

## Directors' Statement of Responsibility

The annual financial statements are prepared in accordance with the appropriate accounting policies based on International Financial Reporting Standards (IFRS) and incorporate appropriate and responsible disclosure, supported by reasonable and prudent judgements and estimates, which have been used consistently. The responsibility of the external auditor is to independently audit and report on the fair presentation of the financial statements in all material respects and their report is presented on page 33.

The directors accept responsibility for the integrity, objectivity and reliability of the financial statements of the company and group. Complete accounting records have been kept to support this. The directors support the principle of transparent reporting and delegated the responsibility for the preparation and presentation of the financial statements to management.

The directors are also responsible for the systems of internal control. These are designed to provide reasonable, but not absolute, assurances as to the reliability of the financial statements, and to adequately safeguard, verify and maintain accountability of assets, and to prevent and detect material misstatement and loss. The systems are implemented and monitored by suitable, trained personnel with an appropriate segregation of authority and duties. Nothing has come to the attention of the directors to indicate that any material breakdown in the functioning of these controls, procedures and systems has occurred during the year under review.

The directors believe that the group has adequate resources to continue in operation for the foreseeable future and accordingly the financial statements have been prepared on a going concern basis. The directors are satisfied that the financial statements fairly present the financial situation and results of operations and cash flows of the company and the group for the year ended 28 February 2011.

The directors of the group, whose names are given on pages 10 and 11 of this Annual Report, collectively and individually, accept full responsibility for the accuracy of the information given and certify that to the best of their knowledge and belief there are no facts that have been omitted, which would make any statement false or misleading, and that all reasonable enquiries to ascertain such facts have been made and that this Annual Report contains all the information required by the Listings Requirements of the JSE Limited.

The annual financial statements appearing on pages 34 to 73 were approved by the board of directors on 18 April 2011, and are signed on its behalf by:



**Gary Morolo**, Chairman  
Midrand, 18 April 2011



**Ahmed Mahomed**, Chief Executive Officer

## Certificate of the Company Secretary

I certify, in my capacity as company secretary and in accordance with section 268G (d) of the Companies Act of South Africa, Act 61 of 1973, as amended, that for the year ended 28 February 2011 the company has lodged with the Registrar of Companies all such returns as are required from a public company in terms of the Act and that these returns are true, correct and up to date.



**Annamarie van der Merwe**  
**Ithemba Governance and Statutory Solutions (Proprietary) Limited**  
Company Secretary  
Midrand, 18 April 2011

## Independent Auditors' Report

### To the members of Datacentrix Holdings Limited

We have audited the accompanying annual financial statements and group annual financial statements of Datacentrix Holdings Limited, which comprise the consolidated and separate statements of financial position as at 28 February 2011, and the consolidated and separate statements of comprehensive income, changes in equity and of cash flows for the year then ended, a summary of significant accounting policies and other explanatory notes, and the directors' and audit committee's reports set out on pages 34 to 73.

### Director's Responsibility for the Financial Statements

The directors are responsible for the preparation and fair presentation of these financial statements in accordance with International Financial Reporting Standards and in the manner required by the Companies Act of South Africa, and for such internal control as the directors determine is necessary to enable the preparation of financial statements that are free from material misstatement, whether due to fraud or error.

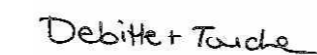
### Auditors' Responsibility

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 consolidated and separate financial position of Datacentrix Holdings Limited as at 28 February 2011, and of its consolidated and separate financial performances and its consolidated and separate 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**  
Registered Auditors  
Per Zuleka Jasper  
Partner

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

Midrand, 18 April 2011

National Executive: GG Gelink, Chief Executive; AE Swiegers, Chief Operating Officer; GM Pinnock, Audit; DL Kennedy, Risk Advisory; NB Kadar, Tax & Legal; L Geeringh, Consulting; L Bam, Corporate Finance; JK Mazzoco, Human Resources; CR Beukman, Finance; TJ Brown, Clients and Markets; NT Mtoba, Chairman of the Board; MJ Comber, Deputy Chairman of the Board  
Regional Leader: X Botha

A full list of partners and directors is available on request.  
Member of Deloitte Touche Tohmatsu Limited

## Directors' and Audit Committee's Reports

### DIRECTORS' REPORT

The directors have pleasure in presenting their report on the activities of the group and company for the year ended 28 February 2011.

#### General Review

The year under review is fully covered in the chairman's and the CEO's reports.

#### Share Capital

There were no movements in the share capital of the company. Details of the authorised and issued share capital appear in note 20 to the annual financial statements.

#### Directors and Secretary

Biographical notes of the current directors are shown within this report. Details of directors' remuneration and options are reported on in the corporate governance report. During the financial year under review, Dudu Nyamane was re-appointed to the board as an independent, non-executive director and as a member of the Human Resources and Remuneration Committee. The board is pleased to announce the appointment of Troy Dyer as an independent non-executive director effective 23 March 2011. According to the company's Articles of Association, at the forthcoming Annual General Meeting, three directors should retire by rotation. The company secretary is Ithemba Governance and Statutory Solutions (Proprietary) Limited.

#### Auditors

Deloitte & Touche were the auditors for the year ended 28 February 2011 and will be proposed for re-appointment 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

Following due consideration of the operating budgets, an assessment of group debt covenants and funding requirements, solvency and liquidity, the major risks, outstanding legal, insurance and taxation issues, and other pertinent matters presented by management, the directors have recorded that they have reasonable expectation that the company and the group have adequate resources and the ability to continue in operation for the foreseeable future. For these reasons, the financial statements have been prepared on a going concern basis.

#### Audit Committee and Risk Committee

Details of the Audit Committee and Risk Committee are reported under the corporate governance report.

#### Subsidiaries

Details of principal subsidiary companies appear within note 14.

#### Holding Companies and Major Shareholders

Shareholders holding beneficially, directly or indirectly in excess of five percent of the issued share capital of the company are detailed in note 30.

#### Financial Results

The financial results for the year ended 28 February 2011 are set out in detail within these annual financial statements.

#### Capital Expenditure

The company spent R23.7 million (2010: R19 million) on assets. R9 million (2010: R15.5 million) was spent on spares stock, also classified as fixed assets.

#### Dividends

Details of the dividends and distributions declared and paid are shown in note 9.

#### Events Subsequent to Financial Year End

The board advised that the need to be fully BEE compliant, especially in relation to black shareholding, has become imperative, and in the light of that the company has embarked on a process to conclude a BEE transaction that would make the company more fully compliant with the current and emerging policy and regulatory developments. 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 within the corporate governance report.

#### Directors' Remuneration

Details of directors' remuneration are dealt with in the corporate governance report.

#### 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.

### AUDIT COMMITTEE'S REPORT

The Corporate Laws Amendment Act 24 of 2006 (CLAA) came into effect on 14 December 2007. In compliance with the CLAA and section 270A of the Companies Act, Act 61 of 1973 (as amended by the Corporate Laws Amendments Act 24 of 2006), an Audit Committee was appointed by the board of directors. This committee comprises of Alwyn Martin (chairman), Thenjiwe Chikane and Troy Dyer.

During the financial year ended 28 February 2011, in addition to the duties set out in the Audit Committee's terms of reference, the Audit Committee carried out its functions as follows:

- Nominated the appointment of Deloitte & Touche as the registered independent auditor after satisfying itself through enquiry that Deloitte & Touche is independent as defined in terms of the CLAA;
- Determined the fees to be paid to Deloitte & Touche and their terms of engagement;
- Ensured that the appointment of Deloitte & Touche complied with the CLAA and any other legislation relating to the appointment of auditors;
- Approved a non-audit services policy that determines the nature and extent of any non-audit services, which Deloitte & Touche may provide to the company; and
- Pre-approved any proposed contract with Deloitte & Touche for the provision of non-audit services to the company.

The Audit Committee has satisfied itself through enquiry that Deloitte & Touche and Zuleka Jasper, the designated auditor, are independent of the company. The Audit Committee recommended the annual financial statements for the year ended 28 February 2011 for approval to the board. The board has subsequently approved the annual financial statements, which will be open for discussion at the forthcoming Annual General Meeting.



#### Alwyn Martin

Audit Committee Chairman  
Midrand, 18 April 2011

## Statements of Comprehensive Income

for the year ended 28 February 2011

	Notes	Group		Company	
		2011 R'000	2010 R'000	2011 R'000	2010 R'000
Revenue	3	1 575 739	1 290 781	-	-
Changes in inventories of finished goods and work in progress		2 005	(2 444)	-	-
Finished goods sold		(1 006 215)	(811 567)	-	-
Employee benefits expense		(362 090)	(295 314)	-	-
Depreciation, amortisation and impairments		(25 653)	(19 446)	-	-
Operating expenses		(59 348)	(54 837)	(712)	(723)
Income from investments	4	12 839	14 945	97 809	28 011
Finance costs	5	(45)	(21)	-	-
<b>Profit before taxation</b>	6	<b>137 232</b>	122 097	<b>97 097</b>	27 288
Income taxation expense	7	(47 034)	(41 692)	(6 261)	(6 240)
<b>Total comprehensive income for the year attributable to ordinary shareholders</b>		<b>90 198</b>	80 405	<b>90 836</b>	21 048
<b>Basic earnings per ordinary share (cents)</b>	8	<b>46.1</b>	41.1		
Diluted basic earnings per ordinary share (cents)	8	45.3	40.6		
<b>Declared dividend per share (cents)</b>	9	<b>#13.9</b>	30.0		

# interim dividend only

## Statements of Financial Position

as at 28 February 2011

	Notes	Group		Company	
		2011 R'000	2010 R'000	2011 R'000	2010 R'000
<b>ASSETS</b>					
<b>Non-current assets</b>		<b>76 997</b>	72 099	<b>87 389</b>	52 325
Property and equipment	10	37 536	39 297	-	-
Goodwill	11	15 596	15 596	-	-
Intangible assets - software	12	2 354	1 680	-	-
Long-term receivables	13	-	1 036	-	-
Investment in subsidiaries	14	-	-	87 389	52 325
Deferred taxation assets	15	21 511	14 490	-	-
<b>Current assets</b>		<b>585 444</b>	518 155	<b>7 077</b>	6 873
Loan to share trust	16	-	-	6 627	6 627
Current taxation assets		154	-	-	-
Inventories	17	10 877	12 882	-	-
Trade and other receivables	18	253 243	220 437	142	147
Cash and cash equivalents	19	321 170	284 836	308	99
<b>TOTAL ASSETS</b>		<b>662 441</b>	590 254	<b>94 466</b>	59 198
<b>EQUITY AND LIABILITIES</b>					
<b>Capital and reserves</b>		<b>420 027</b>	383 152	<b>94 155</b>	59 035
Share capital	20	21	21	21	21
Share premium	20	37 544	37 442	39 280	39 280
Treasury shares	20	(38 799)	(38 200)	-	-
Equity-settled share scheme reserve	20	24 761	17 872	24 761	17 872
Retained earnings		396 500	366 017	30 093	1 862
<b>Non-current liability</b>		<b>18 292</b>	11 921	-	-
Deferred revenue - long-term	21	18 292	11 921	-	-
<b>Current liabilities</b>		<b>224 122</b>	195 181	<b>311</b>	163
Deferred revenue - short-term	21	42 962	32 520	-	-
Trade and other payables	22	177 773	158 019	311	163
Current taxation liabilities		-	1 098	-	-
Provisions	23	1 500	1 849	-	-
Lease smoothing liability		1 887	1 695	-	-
<b>TOTAL EQUITY AND LIABILITIES</b>		<b>662 441</b>	590 254	<b>94 466</b>	59 198

## Statements of Changes in Equity

for the year ended 28 February 2011

	Share capital R'000	Share premium R'000	Equity-settled		Retained earnings R'000	Total R'000
			Treasury shares R'000	share scheme reserve R'000		
<b>GROUP</b>						
<b>Balance at 28 February 2009</b>	21	37 366	(37 166)	15 272	345 132	360 625
Total comprehensive income for the year	-	-	-	-	80 405	80 405
Treasury shares - movement during the year	-	-	(1 034)	-	-	(1 034)
Share-based payment	-	-	-	2 600	-	2 600
Dividend paid	-	-	-	-	(59 520)	(59 520)
Profit on sale of treasury shares	-	76	-	-	-	76
<b>Balance at 28 February 2010</b>	<b>21</b>	<b>37 442</b>	<b>(38 200)</b>	<b>17 872</b>	<b>366 017</b>	<b>383 152</b>
Total comprehensive income for the year	-	-	-	-	90 198	90 198
Treasury shares - movement during the year	-	-	(599)	-	-	(599)
Share-based payment	-	-	-	6 889	-	6 889
Dividend paid	-	-	-	-	(59 715)	(59 715)
Profit on sale of treasury shares	-	102	-	-	-	102
<b>Balance at 28 February 2011</b>	<b>21</b>	<b>37 544</b>	<b>(38 799)</b>	<b>24 761</b>	<b>396 500</b>	<b>420 027</b>
<b>COMPANY</b>						
<b>Balance at 28 February 2009</b>	21	39 280	-	15 272	43 214	97 787
Total comprehensive income for the year	-	-	-	-	21 048	21 048
Share-based payment	-	-	-	2 600	-	2 600
Dividend paid	-	-	-	-	(62 400)	(62 400)
<b>Balance at 28 February 2010</b>	<b>21</b>	<b>39 280</b>	<b>-</b>	<b>17 872</b>	<b>1 862</b>	<b>59 035</b>
Total comprehensive income for the year	-	-	-	-	90 836	90 836
Share-based payment	-	-	-	6 889	-	6 889
Dividend paid	-	-	-	-	(62 605)	(62 605)
<b>Balance at 28 February 2011</b>	<b>21</b>	<b>39 280</b>	<b>-</b>	<b>24 761</b>	<b>30 093</b>	<b>94 155</b>

## Statements of Cash Flow

for the year ended 28 February 2011

	Notes	Group		Company	
		2011 R'000	2010 R'000	2011 R'000	2010 R'000
<b>CASH FLOW FROM OPERATING ACTIVITIES</b>					
Cash receipts from clients		1 542 933	1 355 701	5	-
Cash paid to suppliers and employees		(1 379 816)	(1 202 368)	(564)	(712)
<b>Cash generated from (utilised in) operations</b>	<b>34</b>	<b>163 117</b>	<b>153 333</b>	<b>(559)</b>	<b>(712)</b>
Interest received		12 839	14 945	9	11
Interest paid		(45)	(21)	-	-
Dividend received from subsidiaries		-	-	97 800	28 000
Dividend paid		(59 715)	(59 520)	(62 605)	(62 400)
Taxation paid	<b>35</b>	<b>(55 307)</b>	<b>(42 217)</b>	<b>(6 261)</b>	<b>(6 240)</b>
<b>Net cash inflow (outflow) from operating activities</b>		<b>60 889</b>	<b>66 520</b>	<b>28 384</b>	<b>(41 341)</b>
<b>CASH FLOW FROM INVESTING ACTIVITIES</b>					
Additions to property and equipment to maintain operations		(23 695)	(18 985)	-	-
Proceeds from sale of property and equipment		632	3 162	-	-
Decrease in amounts receivable under finance leases		1 036	3 914	-	-
(Increase) decrease in investment and advance payments		-	-	(28 175)	41 259
Acquisition of intangible assets		(1 929)	(1 582)	-	-
<b>Net cash (outflow) inflow from investing activities</b>		<b>(23 956)</b>	<b>(13 491)</b>	<b>(28 175)</b>	<b>41 259</b>
<b>CASH FLOW FROM FINANCING ACTIVITIES</b>					
Increase in treasury shares		(599)	(1 034)	-	-
<b>Net cash outflow from financing activities</b>		<b>(599)</b>	<b>(1 034)</b>	<b>-</b>	<b>-</b>
<b>NET INCREASE (DECREASE) IN CASH AND CASH EQUIVALENTS</b>		<b>36 334</b>	<b>51 995</b>	<b>209</b>	<b>(82)</b>
Cash and cash equivalents at the beginning of the year		284 836	232 841	99	181
<b>CASH AND CASH EQUIVALENTS AT THE END OF THE YEAR</b>		<b>321 170</b>	<b>284 836</b>	<b>308</b>	<b>99</b>

# Notes to the Annual Financial Statements

for the year ended 28 February 2011

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

The following Standards and Interpretations have been adopted during the year:

International Financial Reporting Standard	Effective Date
IFRS 2 Share-based Payment - Amendments relating to group cash-settled share-based payment transactions.	Annual periods beginning on or after 1 January 2010
IFRS 3 Business Combinations - Comprehensive revision on applying the acquisition method.	Annual periods beginning on or after 1 July 2009
IFRS 5 Non-current Assets Held for Sale and Discontinued Operations - Amendments resulting from May 2008 Annual Improvements to IFRSs.	Annual periods beginning on or after 1 July 2009
IFRS 7 Financial Instruments: Disclosures - Amendment related to the intended interaction between qualitative and quantitative disclosures of the nature and extent of risks arising from financial instruments. Removal of disclosure requirements. The company has applied the amendments in advance of their effective date.	Annual periods beginning on or after 1 January 2011
IAS 1 Presentation of Financial Statements - clarify that the potential settlement of a liability by the issue of equity is not relevant to its classification as current or non-current.	Annual periods beginning on or after 1 January 2010
IAS 1 Presentation of Financial Statements - Statement of changes in equity clarification. The company has applied the amendments in advance of their effective date.	Annual periods beginning on or after 1 January 2011
IAS 7 Statement of Cash Flows - specify that only expenditures that result in a recognised asset in the statement of financial position can be classified as investing activities in the statement of cash flows.	Annual periods beginning on or after 1 January 2010
IAS 27 Consolidated and Separate Financial Statements - The revised Standard has affected the companies' policies regarding changes in ownership interests in its subsidiaries that do not result in loss of control.	Annual periods beginning on or after 1 January 2010
IAS 28 Investments in Associates - Consequential amendments arising from amendment to IAS 27 and Improvements to IFRSs that the amendments should be applied prospectively.	Annual periods beginning on or after 1 July 2010
IFRIC 18 Transfer of Assets from Customers - Addressing the accounting by recipients for transfers of property, plant and equipment from 'customers'.	Annual periods beginning on or after 1 July 2009
Improvements to IFRSs issued in 2009	Except for the amendments to IFRS 5, IAS 1 and IAS 7 described earlier, the application of Improvements to IFRSs issued in 2009 has not had any material effect on amounts reported in the financial statements.

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

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

International Financial Reporting Standard	Effective Date
IFRS 1 First-time Adoption of International Financial Reporting Standards - Limited Exemption from Comparative IFRS 7 Disclosures for First-time Adopters.	Annual periods beginning on or after 1 July 2010
IFRS 1 First-time Adoption of International Financial Reporting Standards - Amendment permitting the use of revaluation carried out after the date of transition as a basis for deemed cost.	Annual periods beginning on or after 1 January 2011
IFRS 1 First-time Adoption of International Financial Reporting Standards - clarifying that changes in accounting policies in the year of adoption that fall outside of the scope of IAS 8.	Annual periods beginning on or after 1 January 2011
IFRS 1 First-time Adoption of International Financial Reporting Standards - Amendment permitting the use of carrying amount under previous GAAP as deemed cost for operations subject to rate regulation.	Annual periods beginning on or after 1 January 2011
IFRS 3 Business Combinations - Amendments to transition requirements for contingent consideration from a business combination that occurred before the effective date of the revised IFRS.	Annual periods beginning on or after 1 January 2011
IFRS 3 Business Combinations - Clarification on the measurement of non-controlling interests.	Annual periods beginning on or after 1 January 2011
IFRS 3 Business Combinations - Additional requirements on un-replaced and voluntarily replaced share-based payment awards.	Annual periods beginning on or after 1 January 2011
IFRS 7 Financial Instruments: Disclosures - Amendment related to the intended interaction between qualitative and quantitative disclosures of the nature and extent of risks arising from financial instruments. Removal of disclosure requirements.	Annual periods beginning on or after 1 January 2011
IFRS 7 Financial Instruments: Disclosures - Amendments requiring additional disclosure on transfer transactions of financial assets, and the effects of any residual risks that the transferring entity retains. And additional disclosures for disproportionate number of transfer transactions undertaken around the end of a reporting period.	Annual periods beginning on or after 1 July 2011
IFRS 9 Financial Instruments - Classification and Measurement.	Annual periods beginning on or after 1 January 2013
IAS 1 Presentation of Financial Statements - Statement of changes in equity clarification.	Annual periods beginning on or after 1 January 2011
IAS 21 The Effects of Changes in Foreign Exchange Rates - Consequential amendments from changes to IAS 27 Consolidated and Separate Financial Statements. The transition rules iro the disposal or an interest in a foreign operation.	Annual periods beginning on or after 1 July 2010

# Notes to the Annual Financial Statements

for the year ended 28 February 2011 (continued)

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

International Financial Reporting Standard	Effective Date
IAS 24 Related Party Disclosures - Revised definition of related parties.	Annual periods beginning on or after 1 January 2011
IAS 27 Consolidated and Separate Financial Statements - The transition requirements for amendments arising as a result of IAS 27 Consolidated.	Annual periods beginning on or after 1 July 2010
IAS 27 Consolidated and Separate Financial Statements - The transition requirements for amendments arising as a result of IAS 27 Consolidated.	Annual periods beginning on or after 1 July 2010
IAS 28 Investments in Associates - Consequential amendments arising from amendment to IAS 27.	Annual periods beginning on or after 1 July 2010
IAS 31 Interests in Joint Ventures - Consequential amendments arising from amendment to IAS 27.	Annual periods beginning on or after 1 July 2010
IAS 32 Financial Instruments: Presentation - Amendments relating to classification of rights issues.	Annual periods beginning on or after 1 February 2010
IAS 34 Interim Financial Reporting - Disclosure requirements for significant events and transactions (including financial instruments).	Annual periods beginning on or after 1 January 2011
IFRIC 14 The Limit on a Defined Benefit Asset, Minimum Funding Requirements and their interaction - Prepayments of a Minimum Funding Requirement.	Annual periods beginning on or after 1 January 2011
IFRIC 19 Extinguishing Financial Liabilities with Equity Instruments.	Annual periods beginning on or after 1 July 2010

## 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 statement of financial position.

### 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.

# Notes to the Annual Financial Statements

for the year ended 28 February 2011 (continued)

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

### 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 profit and loss for the year. 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 immediately in profit and loss unless the relevant asset is carried at a revalued amount, in which case the reversal of the impairment loss is treated as a revaluation increase.

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.

### 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.

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

### Leases (continued)

#### *The Group as Lessor (continued)*

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 statement of financial position 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 taxation. 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 year end.

Deferred taxation is accounted for using the 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.

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 profit and loss for the year, except when it relates to items credited or charged directly to other comprehensive income or equity, in which case the deferred taxation is also dealt with accordingly.

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.

# Notes to the Annual Financial Statements

for the year ended 28 February 2011 (continued)

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

### Inventories (continued)

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 statement of financial position 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.

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

### Financial Assets (continued)

### Financial Assets as FVTPL (continued)

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 29.

### 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 29. Gains and losses arising from changes in fair value are recognised directly in other comprehensive income 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 year end. 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 other comprehensive income.

### 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 the end of each reporting period. 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 counterparty; 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 45 days, as well as observable changes in national or local economic conditions that correlate with default on receivables.

# Notes to the Annual Financial Statements

for the year ended 28 February 2011 (continued)

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

### Financial Assets (continued)

#### *Impairment of Financial Assets (continued)*

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 other comprehensive income.

#### *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.

### 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 'FVTP' 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.

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

### Financial Liabilities and Equity Instruments issued by the Group (continued)

#### *Financial Liabilities at FVTPL (continued)*

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 29.

#### *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. Further details of derivative financial instruments are disclosed in note 29.

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 year end. 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 2011 (continued)

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

### Financial Liabilities and Equity Instruments issued by the Group (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 statement of comprehensive income 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 at year end. 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.

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

### **Provisions (continued)**

The amount recognised as a provision is the best estimate of the consideration required to settle the present obligation at the reporting 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 14.

### **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.

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 3 sets out the different types of revenue recognised for the businesses of Infrastructure, Managed Services and Business Solutions. 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.

Where a single contract price is negotiated with a client for both goods and services, the split is determined with reference to the usual sales prices for these specific goods and services.

# Notes to the Annual Financial Statements

for the year ended 28 February 2011 (continued)

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

### Critical Accounting Judgements and Key Sources of Estimation Uncertainty (continued)

#### Key Sources of Estimation Uncertainty

The key assumptions concerning the future, and other key sources of estimation uncertainty at the reporting 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 year end was R15.596 million (2010: 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 10 and 12 for details.

#### Inventory Carried at Net Realisable Value

The net realisable value of inventory represents the estimated selling price in the current market at year end. 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 year end. No such provision was required in the current or prior year.

#### Leave Pay Accrual

The leave pay accrual relates to possible vesting leave pay to which employees may become entitled upon leaving the employment of the group. The accrual arises as employees render a service that increases their entitlement to future compensated leave and is calculated based on an employee's total cost of employment. The accrual is utilised when employees become entitled to and are paid for the accumulated leave pay or utilise compensated leave due to them.

#### Provision for Bad Debts

The provision for 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 29, 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.

## 3. REVENUE

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

	Group	
	2011 R'000	2010 R'000
Sale of goods	991 292	834 592
Services rendered	526 502	413 118
Rental income - hardware	3 656	8 098
Commission income - sale of licenses	54 289	34 973
	<b>1 575 739</b>	<b>1 290 781</b>

## 4. INCOME FROM INVESTMENTS

	Group		Company	
	2011 R'000	2010 R'000	2011 R'000	2010 R'000
Interest on bank deposits	12 839	14 945	9	11
Dividends received from subsidiaries	-	-	97 800	28 000
	<b>12 839</b>	<b>14 945</b>	<b>97 809</b>	<b>28 011</b>

## 5. FINANCE COSTS

Interest paid to financial institutions	45	21	-	-
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## 6. PROFIT BEFORE TAXATION

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

	Group	
	2011 R'000	2010 R'000
<b>Auditors' remuneration</b>		
- external audit fees	2 350	2 200
- fees for other services (taxation and advisory services)	432	1 427
<b>Net foreign exchange loss</b>		
- realised	1 802	3 662
- unrealised	313	635
	<b>2 115</b>	<b>4 297</b>
<b>Depreciation of property and equipment</b>	<b>24 398</b>	<b>18 013</b>
<b>Total employee benefits expense</b>	<b>362 090</b>	<b>295 314</b>
<b>Operating lease payments - properties</b>	<b>13 456</b>	<b>11 239</b>
<b>Retirement fund contributions (included in employee benefits expense)</b>	<b>20 214</b>	<b>19 564</b>
<b>Amortisation of software</b>	<b>1 255</b>	<b>1 433</b>
<b>Loss (profit) on disposal of property and equipment</b>		
- various assets	425	(212)
<b>Loss on sale of software</b>	-	11