are compulsorily convertible into securities of that class, and, in the case of the issue of compulsorily convertible securities, aggregated with the securities of that class into which they are compulsorily convertible;

**AUTHORITY TO DIRECTORS TO ISSUE UNISSUED SHARES FOR CASH (continued)**

- securities which are the subject of general issues for cash as regards the number of securities which may be issued, shall be based on the number of securities of that class in issue added to those that may be issued in future (arising from the conversion of options/convertible securities), at the date of such application:
  - less any securities of the class issued, or to be issued in future arising from options/convertible securities issued, during the current financial year;
  - plus any securities of that class to be issued pursuant to:
    - a rights issue which has been announced, is irrevocable and is fully underwritten; or
    - acquisition (which has had final terms announced) may be included as though they were securities in issue at the date of application;
- that this authority is in the form of a renewable mandate and is valid until the company's next Annual General Meeting, but it shall not extend beyond 15 (fifteen) months from the date of this Annual General Meeting;
- that a paid press announcement giving full details, including the impact on net asset value and earnings per share, will be published at the time of any issue representing, on a cumulative basis within one year, 5% of the number of shares of that class in issue prior to the issues;
- that issues in the aggregate in any one year may not exceed 5% of the number of shares of that class of the company's issued share capital; and
- that, in determining the price at which an issue of shares will be made in terms of this authority, the maximum discount permitted will be 10% of the average ruling price of the shares in question, as determined over the 30 business days prior to the date that the price of the issue is determined or agreed by the directors of the company.

**Special Resolution**

"Resolved, as a special resolution, that the mandate given to the company (or one of its wholly owned subsidiaries) providing authorisation, by way of a general approval, to acquire the company's own securities, upon such terms and conditions and in such amounts as the directors may from time to time decide, but subject to the provisions of the Companies Act, 1973 (Act 61 of 1973), as amended, (the Act) and the Listing Requirements of the JSE, be extended, subject to the following terms and conditions:

- any repurchase of securities must be effected through the order book operated by the JSE trading system and done without any prior understanding or arrangement between the company and the counter-party;
- at any point in time, the company may only appoint one agent to effect any repurchase;
- the general authority shall only be valid until the company's next Annual General Meeting provided that it does not extend beyond 15 months from the date of this resolution (whichever period is shorter);
- an announcement be published as soon as the company has cumulatively purchased 3% of the initial number (the number of that class of share in issue at the time that the general authority is granted) of the relevant class of securities and for each 3% in aggregate of the initial number of that class acquired thereafter, containing full details of such repurchases;
- repurchases by the company in aggregate in any one financial year may not exceed 20% of the company's issued share capital as at the date of passing of this special resolution or 10% of the company's issued share capital in the case of an acquisition of shares in the company by a subsidiary of the company;
- repurchases must not be made at a price greater than 10% above the weighted average of the market value of the securities for the five days immediately preceding the date on which the transaction was effected;
- repurchases may not be undertaken by the company or one of its wholly owned subsidiaries during a prohibited period and may also not be undertaken if they will impact negatively on shareholder spread as required by the JSE; and
- the company may not enter the market to proceed with the repurchase of its ordinary shares until the company's sponsor has confirmed the adequacy of the company's working capital for the purpose of undertaking a repurchase of shares in writing to the JSE."

***Reason For and Effect of Special Resolution***

The reason for the special resolution is the intention of the board of directors of the company to use such authority, should prevailing circumstances in the opinion of the directors of the company warrant it and the effect thereof is to provide such authority.

***Adequacy of Working Capital***

With reference to ordinary resolution number 6 and the special resolution set out above, the company's board is of the opinion that for a 12 month period from the date of the Annual General Meeting:

- the company and the group will be able to pay its debts in the ordinary course of business;
- the assets of the company and the group, will be in excess of the liabilities of the company and the group where such assets and liabilities are being recognised and measured in accordance with the accounting policies used in the latest audited Annual Financial Statements;
- the share capital and reserves of the company and the group will be adequate for ordinary business purposes; and
- the working capital of the company and group will be adequate for ordinary business purposes.

**JSE Disclosures**

In terms of the JSE Listing Requirements, the following disclosures are required with reference to the general authorities to make payments to shareholders and the repurchase of the company's shares as set out in ordinary resolution number 6 and the special resolution, respectively. These disclosures are set out elsewhere in the Annual Report of which this notice forms part:

- Directors and management: refer pages 8 - 9;
- Directors' responsibility and approval: refer page 21;
- Litigation statement: refer page 49;
- Material change: refer page 52;
- Major shareholders of the company: refer page 56
- Directors' interests in the company's securities: refer page 39; and
- Share capital: refer pages 47 - 48.

**Voting and Proxies**

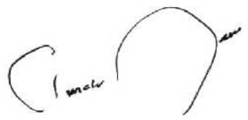
On a show of hands, each shareholder who, being a natural person, is present in person or by proxy or, being a body corporate, is present by representative or proxy, shall have one vote. On a poll, if requested, each shareholder, whether present in person or by proxy or by representation, is entitled to one vote for each ordinary share held.

A form of proxy is included for completion by registered certificated shareholders and dematerialised shareholders with own name registration who are unable to attend the Annual General Meeting and wish to be represented thereat. Forms of proxy must be completed and received by the company secretary no later that 10:00 on Wednesday, 3 June 2009. Registered certificated shareholders and dematerialised shareholders with own name registration who complete and lodge forms of proxy will nevertheless be entitled to attend and vote in person at the Annual General Meeting to the exclusion of their appointed proxy(ies) should such member wish to do so.

Dematerialised shareholders, other than with own name registration, must inform their CSDP or broker of their intention to attend the Annual General Meeting and obtain the necessary Letter of Representation from their CSDP or broker to attend the Annual General Meeting or provide their CSDP or broker with their voting instructions should they not be able to attend the Annual General Meeting. This must be done in terms of the agreement entered into between the shareholder and the CSDP or broker concerned.

Each shareholder is entitled to appoint one or more proxies (who need not be a shareholder of the company) to attend, speak and to vote in his/her stead.

By order of the board



**Annamarie van der Merwe**
Ithemba Statutory and Governance Solutions (Proprietary) Limited
Company Secretary

Pretoria
20 April 2009

PEOPLE

# SHAREHOLDERS' DIARY

| | |
|---|---|
| Financial year-end | 28 February 2010 |
| Annual General Meeting | 5 June 2009 |

**Results Announcements**

| | |
|---|---|
| Interim results for six months to 31 August 2009 | 6 October 2009 |
| Announcement of annual results to 28 February 2010 | April 2010 |
| Annual financial statements for the year ended 28 February 2010 | May 2010 |

**Dividend**

| | |
|---|---|
| Declaration date: | Tuesday, 21 April 2009 |
| Last day to trade: | Friday, 08 May 2009 |
| Share trade ex dividend: | Monday, 11 May 2009 |
| Record date: | Friday, 15 May 2009 |
| Payment date: | Monday, 18 May 2009 |

Share certificates may not be dematerialised or rematerialised between Monday, 11 May 2009 and Friday, 15 May 2009, both days inclusive.