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The reports and statements set out below comprise the group and company annual financial statements presented to the shareholders.

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ANNUAL  
FINANCIAL  
STATEMENTS  
**2011**

# AUDIT AND RISK COMMITTEE REPORT

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In terms of Section 94 of the Companies Act, 2008, the audit and risk committee reports as follows on its responsibilities performed.

## OBJECTIVE

The objective of the committee is to perform its statutory responsibilities regarding the appointment and independence of the external auditor as per Section 94 and to assist the board in discharging its duties and responsibilities relating to financial reporting, auditing and the safeguarding of the company's assets.

## MEMBERSHIP

The audit committee consists of three non-executive directors who, in the opinion of the board are considered to be independent.

## FUNCTIONING

The audit committee met five times during the year and performed its functions and responsibilities as set out in its charter.

## EXTERNAL AUDIT

The committee has satisfied itself through enquiry that the auditor of DigiCore Holdings Limited is independent as defined by the Companies Act, 2008.

There is a formal procedure that governs the process whereby the external auditor is considered for non-audit services and the engagement of the auditor for such work is reviewed and approved by the committee. No complaints have been received by the audit committee relating to accounting practices and internal audit of the company or to the content or auditing of the company's financial statements, or to any related matter.

The committee has nominated for approval at the annual general meeting, PKF (Pta) Inc as the external auditor for the 2012 financial year.

Sanjay Ranchhoojee is assigned by the firm as the designated auditor of DigiCore Holdings Limited.

As required by the JSE listing requirements par 3.84(h), the audit committee has satisfied itself that the group chief financial officer has appropriate experience and expertise. In line with King III the committee has also satisfied itself as to the experience, expertise and resources of the finance function.

## ANNUAL FINANCIAL STATEMENTS

The committee has, based on the information provided to it by management and the external auditors, evaluated whether the financial statements are a true and fair view in all material respects, and have subsequently thereafter recommended the financial statements for approval to the board. The board has subsequently approved the financial statements which will be open for discussion at the forthcoming annual general meeting.



Professor Ben Marx  
Chairman of the audit and risk committee

Centurion  
19 September 2011

## DIRECTORS' RESPONSIBILITIES AND APPROVAL

## GROUP SECRETARY'S CERTIFICATION

The directors are required in terms of the Companies Act of South Africa to maintain adequate accounting records and are responsible for the content and integrity of the group and company annual financial statements and related financial information included in this report. It is their responsibility to ensure that the group and company annual financial statements fairly present the state of affairs of the group as at the end of the financial year and the results of its operations and cash flows for the period then ended, in conformity with International Financial Reporting Standards. The external auditors are engaged to express an independent opinion on the group and company annual financial statements.

The group and company annual financial statements are prepared in accordance with International Financial Reporting Standards and are based on appropriate accounting policies consistently applied and supported by reasonable and prudent judgments and estimates.

The directors acknowledge that they are ultimately responsible for the system of internal financial control established by the group and place considerable importance on maintaining a strong control environment. To enable the directors to meet these responsibilities, the board sets standards for internal control aimed at reducing the risk of error or loss in a cost-effective manner. The standards include the proper delegation of responsibilities within a clearly defined framework, effective accounting procedures and adequate segregation of duties to ensure an acceptable level of risk. These controls are monitored throughout the group and all employees are required to maintain the highest ethical standards in ensuring the group's business is conducted in a manner that in all reasonable circumstances is above reproach. The focus of risk management in the group is on identifying, assessing, managing and monitoring all known forms of risk across the group. While operating risk cannot be fully eliminated, the group endeavours to minimise it by ensuring that appropriate infrastructure, controls, systems and ethical behaviour are applied and managed within predetermined procedures and constraints.

The directors are of the opinion, based on the information and explanations given by management, that the system of internal control provides reasonable assurance that the financial records may be relied on for the preparation of the group and company annual financial statements. However, any system of internal financial control can provide only reasonable, and not absolute, assurance against material misstatement or loss.

The directors have reviewed the group's cash flow forecast for the year to 30 June 2012 and, in the light of this review and the current financial position, they are satisfied that the group has or has access to adequate resources to continue in operational existence for the foreseeable future.

The external auditors are responsible for independently reviewing and reporting on the group and company annual financial statements. The group and company annual financial statements have been examined by the group's external auditors and their report is presented on page 04.

The group and company annual financial statements set out on pages 05 to 73, which have been prepared on the going concern basis, were approved by the board on 19 September 2011 and were signed on its behalf by:



Nick Vlok  
Non-executive chairman

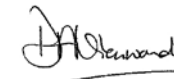
Centurion  
19 September 2011



Barney Esterhuyzen  
Chief executive officer

I declare that, to the best of my knowledge, the group has lodged with the Registrar of Companies all such returns as are required of a public company in terms of the Companies Act of South Africa, 2008, and that all such returns are true, correct and up to date.

The Group and Company Annual Financial Statements have been prepared by FJ Schindehütte CA(SA), the Group financial director.



Donald Nieuwoudt CA(SA)  
Group company secretary

Centurion  
19 September 2011

# INDEPENDENT AUDITOR'S REPORT

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We have audited the group and company annual financial statements of DigiCore Holdings Limited, which comprise the statements of financial position as at 30 June 2011, and the statements of comprehensive income, statements of changes in equity and statements of cash flows for the year then ended, and a summary of significant accounting policies and other explanatory notes, and the directors' report, as set out on pages 05 to 73.

## DIRECTORS' RESPONSIBILITY FOR THE GROUP AND COMPANY ANNUAL FINANCIAL STATEMENTS

The company's directors are responsible for the preparation and fair presentation of these group and company annual financial statements in accordance with International Financial Reporting Standards, and the requirements of the Companies Act of South Africa. This responsibility includes: designing, implementing and maintaining internal control relevant to the preparation and fair presentation of group and company annual 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 group and company annual financial statements based on our audit. We conducted our audit in accordance with 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 group and company annual financial statements are free from material misstatement.

An audit involves performing procedures to obtain audit evidence about the amounts and disclosures in the group and company annual financial statements. The procedures selected depend on the auditors' judgment, including the assessment of the risks of material misstatement of the group and company annual 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 group and company annual 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 group and company annual 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 group and company annual financial statements present fairly, in all material respects, the financial position of DigiCore Holdings Limited as at 30 June 2011, and its financial performance and its cash flows for the year then ended in accordance with International Financial Reporting Standards, and the requirements of the Companies Act of South Africa.



PKF (Pta) Inc.  
Chartered Accountants (SA)  
Registered Auditors  
Registration Number: 2000/026635/21

Per: Sanjay Ranchhoojee

19 September 2011  
Pretoria

# DIRECTORS' REPORT

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**The directors submit their report for the year ended 30 June 2011.**

## REVIEW OF ACTIVITIES

### Main business and operations

The company is the ultimate holding company of an international group of companies which is incorporated in South Africa and listed on the main board of the JSE Limited. The group specialises in the research, design, development, manufacture, sales and support of technologically advanced GPS/GSM fleet management and vehicle tracking solutions.

The operating results and state of affairs of the company are fully set out in the attached group and company annual financial statements and do not in our opinion require any further comment.

### GOING CONCERN

The group and company annual financial statements have been prepared on the basis of accounting policies applicable to a going concern. This basis presumes that funds will be available to finance future operations and that the realisation of assets and settlement of liabilities, contingent obligations and commitments will occur in the ordinary course of business.

### EVENTS AFTER THE REPORTING PERIOD

For details of post year-end events, refer to note 40 to the group and company annual financial statements.

### DIRECTORS' PERSONAL FINANCIAL INTEREST IN CONTRACTS

All directors' interest in contracts were adequately disclosed to the members of the company and noted in the register of directors' interest in contracts as required by the Companies Act, 2008.

### ACCOUNTING POLICIES

The group has adopted all of the new and revised standards issued by the International Accounting standards board and International Financial Reporting Standards that are relevant to its operations and effective for the current financial reporting period.

## SHARE CAPITAL

### Authorised Share Capital

The company's authorised share capital of 1 000 000 000 par value shares remains unchanged during the year.

### Issued Shares

During the year 30 000 000 shares were issued in terms of a fully underwritten rights issue.

### Unissued Shares

The remaining unissued ordinary shares are under the control of the directors in terms of a resolution of members passed at the last annual general meeting. This authority remains in force until the next annual general meeting.

Further details with respect to authorised and issued share capital are disclosed in note 15 to the group and company annual financial statements. There were no changes in the authorised or issued share capital of the group during the year under review.

## SHARE INCENTIVE SCHEME

Refer to note 16 for detail about share-based payments during the current year.

## DIVIDENDS

The dividends already declared and paid to shareholders during the year are as reflected in the attached statements of changes in equity.

Since the year end, an ordinary dividend of 3 cents per share was declared on 20 September 2011. The tax consequence of this proposed dividend is R743 000.

## LIQUIDITY AND SOLVENCY

The directors have performed the liquidity and solvency test as required by the Companies Act, 2008 for the period ended 30 June 2011.

## SPECIAL RESOLUTIONS

During the year there were no material resolutions from subsidiary companies.

## AUDITORS

PKF (Pta) Inc. will continue in office in accordance with the Companies Act, 2008.

## SECRETARY

The secretary of the company is DA Nieuwoudt of:

### Business address

DigiCore Building A  
9 Regency Drive  
Route 21 Corporate Park  
Irene, Centurion  
0156

### Postal address

PO Box 68270  
Highveld Park  
Centurion  
South Africa  
0169

**DIRECTORS**

The directors of the company during the year and to the date of this report are as follows:

| Name   | Nationality   | Changes                               |
|--|---------------|---------------------------------------|
| SR Aberdein – Executive Director   | South African |                                       |
| D du Rand – Executive Director   | South African |                                       |
| NA Gasas – Lead Independent Non-Executive Director and Chairman of the Remuneration Committee    | South African |                                       |
| MD Rousseau – Chief Operations Officer   | South African |                                       |
| SS Ntshaluba – Independent Non-Executive Director  | South African |                                       |
| NH Vlok – Non-Executive Director and Chairman of the Board                                       | South African |                                       |
| FJ Schindehütte – Group Financial director   | South African |                                       |
| BS Khuzwayo – Independent Non-Executive Director and Chairman of the Social and Ethics Committee | South African |                                       |
| BC Esterhuyzen – Chief Executive Officer   | South African |                                       |
| Prof B Marx – Independent Non-Executive Director and Chairman of the Audit and Risk Committee    | South African |                                       |
| L Msengana-Ndlela – Independent Non-Executive Director   | South African | Appointed Thursday, 05 August, 2010   |
| JD Wiese – Non-Executive Director  | South African | Appointed Thursday, 03 February, 2011 |
| JP Verster – Chief Technology Officer  | South African | Appointed Tuesday, 03 May, 2011       |
| G Pretorius – Independent Non-Executive Director   | South African | Appointed Tuesday, 03 May, 2011       |

| Directors interest in shares at 30 June 2011 | Direct            | Indirect Beneficial | Indirect Non-Beneficial | Total             |
|--|-------------------|---------------------|-------------------------|-------------------|
| SR Aberdein                                  | 1 140 000         | 8 055 708           | 191 500                 | 9 387 208         |
| D du Rand                                    | 20 000            | 1 907 000           | 102 404                 | 2 029 404         |
| BC Esterhuyzen                               | 3 000 000         |                     |                         | 3 000 000         |
| MD Rousseau                                  |                   | 545 538             |                         | 545 538           |
| J Verster                                    | 154 760           |                     |                         | 154 760           |
| NH Vlok                                      | 14 247 089        | 17 055 735          | 3 005 350               | 34 308 174        |
|  | <b>18 561 849</b> | <b>27 563 981</b>   | <b>3 299 254</b>        | <b>49 425 084</b> |
| Directors interest in shares at 30 June 2010 |                   |                     |                         |                   |
| SR Aberdein                                  | 1 140 000         | 16 855 708          | 191 500                 | 18 187 208        |
| D du Rand                                    | 20 000            | 1 907 000           | 126 670                 | 2 053 670         |
| MD Rousseau                                  |                   | 545 538             |                         | 545 538           |
| NH Vlok                                      | 14 247 089        | 17 055 735          | 3 005 350               | 34 308 174        |
|  | <b>15 407 089</b> | <b>36 363 981</b>   | <b>3 323 520</b>        | <b>55 094 590</b> |

D du Rand sold 38 000 shares between the end of the reporting period and the date of this report.

INTEREST IN SUBSIDIARIES

| Name of subsidiary   | Country of incorporation if not the RSA |
|--|---|
| DigiCore Electronics (Proprietary) Limited   |   |
| C-Track SA (Proprietary) Limited   |   |
| DigiCore Fleet Management SA (Proprietary) Limited   |   |
| DigiCore Financial Services (Proprietary) Limited  |   |
| DigiCore Properties (Proprietary) Limited  |   |
| DigiCore Technology (Proprietary) Limited  |   |
| DigiCore International (Proprietary) Limited   |   |
| DigiCore Investments (Proprietary) Limited   |   |
| DigiCore Brands (Proprietary) Limited  |   |
| DigiCore Cellular (Proprietary) Limited  |   |
| Integrated Fare Collection Services (Proprietary) Limited (formerly Sugar Creek Trading (Proprietary) Limited) |   |
| DigiCore Europe B.V.   | The Netherlands                         |
| C-Track Benelux B.V.   | The Netherlands                         |
| C-Track Belgium Bvba   | Belgium                                 |
| C-Track France Sarl  | France                                  |
| DigiCore Deutschland GmbH  | Germany                                 |
| DigiCore International Holdings B.V.   | The Netherlands                         |
| C-Track Limited (formerly DigiCore Limited)  | United Kingdom                          |
| C-Track UK Limited (formerly MPS 2010 Limited)   | United Kingdom                          |
| C-Track Finance Limited (Formerly DigiCore UK Limited)   | United Kingdom                          |
| C-Track Ireland Limited  | Ireland                                 |
| C-Track Asia Sdn Bhd.  | Malaysia                                |
| C-Track Latin America S.A.   | Panama                                  |

Details of the company's investment in subsidiaries are set out in note 6.

STATEMENTS OF  
FINANCIAL  
POSITION

| FOR THE YEAR ENDED 30 JUNE 2011                 |       | Group          |                | Company        |                |
|---|-------|----------------|----------------|----------------|----------------|
| Figures in Rand thousand                        | Notes | 2011           | 2010*          | 2011           | 2010           |
| <b>ASSETS</b>                                   |       |                |                |                |                |
| <b>NON-CURRENT ASSETS</b>                       |       |                |                |                |                |
| Property, plant and equipment                   | 3     | 158 265        | 120 381        | -              | -              |
| Goodwill  | 4     | 156 234        | 153 409        | -              | -              |
| Intangible assets                               | 5     | 53 626         | 44 763         | -              | -              |
| Investments in subsidiaries                     | 6     | -              | -              | 75 628         | 75 628         |
| Investments in associates                       | 7     | 4 525          | 2 493          | 708            | 2 139          |
| Other financial assets                          | 9     | 19 901         | 8 191          | -              | -              |
| Deferred tax                                    | 11    | 24 470         | 19 612         | 28             | 28             |
|   |       | <b>417 021</b> | <b>348 849</b> | <b>76 364</b>  | <b>77 795</b>  |
| <b>CURRENT ASSETS</b>                           |       |                |                |                |                |
| Inventories                                     | 12    | 93 859         | 87 558         | -              | -              |
| Loans to group companies                        | 8     | -              | -              | 368 659        | 336 912        |
| Current tax receivable                          |       | 2 046          | 6 205          | 536            | 1 190          |
| Trade and other receivables                     | 13    | 216 919        | 175 239        | 994            | 126            |
| Cash and cash equivalents                       | 14    | 53 092         | 49 330         | 15 698         | -              |
|   |       | <b>365 916</b> | <b>318 332</b> | <b>385 887</b> | <b>338 228</b> |
| <b>Total assets</b>                             |       | <b>782 937</b> | <b>667 181</b> | <b>462 251</b> | <b>416 023</b> |
| <b>EQUITY AND LIABILITIES</b>                   |       |                |                |                |                |
| <b>EQUITY</b>                                   |       |                |                |                |                |
| Equity attributable to equity holders of parent |       |                |                |                |                |
| Share capital                                   | 15    | 166 215        | 82 585         | 219 461        | 135 762        |
| Foreign currency translation reserve            |       | (14 194)       | (21 744)       | -              | -              |
| Share based payment reserve                     |       | 7 288          | 4 484          | 7 288          | 4 484          |
| Retained income                                 |       | 454 673        | 420 065        | 40 664         | 52 420         |
|   |       | <b>613 982</b> | <b>485 390</b> | <b>267 413</b> | <b>192 666</b> |
| Non-controlling interest                        |       | 17 322         | 12 356         | -              | -              |
| <b>Total equity</b>                             |       | <b>631 304</b> | <b>497 746</b> | <b>267 413</b> | <b>192 666</b> |
| <b>LIABILITIES</b>                              |       |                |                |                |                |
| <b>NON-CURRENT LIABILITIES</b>                  |       |                |                |                |                |
| Other financial liabilities                     | 19    | 26 324         | 32 425         | 3 985          | 7 573          |
| Finance lease obligation                        | 20    | 6 731          | 3 138          | -              | -              |
| Deferred tax                                    | 11    | 2 075          | 1 037          | -              | -              |
|   |       | <b>35 130</b>  | <b>36 600</b>  | <b>3 985</b>   | <b>7 573</b>   |
| <b>CURRENT LIABILITIES</b>                      |       |                |                |                |                |
| Loans from group companies                      | 8     | -              | -              | 183 320        | 179 915        |
| Other financial liabilities                     | 19    | 6 560          | 6 238          | 3 985          | 3 786          |
| Current tax payable                             |       | 12 214         | 12 309         | -              | -              |
| Finance lease obligation                        | 20    | 4 923          | 2 513          | -              | -              |
| Trade and other payables                        | 22    | 81 412         | 65 581         | 3 448          | 965            |
| Provisions                                      | 21    | 10 871         | 9 182          | 100            | 100            |
| Bank overdraft                                  | 14    | 523            | 37 012         | -              | 31 018         |
|   |       | <b>116 503</b> | <b>132 835</b> | <b>190 853</b> | <b>215 784</b> |
| <b>Total liabilities</b>                        |       | <b>151 633</b> | <b>169 435</b> | <b>194 838</b> | <b>223 357</b> |
| <b>Total equity and liabilities</b>             |       | <b>782 937</b> | <b>667 181</b> | <b>462 251</b> | <b>416 023</b> |
| Net asset value per share (cents)               |       | 247,9          | 223,0          |                |                |
| Net tangible asset value per share (cents)      |       | 163,1          | 127,0          |                |                |

\* Certain balances have been re-stated due to the completion of initial accounting in terms of IFRS3. Refer to the business combinations note, number 34 for further details

STATEMENTS OF  
COMPREHENSIVE  
INCOME

| FOR THE YEAR ENDED 30 JUNE 2011                                 |       | Group            |           | Company        |         |
|---|-------|------------------|-----------|----------------|---------|
|   |       | 2011             | 2010      | 2011           | 2010    |
| Figures in Rand thousand  | Notes |                  |           |                |         |
| Revenue   | 24    | <b>712 248</b>   | 530 534   | <b>7 800</b>   | 7 100   |
| Cost of sales, other income and operating expenses              |       | <b>(628 333)</b> | (459 845) | <b>(2 503)</b> | 1 026   |
| <b>OPERATING PROFIT</b>   |       | <b>83 915</b>    | 70 689    | <b>5 297</b>   | 8 126   |
| Investment revenue  | 26    | <b>85</b>        | 1 046     | <b>2 067</b>   | 728     |
| Income from equity accounted investments                        | 30    | <b>436</b>       | 909       |                | 1 431   |
| Finance costs   | 27    | <b>(6 283)</b>   | (4 771)   | <b>(3 206)</b> | (1 263) |
| <b>PROFIT BEFORE TAXATION</b>                                   |       | <b>78 153</b>    | 67 873    | <b>4 158</b>   | 9 022   |
| Taxation  | 28    | <b>(23 733)</b>  | (20 348)  | <b>(1 954)</b> | (3 389) |
| <b>Profit for the year</b>                                      |       | <b>54 420</b>    | 47 525    | <b>2 204</b>   | 5 633   |
| <b>PROFIT FOR THE YEAR ATTRIBUTABLE TO:</b>                     |       |                  |           |                |         |
| Owners of the parent  |       | <b>49 454</b>    | 46 255    | <b>2 204</b>   | 5 633   |
| Non-controlling interest  |       | <b>4 966</b>     | 1 270     |                |         |
|   |       | <b>54 420</b>    | 47 525    | <b>2 204</b>   | 5 633   |
| <b>OTHER COMPREHENSIVE INCOME:</b>                              |       |                  |           |                |         |
| Exchange differences on translating foreign operations          | 31    | <b>7 550</b>     | (30 538)  |                |         |
| <b>TOTAL COMPREHENSIVE INCOME FOR THE YEAR</b>                  |       | <b>61 970</b>    | 16 987    | <b>2 204</b>   | 5 633   |
| <b>TOTAL COMPREHENSIVE INCOME FOR THE YEAR ATTRIBUTABLE TO:</b> |       |                  |           |                |         |
| Owners of the parent  |       | <b>57 004</b>    | 15 717    | <b>2 204</b>   | 5 633   |
| Non-controlling interest  |       | <b>4 966</b>     | 1 270     |                |         |
|   |       | <b>61 970</b>    | 16 987    | <b>2 204</b>   | 5 633   |
| <b>EARNINGS PER SHARE</b>                                       |       |                  |           |                |         |
| Basic earnings per share (cents)*                               | 41    | <b>22,4</b>      | 20,8      |                |         |
| Diluted earnings per share (cents)*                             | 41    | <b>22,4</b>      | 20,8      |                |         |

\* Earnings per share and diluted earnings per share have been re-stated for the 2010 financial period due to the rights issue of shares. Refer to note 41 for more details.

# STATEMENTS OF CHANGES IN EQUITY

| FOR THE YEAR ENDED 30 JUNE 2011         |               |                |                     |                                      |                         |                             |                 |                 |   |                          |                |
|---|---------------|----------------|---------------------|--------------------------------------|-------------------------|-----------------------------|-----------------|-----------------|---|--------------------------|----------------|
| Figures in Rand thousand                | Share capital | Share premium  | Total share capital | Foreign currency translation reserve | Reserves for own shares | Share Based Payment Reserve | Total reserves  | Retained income | Total attributable to equity holders of the group | Non-controlling interest | Total equity   |
| <b>GROUP</b>                            |               |                |                     |                                      |                         |                             |                 |                 |   |                          |                |
| Balance at 1 July 2009                  | 215           | 63 648         | 63 863              | 8 794                                | 19 120                  | 204                         | 28 118          | 388 809         | 480 790   | 11 086                   | 491 876        |
| Changes in equity                       |               |                |                     |                                      |                         |                             |                 |                 |   |                          |                |
| Total comprehensive income for the year |               |                |                     | (30 538)                             |                         |                             | (30 538)        | 46 255          | 15 717  | 1 270                    | 16 987         |
| Issue of shares                         | 3             | 19 913         | 19 916              |                                      | (19 120)                |                             | (19 120)        |                 | 796   |                          | 796            |
| Share options granted                   |               | (1 194)        | (1 194)             |                                      |                         | 1 194                       | 1 194           |                 |   |                          |                |
| Share based payment cost for the year   |               |                |                     |                                      |                         | 3 086                       | 3 086           |                 | 3 086   |                          | 3 086          |
| Dividends                               |               |                |                     |                                      |                         |                             |                 | (14 999)        | (14 999)  |                          | (14 999)       |
| Total changes                           | 3             | 18 719         | 18 722              | (30 538)                             | (19 120)                | 4 280                       | (45 378)        | 31 256          | 4 600   | 1 270                    | 5 870          |
| <b>Balance at 1 July 2010</b>           | <b>218</b>    | <b>82 367</b>  | <b>82 585</b>       | <b>(21 744)</b>                      |                         | <b>4 484</b>                | <b>(17 260)</b> | <b>420 065</b>  | <b>485 390</b>                                    | <b>12 356</b>            | <b>497 746</b> |
| Changes in equity                       |               |                |                     |                                      |                         |                             |                 |                 |   |                          |                |
| Total comprehensive income for the year |               |                |                     | 7 550                                |                         |                             | 7 550           | 49 454          | 57 004  | 4 966                    | 61 970         |
| Issue of shares                         | 30            | 83 600         | 83 630              |                                      |                         |                             |                 |                 |   |                          |                |
| Share based payment cost for the year   |               |                |                     |                                      |                         | 2 804                       | 2 804           |                 | 2 804   |                          | 2 804          |
| Dividends                               |               |                |                     |                                      |                         |                             |                 | (14 846)        | (14 846)  |                          | (14 846)       |
| Total changes                           | 30            | 83 600         | 83 630              | 7 550                                |                         | 2 804                       | 10 354          | 34 608          | 128 592   | 4 966                    | 133 558        |
| <b>Balance at 30 June 2011</b>          | <b>248</b>    | <b>165 967</b> | <b>166 215</b>      | <b>(14 194)</b>                      |                         | <b>7 288</b>                | <b>(6 906)</b>  | <b>454 673</b>  | <b>613 982</b>                                    | <b>17 322</b>            | <b>631 304</b> |
| Notes                                   | 15            | 15             | 15                  | 17 and 31                            | 18                      | 16                          |                 |                 |   |                          |                |

STATEMENTS OF  
CHANGES  
IN EQUITY  
CONTINUED

| FOR THE YEAR ENDED 30 JUNE 2011         |               |                |                     |                                      |                         |                             |                |                 |   |                          |                |
|---|---------------|----------------|---------------------|--------------------------------------|-------------------------|-----------------------------|----------------|-----------------|---|--------------------------|----------------|
| Figures in Rand thousand                | Share capital | Share premium  | Total share capital | Foreign currency translation reserve | Reserves for own shares | Share Based Payment Reserve | Total reserves | Retained income | Total attributable to equity holders of the group | Non-controlling interest | Total equity   |
| <b>COMPANY</b>                          |               |                |                     |                                      |                         |                             |                |                 |   |                          |                |
| Balance at 1 July 2009                  | 215           | 117 620        | 117 835             |                                      | 19 120                  | 204                         | 19 324         | 61 510          | 198 669   |                          | 198 669        |
| Changes in equity                       |               |                |                     |                                      |                         |                             |                |                 |   |                          |                |
| Total comprehensive income for the year |               |                |                     |                                      |                         |                             |                | 5 633           | 5 633   |                          | 5 633          |
| Issue of shares                         | 3             | 19 118         | 19 121              |                                      | (19 120)                |                             | (19 120)       |                 | 1   |                          | 1              |
| Share options granted                   |               | (1 194)        | (1 194)             |                                      |                         | 1 194                       | 1 194          |                 |   |                          |                |
| Share based payment cost for the year   |               |                |                     |                                      |                         | 3 086                       | 3 086          |                 | 3 086   |                          | 3 086          |
| Dividends                               |               |                |                     |                                      |                         |                             |                | (14 723)        | (14 723)  |                          | (14 723)       |
| Total changes                           | 3             | 17 924         | 17 927              |                                      | (19 120)                | 4 280                       | (14 840)       | (9 090)         | (6 003)   |                          | (6 003)        |
| Balance at 1 July 2010                  | <b>218</b>    | <b>135 544</b> | <b>135 762</b>      |                                      |                         | <b>4 484</b>                | <b>4 484</b>   | <b>52 420</b>   | <b>192 666</b>                                    |                          | <b>192 666</b> |
| Changes in equity                       |               |                |                     |                                      |                         |                             |                |                 |   |                          |                |
| Total comprehensive income for the year |               |                |                     |                                      |                         |                             |                | 2 204           | 2 204   |                          | 2 204          |
| Issue of shares                         | <b>30</b>     | <b>83 669</b>  | <b>83 699</b>       |                                      |                         |                             |                |                 | <b>83 699</b>                                     |                          | <b>83 699</b>  |
| Share based payment cost for the year   |               |                |                     |                                      |                         | <b>2 804</b>                | <b>2 804</b>   |                 | <b>2 804</b>                                      |                          | <b>2 804</b>   |
| Dividends                               |               |                |                     |                                      |                         |                             |                | (13 960)        | (13 960)  |                          | (13 960)       |
| Total changes                           | <b>30</b>     | <b>83 669</b>  | <b>83 699</b>       |                                      |                         | <b>2 804</b>                | <b>2 804</b>   | <b>(11 756)</b> | <b>74 747</b>                                     |                          | <b>74 747</b>  |
| Balance at 30 June 2011                 | <b>248</b>    | <b>219 213</b> | <b>219 461</b>      |                                      |                         | <b>7 288</b>                | <b>7 288</b>   | <b>40 664</b>   | <b>267 413</b>                                    |                          | <b>267 413</b> |
| Notes                                   | 15            | 15             | 15                  | 17 and 31                            | 18                      | 16                          |                |                 |   |                          |                |

STATEMENTS OF  
**CASH  
FLOWS**

| FOR THE YEAR ENDED 30 JUNE 2011                  |       |                  |           |                 |          |
|--|-------|------------------|-----------|-----------------|----------|
| Figures in Rand thousand                         | Notes | Group            |           | Company         |          |
|  |       | 2011             | 2010      | 2011            | 2010     |
| <b>CASH FLOWS FROM OPERATING ACTIVITIES</b>      |       |                  |           |                 |          |
| Cash generated from operations                   | 32    | <b>109 713</b>   | 127 316   | <b>11 145</b>   | 10 633   |
| Interest income                                  |       | <b>85</b>        | 1 046     | -               | 84       |
| Dividends received                               |       | -                | -         | <b>2 067</b>    | 844      |
| Finance costs                                    |       | <b>(6 283)</b>   | (4 771)   | <b>(3 206)</b>  | (1 263)  |
| Tax paid   | 33    | <b>(23 816)</b>  | (22 105)  | <b>(1 300)</b>  | (2 468)  |
| <b>Net cash from operating activities</b>        |       | <b>79 699</b>    | 101 486   | <b>8 706</b>    | 7 630    |
| <b>CASH FLOWS FROM INVESTING ACTIVITIES</b>      |       |                  |           |                 |          |
| Purchase of property, plant and equipment        | 3     | <b>(77 737)</b>  | (56 020)  | -               | -        |
| Sale of property, plant and equipment            | 3     | <b>2 984</b>     | 5 370     | -               | -        |
| Purchase of other intangible assets              | 5     | <b>(18 257)</b>  | (17 852)  | -               | -        |
| Business combinations                            | 34    | <b>(2 496)</b>   | (31 531)  | -               | -        |
| Movement in investments (incl subs, JVs & Assoc) | 35    | -                | -         | -               | (320)    |
| Loans to group companies increased               |       | -                | -         | <b>(28 342)</b> | (5 256)  |
| Movement in financial assets                     |       | <b>(12 594)</b>  | (6 820)   | -               | -        |
| Investment in associates                         |       | <b>(356)</b>     | 909       | -               | -        |
| <b>Net cash from investing activities</b>        |       | <b>(108 456)</b> | (105 944) | <b>(28 342)</b> | (5 576)  |
| <b>CASH FLOWS FROM FINANCING ACTIVITIES</b>      |       |                  |           |                 |          |
| Proceeds on share issue                          | 15    | <b>83 630</b>    | -         | <b>83 699</b>   | -        |
| Repayment of other financial liabilities         |       | <b>(5 779)</b>   | (9 730)   | <b>(3 387)</b>  | (11 012) |
| Finance lease proceeds/(payments)                |       | <b>6 003</b>     | (1 052)   | -               | -        |
| Dividends paid                                   |       | <b>(14 846)</b>  | (14 999)  | <b>(13 960)</b> | (14 723) |
| Other non-cash item                              |       | -                | (5 349)   | -               | -        |
| <b>Net cash from financing activities</b>        |       | <b>69 008</b>    | (31 130)  | <b>66 352</b>   | (25 735) |
| <b>Total cash movement for the year</b>          |       | <b>40 251</b>    | (35 588)  | <b>46 716</b>   | (23 681) |
| Cash at the beginning of the year                |       | <b>12 318</b>    | 47 906    | <b>(31 018)</b> | (7 337)  |
| <b>Total cash at end of the year</b>             | 14    | <b>52 569</b>    | 12 318    | <b>15 698</b>   | (31 018) |

# ACCOUNTING POLICIES

## 1. PRESENTATION OF GROUP AND COMPANY ANNUAL FINANCIAL STATEMENTS

### Statement of Compliance

The consolidated financial statements have been prepared in compliance with the Companies Act of South Africa, 2008, International Financial Reporting Standards (IFRS), AC 500 Standards and its interpretations adopted by the International Accounting Standards Board (IASB), and the JSE Listings requirements that are relevant to its operations and have been effective for the annual reporting period ending 30 June 2011.

### Basis of measurement

The consolidated financial statements have been prepared on the historical cost basis.

### Use of estimates and judgments

The preparation of financial statements in conformity with IFRS requires management to make judgmental, estimates and assumptions that affect the application of policies and reported amounts of assets and liabilities, income and expenses. The estimates and associated assumptions are based on historical experience and various other factors that are believed to be reasonable under the circumstances, the results of which form the basis of making the judgemental about carrying values of assets and liabilities that are not readily apparent from other sources. Actual results may differ from these estimates. The estimates and underlying assumptions are reviewed on an ongoing basis. Revisions to accounting estimates are recognised in the period in which the estimate is revised if the revision affects only that period, or in the period of the revision and future periods if the revision affects both current and future periods.

### Functional and presentation currency

These consolidated financial statements are presented in South African Rand (ZAR), which is the company's functional currency. All financial information presented in Rands has been rounded to the nearest thousand.

### Going Concern

The consolidated and separate financial statements are prepared on the going concern basis. These accounting policies are consistent with the previous period.

### 1.1 FINANCIAL REPORTING TERMS

These definitions of financial reporting terms are provided to ensure clarity of meaning as certain terms may not always have the same meaning or interpretation in all countries.

### Associate

The group, other than a subsidiary or joint venture, in which the group, holding a material long-term interest, has significant influence, but no control, over financial and operating policies.

### Company

A legal business entity registered in terms of the applicable legislation of that country.

### Foreign operation

An entity whose activities are based or conducted in a country or currency other than those of the reporting entity (DigiCore Holdings Limited Limited).

### Operation

A component of the group that represents a separate major line of business or geographical area of operation and is distinguished separately for financial and operating purposes

### Group

The group comprises DigiCore Holdings Limited, its subsidiaries and its interest in associates and special purpose entities.

### Subsidiary

Any entity over which the group has the power to exercise control.

### Special purpose entity

An entity established to accomplish a narrow and well defined objective, including the facilitation of the group's black economic empowerment transactions, and where the group receives the majority of the benefits related to the operations and net assets of the entity, is exposed to the majority of the risks incident to the entity's activities and retains the majority of the residual or ownership risks related to the entity or its assets.

### Acquisition date

The date on which control in subsidiaries, special purpose entities, joint control in joint ventures and significant influence in associates commences.

### Cash-generating unit

The smallest identifiable group of assets which can generate cash inflows independently from other assets or groups of assets.

### Consolidated group financial statements

The financial results of the group which comprise the financial results of DigiCore Holdings Limited and its subsidiaries, special purpose entities, the proportionate interest in the financial results of joint ventures and its interest in associates.

### Control

The ability, directly or indirectly, to govern the financial and operating policies of an entity so as to obtain benefits from its activities. When assessing the ability to control an entity, the existence and effect of potential voting rights that are presently exercisable or convertible are taken into account.

### Discount rate

The rate used for purposes of determining discounted cash flows defined as the yield on AAA credit rated bonds (for entities outside South Africa) and relevant South African government bonds (for South African entities) that have maturity dates approximating the term of the related cash flows. This pre-tax interest rate reflects the current market assessment of the time value of money. To the extent that, in determining the cash flows, the risks specific to the asset or liability are taken into account in determining those cash flows, they are not included in determining the discount rate.

### Disposal date

The date on which control in subsidiaries, special purpose entities, joint control in joint ventures and significant influence in associates ceases.

### Fair value

The value for which an asset could be exchanged or a liability settled, between knowledgeable, willing parties in an arm's length transaction.

### Functional currency

The currency of the primary economic environment in which the entity operates.

### Long-term

A period longer than twelve months from the reporting date.

### Other comprehensive income

Comprises items of income and expense (including reclassification adjustments) that are not recognised in the statement of comprehensive income and includes the effect of translation of foreign operations and available-for sale financial assets.

**Recoverable amount**

The amount that reflects the greater of the fair value less costs to sell and value in use that can be attributed to an asset as a result of its on-going use by the entity. In determining the value in use, expected future cash flows are discounted to their present values using the discount rate.

**Related party**

Parties are considered to be related if one party directly or indirectly has the ability to control or jointly control the reporting entity (DigiCore Holdings Limited) or exercise significant influence over the reporting entity or is a member of the key management of the reporting entity.

**Revenue**

Comprises turnover, dividends received and interest received.

**Share-based payment**

A transaction in which an entity issues equity instruments, share options or incurs a liability to pay cash based on the price of the entity's equity instruments to another party as compensation for goods received or services rendered.

**Significant influence**

The ability, directly or indirectly, to participate in, but not exercise control over, the financial and operating policy decisions of an entity so as to obtain economic benefit from its activities.

**Financial instrument terms**

**Turnover**

Comprises revenue generated by operating activities and includes sales of products, services rendered, licence fees and royalties, net of indirect taxes, rebates and trade discounts.

**Available-for-sale financial asset**

A financial asset that has been designated as available-for-sale or a financial asset other than those classified as loans and receivables, held-to-maturity investments or derivative instruments. An investment intended to be held for an indefinite period of time, which may be sold in response to needs liquidity or changes in interest rates, is classified as a non-current available-for-sale financial asset.

**Effective interest rate**

The derived rate that discounts the expected future cash flows to the current net carrying amount of the financial asset or financial liability.

**Equity instrument**

Any financial instrument (including investments) that evidences a residual interest in the assets of an enterprise after deducting all of its liabilities.

**Financial asset**

Cash or cash equivalents, a contractual right to receive cash, an equity instrument or a contractual right to exchange a financial instrument under favourable conditions.

**Financial liability**

A contractual obligation to pay cash or transfer other benefits or an obligation to exchange a financial instrument under unfavourable conditions. This includes debt.

**Loans and receivables**

A financial asset with fixed or determinable repayments that are not quoted in an active market, other than:  
– a derivative instrument; or  
– an available-for-sale financial asset.

**1.2 CONSOLIDATION**

**Basis of consolidation**

The consolidated group annual financial statements incorporate the group annual financial statements of the company and all entities, including special purpose entities, which are controlled by the company.

Control exists when the company has the power to govern the financial and operating policies of an entity so as to obtain benefits from its activities.

The results of subsidiaries are included in the consolidated group annual financial statements from the effective date of acquisition to the effective date of disposal.

Adjustments are made when necessary to the group annual financial statements of subsidiaries to bring their accounting policies in line with those of the group.

All intra-group transactions, balances, income and expenses are eliminated in full on consolidation. Transaction costs are expensed when incurred at group level.

Non-controlling interests in the net assets of consolidated subsidiaries are identified and recognised separately from the group's interest therein, and are recognised within equity. Losses of subsidiaries attributable to non-controlling interests are allocated to the non-controlling interest even if this results in a debit balance being recognised for non-controlling interest.

Transactions which result in changes in ownership levels, where the group has control of the subsidiary both before and after the transaction are regarded as equity transactions and are recognised directly in the statement of changes in equity.

The difference between the fair value of consideration paid or received and the movement in non-controlling interest for such transactions is recognised in equity attributable to the owners of the parent.

Where a subsidiary is disposed of and a non-controlling shareholding is retained, the remaining investment is measured to fair value with the adjustment to fair value recognised in the statement of comprehensive income as part of the gain or loss on disposal of the controlling interest.

**Business combinations**

The group accounts for business combinations using the acquisition method of accounting. The consideration transferred in a business combination is measured at fair value, which is calculated as the sum of the acquisition-date fair values of the assets transferred by the group, liabilities incurred by the group to the former owners of the acquiree and the equity interests issued by the group in exchange for control of the acquiree.

Contingent consideration is included in the cost of the combination at fair value as at the date of acquisition. Subsequent changes to the assets, liabilities or equity which arise as a result of the contingent consideration are not affected against goodwill, unless they are valid measurement period adjustments.

The acquiree's identifiable assets, liabilities and contingent liabilities which meet the recognition conditions of IFRS 3 Business Combinations are recognised at their fair values at acquisition date, except for non-current assets (or disposal group) that are classified as held-for-sale in accordance with IFRS 5 Non-current Assets Held For Sale and discontinued operations, which are recognised at fair value less costs to sell.

Contingent liabilities are only included in the identifiable assets and liabilities of the acquiree where there is a present obligation at acquisition date.

On acquisition, the group assesses the classification of the acquiree's assets and liabilities and reclassifies them where the classification is inappropriate for group purposes. This excludes lease agreements and insurance contracts, whose classification remains as per their inception date.

Non-controlling interest arising from a business combination is measured either at their share of the fair value of the assets and liabilities of the acquiree or at fair value. The treatment is not an accounting policy choice but is selected for each individual business combination, and disclosed in the note for business combinations.

In cases where the group held a non-controlling shareholding in the acquiree prior to obtaining control, that interest is measured to fair value as at acquisition date. The measurement to fair value is included in the statement of comprehensive income for the year. Where the existing shareholding was classified as an available-for-sale financial asset, the cumulative fair value adjustments recognised previously to other comprehensive income and accumulated in equity are recognised in the statement of comprehensive income as a reclassification adjustment.

If the initial accounting for a business combination is incomplete by the end of the reporting period in which the combination occurs, the group reports provisional amounts for the items for which the accounting is incomplete. Those provisional amounts are adjusted during the measurement period of 12 months, or additional assets or liabilities are recognised, to reflect new information obtained about facts and circumstances that existed at the acquisition date that, if known, would have affected the amounts recognised at that date.

Goodwill is determined as the consideration paid, plus the fair value of any shareholding held prior to obtaining control, plus non-controlling interest and less the fair value of the identifiable assets and liabilities of the acquiree.

Goodwill is not amortised but is tested on an annual basis for impairment. If goodwill is assessed to be impaired, that impairment is not subsequently reversed.

Goodwill arising on acquisition of foreign entities is considered an asset of the foreign entity. In such cases the goodwill is translated to the functional currency of the group at the end of each reporting period with the adjustment recognised in equity through to other comprehensive income.

#### Investment in associates

An associate is an entity over which the group has significant influence and which is neither a subsidiary nor a joint venture. Significant influence is the power to participate in the financial and operating policy decisions of the investee but is not control or joint control over those policies.

The results and assets and liabilities of associates are incorporated in these consolidated financial statements using the equity method of accounting, except when the investment is classified as held for sale, in which case it is accounted for in accordance with IFRS 5 Non-current Assets Held for Sale and Discontinued Operations. Under the equity method, an investment in an associate is initially recognised in the consolidated statement of financial position at cost and adjusted thereafter to recognise the group's share of the profit or loss and other comprehensive income of the associate. When the group's share of losses of an associate exceeds the group's interest in that associate (which includes any long-term interests that, in substance, form part of the group's net investment in the associate), the Group discontinues recognising its share of further losses. Additional losses are recognised only to the extent that the group has incurred legal or constructive obligations or made payments on behalf of the associate.

Any goodwill on acquisition of an associate is included in the carrying amount of the investment, however, a gain on acquisition is recognised immediately in the statement of comprehensive income.

Profits or losses on transactions between the group and an associate are eliminated to the extent of the group's interest therein.

The requirements of IAS 39 are applied to determine whether it is necessary to recognise any impairment loss with respect to the group's investment in an associate. When necessary, the entire carrying amount of the investment (including goodwill) is tested for impairment in accordance with IAS 36 Impairment of Assets as a single asset by comparing its recoverable amount (higher of value in use and fair value less

costs to sell) with its carrying amount. Any impairment loss recognised forms part of the carrying amount of the investment. Any reversal of that impairment loss is recognised in accordance with IAS 36 to the extent that the recoverable amount of the investment subsequently increases.

When the group reduces its level of significant influence or loses significant influence, the group proportionately reclassifies the related items which were previously accumulated in equity through other comprehensive income to profit or loss as a reclassification adjustment. In such cases, if an investment remains, that investment is measured to fair value, with the fair value adjustment being recognised in profit or loss as part of the gain or loss on disposal.

### 1.3 SIGNIFICANT JUDGMENTS AND SOURCES OF ESTIMATION UNCERTAINTY

In preparing the group and company annual financial statements, management is required to make estimates and assumptions that affect the amounts represented in the group and company annual financial statements and related disclosures. Use of available information and the application of judgment is inherent in the formation of estimates. Actual results in the future could differ from these estimates which may be material to the group and company annual financial statements. Significant judgments include:

#### Trade receivables and loans and receivables

The group assesses its trade receivables and loans and receivables for impairment at the end of each reporting period. In determining whether an impairment loss should be recorded in the statement of comprehensive income, the group makes judgments as to whether there is observable data indicating a measurable decrease in the estimated future cash flows from a financial asset.

The impairment for trade receivables and loans and receivables is calculated on a specific basis, based on historical loss ratios, adjusted for national and industry-specific economic conditions and other indicators present at the reporting date that correlate with defaults for that specific receivable. These annual loss ratios are applied to the specific receivable balances and scaled to the estimated loss emergence period.

#### Allowance for slow moving, damaged and obsolete stock

An allowance is made to write stock down to the lower of cost or net realisable value. Management have

made estimates of the selling price and direct cost to sell on certain inventory items. The write down is included in the operating profit note.

#### Options granted

Management used the Black Scholes model to determine the value of the options at issue date. Additional details regarding the estimates are included in note 16 - Share based payments.

#### Fair value estimation

The carrying value of trade payables and the carrying value less impairment provision of trade receivables are assumed to approximate their fair values. The fair value of financial liabilities for disclosure purposes is estimated by discounting the future contractual cash flows at the current market interest rate that is available to the group for similar financial instruments.

#### Impairment testing

The recoverable amounts of cash-generating units and individual assets have been determined based on the higher of value-in-use calculations and fair values less costs to sell. These calculations require the use of estimates and assumptions. It is reasonably possible that the assumption may change which may then impact our estimations and may then require a material adjustment to the carrying value of goodwill, tangible assets and intangible assets.

The group reviews and tests the carrying value of assets when events or changes in circumstances suggest that the carrying amount may not be recoverable. In addition, goodwill is tested at least on an annual basis for impairment. Assets are grouped at the lowest level for which identifiable cash flows are largely independent of cash flows of other assets and liabilities. If there are indications that impairment may have occurred, estimates are prepared of expected future cash flows for each group of assets. Expected future cash flows used to determine the value in use of goodwill and tangible assets are inherently uncertain and could materially change over time. They are significantly affected by a number of factors including production estimates, supply demand, together with economic factors such as exchange rates and inflation.

#### Provisions

Provisions were raised and management determined an estimate based on the information available. Additional disclosure of these estimates of provisions are included in note 21 - Provisions.

#### Taxation

Judgment is required in determining the provision for income taxes due to the complexity of legislation. There are many transactions and calculations for which the ultimate tax determination is uncertain during the ordinary course of business. The group recognises liabilities for anticipated tax audit issues based on estimates of whether additional taxes will be due. Where the final tax outcome of these matters is different from the amounts that were initially recorded, such differences will impact the income tax and deferred tax provisions in the period in which such determination is made.

The group recognises the net future tax benefit related to deferred income tax assets to the extent that it is probable that the deductible temporary differences will reverse in the foreseeable future. Assessing the recoverability of deferred income tax assets requires the group to make significant estimates related to expectations of future taxable income. Estimates of future taxable income are based on forecast cash flows from operations and the application of existing tax laws in each jurisdiction. To the extent that future cash flows and taxable income differ significantly from estimates, the ability of the group to realise the net deferred tax assets recorded at the end of the reporting period could be impacted.

#### 1.4 PROPERTY, PLANT AND EQUIPMENT

The cost of an item of property, plant and equipment is recognised as an asset when:

- it is probable that future economic benefits associated with the item will flow to the company; and
- the cost of the item can be measured reliably.

Property, plant and equipment is initially measured at cost. Costs include costs incurred initially to acquire or construct an item of property, plant and equipment and costs incurred subsequently to add to, replace part of, or service it. If a replacement cost is recognised in the carrying amount of an item of property, plant and equipment, the carrying amount of the replaced part is derecognised.

Property, plant and equipment is carried at cost less accumulated depreciation and any impairment losses.

Property, plant and equipment are depreciated on the straight-line basis over their expected useful lives to their estimated residual value.

The useful lives of items of property, plant and equipment have been assessed as follows:

| Item                   | Average useful life |
|------------------------|---------------------|
| Land                   | Indefinite          |
| Buildings              | 50 years            |
| Plant and machinery    | 5 years             |
| Furniture and fixtures | 6 years             |
| Motor vehicles         | 4 to 5 years        |
| Office equipment       | 3 to 4 years        |
| IT equipment           | 3 years             |
| Computer software      | 2 years             |
| Leasehold improvements | 5 years             |
| Rental stock           | 3 to 4 years        |

The residual value, useful life and depreciation method of each asset are reviewed at the end of each reporting period. If the expectations differ from previous estimates, the change is accounted for as a change in accounting estimate.

The depreciation charge for each period is recognised in profit or loss unless it is included in the carrying amount of another asset.

The gain or loss arising from the derecognition of an item of property, plant and equipment is included in profit or loss when the item is derecognised. The gain or loss arising from the derecognition of an item of property, plant and equipment is determined as the difference between the net disposal proceeds, if any, and the carrying amount of the item.

#### 1.5 GOODWILL

All business combinations are accounted for by applying the acquisition method. Goodwill arising in a business combination is recognised as an asset at the date that control is acquired (the acquisition date). Goodwill is measured as the excess of the sum of the consideration transferred, the amount of any non-controlling interests in the acquiree, and the fair value of the acquirer's previously held equity interest in the acquiree (if any) over the net of the acquisition-date amounts of the identifiable assets acquired and the liabilities assumed.

In respect of associates, the carrying amount of goodwill is included in the carrying amount of the investment in the associate.

The excess of the company's interest in the net fair value of the identifiable assets, liabilities and contingent liabilities over the sum of the value of the non-controlling interest measured in terms of IFRS 3 that has been acquired, together with the fair value of any previously held interest in the acquiree, and the purchase consideration transferred.

Internally generated goodwill is not recognised as an asset and is expensed directly to profit and loss. On disposal of a subsidiary, the attributable amount of goodwill is included in the determination of the profit or loss on disposal.

#### 1.6 INTANGIBLE ASSETS

An intangible asset is recognised when:

- it is probable that the expected future economic benefits that are attributable to the asset will flow to the entity; and
- the cost of the asset can be measured reliably.

Intangible assets are initially recognised at cost.

Expenditure on research (or on the research phase of an internal project) is recognised as an expense when it is incurred.

An intangible asset arising from development (or from the development phase of an internal project) is recognised when:

- it is technically feasible to complete the asset so that it will be available for use or sale.
- there is an intention to complete and use or sell it.
- there is an ability to use or sell it.
- it will generate probable future economic benefits.
- there are available technical, financial and other resources to complete the development and to use or sell the asset.
- the expenditure attributable to the asset during its development can be measured reliably.

Intangible assets are carried at cost less any accumulated amortisation and any impairment losses.

An intangible asset is regarded as having an indefinite useful life when, based on all relevant factors, there is no foreseeable limit to the period over which the asset is expected to generate net cash inflows. Amortisation is not provided for these intangible assets, but they are tested for impairment annually and whenever there is an indication that the asset may be impaired. For all other intangible assets amortisation is provided on a straight-line basis over their useful life.

The amortisation period and the amortisation method for intangible assets are reviewed every period-end.

Reassessing the useful life of an intangible asset with a finite useful life after it was classified as indefinite is an indicator that the asset may be impaired. As a result the asset is tested for impairment and the remaining carrying amount is amortised over its useful life.

#### Intangible assets acquired in a business combination

Intangible assets acquired in a business combination and recognised separately from goodwill are initially recognised at their fair value at the acquisition date (which is regarded as their cost).

Subsequent to initial recognition, intangible assets acquired in a business combination are reported at cost less accumulated amortisation and accumulated impairment losses, on the same basis as intangible assets that are acquired separately.

#### Derecognition of intangible assets

An intangible asset is derecognised on disposal, or when no future economic benefits are expected from use or disposal. Gains or losses arising from derecognition of an intangible asset, measured as the difference between the net disposal proceeds and the carrying amount of the asset, are recognised in profit or loss when the asset is derecognised.

Internally-generated brands, mastheads, publishing titles, customer lists and items similar in substance are not recognised as intangible assets.

Amortisation is provided to write down the intangible assets, on a straight line basis, to their residual values as follows:

| Item                                | Useful life |
|-------------------------------------|-------------|
| Technology-related contracts        | 4 years     |
| Customer contracts                  | 6 – 8 years |
| Intangible assets under development | 5 years     |

#### 1.7 INVESTMENTS IN SUBSIDIARIES

##### Company annual financial statements

In the company's separate annual financial statements, investments in subsidiaries are carried at cost less any accumulated impairment.

The cost of an investment in a subsidiary is the aggregate of the fair value, at the date of exchange, of assets given, liabilities incurred or assumed, and equity instruments issued by the company.

An adjustment to the cost of a business combination contingent on future events is included in the cost of the combination if the adjustment is probable and can be measured reliably.

#### 1.8 INVESTMENTS IN ASSOCIATES

##### Company annual financial statements

An investment in an associate is carried at cost less any accumulated impairment.

#### 1.9 FINANCIAL ASSETS AND LIABILITIES

##### Initial recognition and measurement

Financial assets and financial liabilities are initially measured at fair value. Transaction costs that are directly attributable to the acquisition or issue of financial assets and financial liabilities are added to or deducted from the fair value of the financial assets or financial liabilities, as appropriate, on initial recognition. Transaction costs directly attributable to the acquisition of financial assets or financial liabilities at fair value through profit or loss are recognised immediately in the statement of comprehensive income.

##### Financial Assets

All financial assets are recognised and derecognised on trade date where the purchase or sale of a financial asset is under a contract whose terms require delivery of the financial asset 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 category: "loans and receivables". The classification depends on the nature and purpose of the financial assets and is determined at the time of initial recognition. The group classifies financial instruments, or their component parts, on initial recognition as a financial asset, a financial liability or an equity instrument in accordance with the substance of the contractual arrangement.

##### Effective interest method

The effective interest method is a method of calculating the amortised cost of a financial asset at amortised cost 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 debt instrument, or (where appropriate) a shorter period, to the net carrying amount on initial recognition.

#### Loans and receivables

Loans and receivables are non-derivative financial assets with fixed or determinable payments that are not quoted in an active market. Loans and receivables including trade and other receivables, bank balances and cash 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, are assessed for indicators of impairment at the end of each reporting period. Financial assets are considered to be impaired when 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 affected.

For financial assets, including 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 assets such as trade receivables that are assessed not to be impaired individually are, in addition, 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, 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 loss recognised 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 uncollectable, 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.

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. At each reporting date, the group assesses all financial assets to determine whether there is objective evidence that a financial asset or group of financial assets has been impaired.

#### Loans to (from) group companies

These include loans to and from fellow subsidiaries, subsidiaries and associates are recognised initially at fair value plus direct transaction costs.

Loans to group companies are classified as loans and receivables.

Loans from group companies are classified as financial liabilities measured at amortised cost.

#### Trade and other receivables

Trade receivables are measured at initial recognition at fair value plus transaction costs, and are subsequently measured at amortised cost using the effective interest rate method. Appropriate allowances for estimated irrecoverable amounts are recognised in profit or loss when there is objective evidence that the asset is impaired. Significant financial difficulties of the debtor, probability that the debtor will enter bankruptcy or financial reorganisation, and default or delinquency in payments are considered indicators that the trade receivable is impaired. The allowance recognised

is measured as the difference between the asset's carrying amount and the present value of estimated future cash flows discounted at the effective interest rate computed at initial recognition.

The carrying amount of the asset is reduced through the use of an allowance account, and the amount of the loss is recognised in profit or loss within operating expenses. When a trade receivable is uncollectable, it is written off against the allowance account for trade receivables. Subsequent recoveries of amounts previously written off are credited against operating expenses in profit or loss.

Trade and other receivables are classified as loans and receivables.

Trade payables are initially measured at fair value less transaction costs, and are subsequently measured at amortised cost, using the effective interest rate method. Trade payables are classified as other financial liabilities.

#### Cash and cash equivalents

Cash and cash equivalents comprise cash on hand and demand deposits, and other short-term highly liquid investments that are readily convertible to a known amount of cash and are subject to an insignificant risk of changes in value. These are initially and subsequently recorded at fair value.

#### Bank overdraft and borrowings

Bank overdrafts and borrowings are initially measured at fair value less transaction costs and are subsequently measured at amortised cost using the effective interest rate method. Any difference between the proceeds (net of transaction costs) and the settlement or redemption of borrowings is recognised over the term of the borrowings in accordance with the group's accounting policy for borrowing costs.

#### Derecognition of financial assets

The group derecognises a financial asset only when the contractual rights to the cash flows from the asset expire, or when 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.

On derecognition of a financial asset in its entirety, the difference between the asset's carrying amount and the sum of the consideration received and receivable and the cumulative gain or loss that had been recognised in other comprehensive income and accumulated in equity is recognised in profit or loss.

**Financial liabilities 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 and the definitions of a financial liability and an equity instrument.

**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 recognised at the proceeds received, net of direct issue costs. Repurchase of the Company's own equity instruments is recognised and deducted directly in equity. No gain or loss is recognised in profit or loss on the purchase, sale, issue or cancellation of the Company's own equity instruments.

**Financial liabilities**

Financial liabilities are classified as other financial liabilities.

**De-recognition of financial liabilities**

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

**1.10 TAX**

**Current tax assets and liabilities**

Current tax for current and prior periods is, to the extent unpaid, recognised as a liability. If the amount already paid in respect of current and prior periods exceeds the amount due for those periods, the excess is recognised as an asset.

Current tax liabilities (assets) for the current and prior periods are measured at the amount expected to be paid to (recovered from) the tax authorities, using the tax rates (and tax laws) that have been enacted or substantively enacted by the end of the reporting period.

The tax currently payable is based on taxable profit for the year. Taxable profit differs from profit as reported in the consolidated statement of comprehensive income because of items of income or expense that are taxable or deductible in other years and items that are never taxable or deductible.

**Deferred tax assets and liabilities**

A deferred tax liability is recognised for all taxable temporary differences, except to the extent that the deferred tax liability arises from the initial recognition of an asset or liability in a transaction other than a business combination other which at the time of the transaction, affects neither accounting profit or loss nor taxable profit (tax loss). Deferred tax is calculated using the the comprehensive liability method.

A deferred tax asset is recognised for all deductible temporary differences to the extent that it is probable that taxable profit will be available against which the deductible temporary difference can be utilised. A deferred tax asset is not recognised when it arises from the initial recognition of an asset or liability in a transaction at the time of the transaction, affects neither accounting profit or loss nor taxable profit (tax loss).

The carrying amount of deferred tax assets is reviewed at the end of each reporting period and reduced to the extent that it is no longer probable that sufficient taxable profits will be available to allow all or part of the asset to be recovered.

The measurement of deferred tax liabilities and assets reflects the tax consequences that would follow from the manner in which the group expects, at the end of the reporting period, to recover or settle the carrying amount of its assets and liabilities.

Deferred tax assets and liabilities are offset when there is a legally enforceable right to set off current tax assets against current tax liabilities and when they relate to income taxes levied by the same taxation authority and the group intends to settle its current tax assets and liabilities on a net basis.

Deferred tax assets and liabilities are measured at the tax rates that are expected to apply to the period when the asset is realised or the liability is settled, based on tax rates (and tax laws) that have been enacted or substantively enacted by the end of the reporting period.

**Tax expenses**

Current and deferred taxes are recognised as income or an expense and included in profit or loss for the period, except to the extent that the tax arises from:

- a transaction or event which is recognised, in the same or a different period, to other comprehensive income;
- a transaction or event which is recognised, in the same or a different period, directly in equity; or
- a business combination.

Current tax and deferred taxes are charged or credited to other comprehensive income if the tax relates to items that are credited or charged, in the same or a different period, to other comprehensive income.

Current tax and deferred taxes are charged or credited directly to equity if the tax relates to items that are credited or charged, in the same or a different period, directly in equity.

**1.11 LEASES**

A lease is classified as a finance lease if it transfers substantially all the risks and rewards incidental to ownership to the lessee. A lease is classified as an operating lease if it does not transfer substantially all the risks and rewards incidental to ownership to the lessee.

Assets subject to a finance lease are depreciated over the shorter of the lease term and the assets' estimated useful life

**Finance leases – lessee**

Finance leases are recognised as assets and liabilities in the statements of financial position at amounts equal to the fair value of the leased property or, if lower, the present value of the minimum lease payments. The corresponding liability to the lessor is included in the statements of financial position as a finance lease obligation.

The discount rate used in calculating the present value of the minimum lease payments is the interest rate implicit in the lease.

The lease payments are apportioned between the finance charge and reduction of the outstanding liability. The finance charge is allocated to each period during the lease term so as to produce a constant periodic rate on the remaining balance of the liability.

#### Operating leases – lessor

Operating lease income is recognised as an income on a straight-line basis over the lease term.

Initial direct costs incurred in negotiating and arranging operating leases are added to the carrying amount of the leased asset and recognised as an expense over the lease term on the same basis as the lease income.

Income for leases is disclosed under revenue in profit or loss.

#### Operating leases – lessee

Operating lease payments are recognised as an expense on a straight-line basis over the lease term. The difference between the amounts recognised as an expense and the contractual payments are recognised as an operating lease asset or liability. This asset or liability is not discounted.

Any contingent rents are expensed in the period they are incurred.

### 1.12 INVENTORIES

Inventories are measured at the lower of cost and net realisable value.

Net realisable value is the estimated selling price in the ordinary course of business less the estimated costs of completion and the estimated costs necessary to make the sale.

The cost of inventories comprises all costs of purchase, costs of conversion and other costs incurred in bringing the inventories to their present location and condition.

The cost of inventories of items that are not ordinarily interchangeable and goods or services produced and segregated for specific projects is assigned using specific identification of the individual costs.

The cost of inventories is assigned using the first-in, first-out (FIFO) formula. The same cost formula is used for all inventories having a similar nature and use to the entity.

### 1.13 IMPAIRMENT OF ASSETS

The group assesses at each end of the reporting period whether there is any indication that an asset may be impaired. If any such indication exists, the group estimates the recoverable amount of the asset.

Irrespective of whether there is any indication of impairment, the group also:

- tests intangible assets with an indefinite useful life or intangible assets not yet available for use for impairment at least annually by comparing its carrying amount with its recoverable amount. This impairment test is performed during the annual period and at the same time every period.
- tests goodwill acquired in a business combination for impairment at least annually.

If there is any indication that an asset may be impaired, the recoverable amount is estimated for the individual asset. If it is not possible to estimate the recoverable amount of the individual asset, the recoverable amount of the cash-generating unit to which the asset belongs is determined.

The recoverable amount of an asset or a cash-generating unit is the higher of its fair value less costs to sell and its value in use.

If the recoverable amount of an asset is less than its carrying amount, the carrying amount of the asset is reduced to its recoverable amount. That reduction is an impairment loss.

An impairment loss of assets carried at cost less any accumulated depreciation or amortisation is recognised immediately in profit or loss. Any impairment loss of a revalued asset is treated as a revaluation decrease.

Goodwill acquired in a business combination is, from the acquisition date, allocated to each of the cash-generating units, or groups of cash-generating units, that are expected to benefit from the synergies of the combination.

An impairment loss is recognised for cash-generating units if the recoverable amount of the unit is less than the carrying amount of the units. The impairment loss is allocated to reduce the carrying amount of the assets of the unit in the following order:

- to reduce the carrying amount of any goodwill allocated to the cash-generating unit; and
- to the other assets of the unit, pro rata on the basis of the carrying amount of each asset in the unit.

The group assesses at each reporting date whether there is any indication that an impairment loss recognised in prior periods for assets other than goodwill may no longer exist or may have decreased.

If any such indication exists, the recoverable amounts of those assets are estimated.

The increased carrying amount of an asset other than goodwill attributable to a reversal of an impairment loss does not exceed the carrying amount that would have been determined had no impairment loss been recognised for the asset in prior periods.

A reversal of an impairment loss of assets carried at cost less accumulated depreciation or amortisation other than goodwill is recognised immediately in profit or loss. Any reversal of an impairment loss of a revalued asset is treated as a revaluation increase.

### 1.14 SHARE CAPITAL AND EQUITY

An equity instrument is any contract that evidences a residual interest in the assets of an entity after deducting all of its liabilities.

### 1.15 SHARE-BASED PAYMENTS

Goods or services received or acquired in a share-based payment transaction are recognised when the goods or the services are received. A corresponding increase in equity is recognised if the goods or services were received in an equity settled share-based payment transaction or a liability if the goods or services were acquired in a cash-settled share-based payment transaction.

When the goods or services received or acquired in a share-based payment transaction do not qualify for recognition as assets, they are recognised as expenses.

For equity-settled share-based payment transactions, the goods or services received and the corresponding increase in equity are measured, directly, at the fair value of the goods or services received provided that the fair value can be measured reliably.

If the fair value of the goods or services received cannot be estimated reliably, their value and the corresponding increase in equity, indirectly, are measured by reference to the fair value of the equity instruments granted.

For cash-settled share-based payment transactions, the goods or services acquired and the liability incurred are measured at the fair value of the liability. Until the liability is settled, the fair value of the liability is re-measured at each reporting date and at the date of settlement, with any changes in fair value recognised in profit or loss for the period.

If the share-based payments granted do not vest until the counterparty completes a specified period of service, group accounts for those services as they are rendered by the counterparty during the vesting period, (or on a straight-line basis over the vesting period).

If the share-based payments vest immediately the services received are recognised in full.

For share-based payment transactions in which the terms of the arrangement provide either the entity or the counterparty with the choice of whether the entity settles the transaction in cash (or other assets) or by issuing equity instruments, the components of that transaction are recorded as a cash-settled share-based payment transaction if, and to the extent that, a liability to settle in cash or other assets has been incurred, or as an equity-settled share-based payment transaction if, and to the extent that, no such liability has been incurred.

At each year-end, management reassess the number of options expected to ultimately vest and make the adjustment to the equity balance and profit and loss as is necessary to account for this change in estimate.

Non-market related vesting conditions are applied in a subsequent measurement of equity settled share-based payment transactions in determining the number of options that will ultimately vest. Market-related performance conditions are applied in determining the fair value of the option at grant date (equity settled) and are taken into account in determining the fair value of the option at each period-end and settlement date for cash-settled share-based payments.

#### 1.16 EMPLOYEE BENEFITS

##### Short-term employee benefits

The cost of short-term employee benefits, (those payable within 12 months after the service is rendered, such as paid vacation leave and sick leave, bonuses, and non-monetary benefits such as medical care), are recognised in the period in which the service is rendered and are not discounted.

The expected cost of compensated absences is recognised as an expense as the employees render services that increase their entitlement or, in the case of non-accumulating absences, when the absence occurs.

The expected cost of profit sharing and bonus payments is recognised as an expense when there is a legal or constructive obligation to make such payments as a result of past performance.

##### Defined contribution plans

Payments to defined contribution retirement benefit plans are charged as an expense as they fall due. The plan is governed by the Pensions Funds Act.

#### 1.17 PROVISIONS AND CONTINGENCIES

Provisions are recognised when:

- the group has a present obligation as a result of a past event;
- it is probable that an outflow of resources embodying economic benefits will be required to settle the obligation; and
- a reliable estimate can be made of the obligation.

The amount of a provision is the present value of the expenditure expected to be required to settle the obligation discounted at an appropriate discount rate.

Where some or all of the expenditure required to settle a provision is expected to be reimbursed by another party, the reimbursement shall be recognised when, and only when, it is virtually certain that reimbursement will be received if the entity settles the obligation. The reimbursement shall be treated as a separate asset. The amount recognised for the reimbursement shall not exceed the amount of the provision.

Provisions are not recognised for future operating losses. If an entity has a contract that is onerous, the present obligation under the contract shall be recognised and measured as a provision.

A constructive obligation to restructure arises only when the group:

- has a detailed formal plan for the restructuring, identifying at least:
  - the business or part of a business concerned;
  - the principal locations affected;
  - the location, function, and approximate number of employees who will be compensated for terminating their services;
  - the expenditures that will be undertaken;
  - when the plan will be implemented; and
- has raised a valid expectation in those affected that it will carry out the restructuring by starting to implement that plan or announcing its main features to those affected by it.

After their initial recognition contingent liabilities recognised in business combinations that are recognised separately are subsequently measured at the higher of:

- the amount that would be recognised as a provision; and
- the amount initially recognised less cumulative amortisation.

Contingent assets and contingent liabilities are not recognised.

#### 1.18 REVENUE

Revenue from the sale of goods is recognised when all the following conditions have been satisfied:

- the group has transferred to the buyer the significant risks and rewards of ownership of the goods;
- the group retains neither continuing managerial involvement to the degree usually associated with ownership nor effective control over the goods sold;
- the amount of revenue can be measured reliably;
- it is probable that the economic benefits associated with the transaction will flow to the group; and
- the costs incurred or to be incurred in respect of the transaction can be measured reliably.

When the outcome of a transaction involving the rendering of services can be estimated reliably, revenue associated with the transaction is recognised by reference to the stage of completion of the transaction at the end of the reporting period. The outcome of a transaction can be estimated reliably when all the following conditions are satisfied:

- the amount of revenue can be measured reliably;
- it is probable that the economic benefits associated with the transaction will flow to the group;
- the stage of completion of the transaction at the end of the reporting period can be measured reliably; and
- the costs incurred for the transaction and the costs to complete the transaction can be measured reliably.

When the outcome of the transaction involving the rendering of services cannot be estimated reliably, revenue shall be recognised only to the extent of the expenses recognised that are recoverable.

Rental Income is recognised in the statement of comprehensive income on a straight-line basis over the term of the lease.

Revenue is measured at the fair value of the consideration received or receivable and represents the amounts receivable for goods and services provided in the normal course of business, net of trade discounts and volume rebates, and value-added tax.

#### 1.18 REVENUE

Dividend revenue from investments is recognised when the shareholder's right to receive payment has been established (provided it is probable that the economic benefits will flow to the group and the amount of revenue can be measured reliably). Interest is recognised, in profit or loss, using the effective interest rate method.

Service fees included in the price of the product are recognised as revenue over the period during which the service is performed.

#### 1.19 COST OF SALES

When inventories are sold, the carrying amount of those inventories is recognised as an expense in the period in which the related revenue is recognised. The amount of any write-down of inventories to net realisable value and all losses of inventories are recognised as an expense in the period the write-down or loss occurs. The amount of any reversal of any write-down of inventories, arising from an increase in net realisable value, is recognised as a reduction in the amount of inventories recognised as an expense in the period in which the reversal occurs.

The related cost of providing services recognised as revenue in the current period is included in cost of sales.

Contract costs comprise:

- costs that relate directly to the specific contract;
- costs that are attributable to contract activity in general and can be allocated to the contract; and
- such other costs as are specifically chargeable to the customer under the terms of the contract.

#### 1.20 BORROWING COSTS

All borrowing costs are recognised as an expense in the period in which they are incurred.

#### 1.21 INVESTMENT INCOME AND FINANCE COSTS

Investment income comprises interest income on funds invested and dividend income. Interest income is recognised as it accrues in the statement of comprehensive income, using the effective interest method. Dividend income is recognised in profit or loss on the date that the group's right to receive payment is established.

#### 1.22 TRANSLATION OF FOREIGN CURRENCIES

##### Functional and presentation currency

Items included in the group and company annual financial statements of each of the group entities are measured using the currency of the primary economic environment in which the entity operates (functional currency).

The consolidated group and company annual financial statements are presented in Rand which is the group functional and presentation currency.

##### Foreign currency transactions

A foreign currency transaction is recorded, on initial recognition in Rands, by applying to the foreign currency amount the spot exchange rate between the functional currency and the foreign currency at the date of the transaction.

At the end of the reporting period:

- foreign currency monetary items are translated using the closing rate;
- non-monetary items that are measured in terms of historical cost in a foreign currency are translated using the exchange rate at the date of the transaction; and
- non-monetary items that are measured at fair value in a foreign currency are translated using the exchange rates at the date when the fair value was determined.

Exchange differences arising on the settlement of monetary items or on translating monetary items at rates different from those at which they were translated on initial recognition during the period or in previous group and company annual financial statements are recognised in profit or loss in the period in which they arise.

When a gain or loss on a non-monetary item is recognised to other comprehensive income and accumulated in equity, any exchange component of that gain or loss is recognised to other comprehensive income and accumulated in equity. When a gain or

loss on a non-monetary item is recognised in profit or loss, any exchange component of that gain or loss is recognised in profit or loss.

Cash flows arising from transactions in a foreign currency are recorded in Rands by applying to the foreign currency amount the exchange rate between the Rand and the foreign currency at the date of the cash flow.

##### Investments in subsidiaries and associates

The results and financial position of a foreign operation are translated into the functional currency using the following procedures:

- assets and liabilities for each statement of financial position presented are translated at the closing rate at the date of that statements of financial position;
- income and expenses for each item of profit or loss are translated at exchange rates at the dates of the transactions; and
- all resulting exchange differences are recognised to other comprehensive income and accumulated as a separate component of equity.

Exchange differences arising on a monetary item that forms part of a net investment in a foreign operation are recognised initially to other comprehensive income and accumulated in the translation reserve. They are recognised in profit or loss as a reclassification adjustment through to other comprehensive income on disposal of net investment.

Any goodwill arising on the acquisition of a foreign operation and any fair value adjustments to the carrying amounts of assets and liabilities arising on the acquisition of that foreign operation are treated as assets and liabilities of the foreign operation.

The cash flows of a foreign subsidiary are translated at the exchange rates between the functional currency and the foreign currency at the dates of the cash flows.

On the disposal of a foreign operation (i.e. a disposal of the group's entire interest in a foreign operation, or a disposal involving loss of control over a subsidiary that includes a foreign operation, or loss of significant influence over an associate that includes a foreign operation), all of the accumulated exchange differences in respect of that operation attributable to the group are reclassified to profit or loss. Any exchange differences that have previously been attributed to non-controlling interests are derecognised, but they are not reclassified to profit or loss.

In the case of a partial disposal (i.e. no loss of control) of a subsidiary that includes a foreign operation, the proportionate share of accumulated exchange differences are re-attributed to non-controlling interests and are not recognised in profit or loss. For all other partial disposals (i.e. of associates or jointly controlled entities not involving a change of accounting basis), the proportionate share of the accumulated exchange differences is reclassified to profit or loss.

### 1.23 EARNINGS PER SHARE AND HEADLINE EARNINGS PER SHARE

#### Earnings per share

The group presents basic and diluted earnings per share data for its ordinary shares. Basic earnings per share is calculated by dividing the profit or loss attributable to ordinary shareholders of the group by the weighted average number of ordinary shares outstanding during the year, adjusted for own shares held. Diluted earnings per share is determined by adjusting the profit or loss attributable to ordinary shareholders and the weighted average number of ordinary shares outstanding, adjusted for own shares held, for the effect of all dilutive potential ordinary shares.

#### Headline earnings per share

Headline earnings per share is calculated as per the rules set out in Circular 3/2009 – Headline Earnings.

### 1.24 SEGMENT REPORTING

An operating segment is a component of the group that engages in business activities from which it may earn revenues and incur expenses, including revenues and expenses that relate to transactions with any of the group's other components. All operating segments' operating results are reviewed regularly by the group's CEO to make decisions about resources to be allocated to the segment and to assess its performance, and for which discrete financial information is available.

Segment results that are reported to the CEO include items directly attributable to a segment as well as those that can be allocated on a reasonable basis. Unallocated items comprise mainly corporate assets (primarily the company's headquarters), head office expenses, and income tax assets and liabilities.

Segment capital expenditure is the total cost incurred during the year to acquire property, plant and equipment and intangible assets other than goodwill.

## 2. NEW STANDARDS AND INTERPRETATIONS

### 2.1 STANDARDS AND INTERPRETATIONS EFFECTIVE AND ADOPTED IN THE CURRENT YEAR

In the current year, the group has adopted the following standards and interpretations that are effective for the current financial year and that are relevant to its operations:

#### 2010 Annual Improvements Project: Amendments to IFRS 3 Business Combinations

The amendment clarifies the initial measurement of non-controlling interests. Only those interests which represent a present ownership interest shall be measured at either fair value or the present ownership's proportionate share in the recognised amounts of the acquiree's identifiable net assets. All other components of non-controlling interest shall be measured at their acquisition date fair values, unless otherwise required by IFRS.

It further provides transitional provisions for dealing with contingent consideration arrangements in a business combination that occurred before the effective date of the revised IFRS 3.

For equity-settled share-based payment transactions of the acquiree that the acquirer does not exchange for its share-based payment transactions, vested transactions shall be measured as part of non-controlling interest at market-based measure. Unvested transactions shall be measured at market-based measure as if the acquisition date were grant date. This measure is then allocated to non-controlling interest based on the ratio of vesting period completed to greater of total vesting period or original vesting period.

The effective date of the amendment is for years beginning on or after 1 July 2010.

The group has adopted the amendment for the first time in the 2011 group and company annual financial statements. The impact of the amendment is not material.

### 2.2 STANDARDS AND INTERPRETATIONS NOT YET EFFECTIVE

The group has chosen not to early adopt the following standards and interpretations, which have been published and are mandatory for the group's accounting periods beginning on or after 1 July 2011 or later periods:

#### IFRS 9 Financial instruments

This new standard is the first phase of a three-phase project to replace IAS 39 Financial Instruments: Recognition and Measurement. Phase one deals with the classification and measurement of financial assets. The following are changes from the classification and measurement rules of IAS 39:

- Financial assets will be categorised as those subsequently measured at fair value or at amortised cost.
- Financial assets at amortised cost are those financial assets where the business model for managing the assets is to hold the assets to collect contractual cash flows (where the contractual cash flows represent payments of principal and interest only). All other financial assets are to be subsequently measured at fair value.
- Under certain circumstances, financial assets may be designated as at fair value.
- For hybrid contracts, where the host contract is within the scope of IFRS 9, then the whole instrument is classified in accordance with IFRS 9, without separation of the embedded derivative. In other circumstances, the provisions of IAS 39 still apply.
- Voluntary reclassification of financial assets is prohibited. Financial assets shall be reclassified if the entity changes its business model for the management of financial assets. In such circumstances, reclassification takes place prospectively from the beginning of the first reporting period after the date of change of the business model.
- Investments in equity instruments may be measured at fair value through other comprehensive income. When such an election is made, it may not subsequently be revoked, and gains or losses accumulated in equity are not recycled to profit or loss on derecognition of the investment. The election may be made per individual investment.
- IFRS 9 does not allow for investments in equity instruments to be measured at cost under any circumstances.

The effective date of the standard is for years beginning on or after 1 January 2013.

The group expects to adopt the standard for the first time in the 2014 group and company annual financial statements.

The adoption of this standard is not expected to impact on the results of the company, but may result in more disclosure than is currently provided in the group and company annual financial statements.

**IAS 24 related party disclosures (revised)**

The revisions to IAS 24 include a clarification of the definition of a related party as well as providing a partial exemption for related party disclosures between government-related entities.

In terms of the definition, the revision clarifies that joint ventures or associates of the same third party are related parties of each other. To this end, an associate includes its subsidiaries and a joint venture includes its subsidiaries.

The partial exemption applies to related party transactions and outstanding balances with a government which controls, jointly controls or significantly influences the reporting entity as well as to transactions or outstanding balances with another entity which is controlled, jointly controlled or significantly influenced by the same government. In such circumstances, the entity is exempt from the disclosure requirements of paragraph 18 of IAS 24 and is required only to disclose:

- The name of the government and nature of the relationship.
- Information about the nature and amount of each individually significant transaction and a quantitative or qualitative indication of the extent of collectively significant transactions. Such information is required in sufficient detail to allow users to understand the effect.

The effective date of the amendment is for the years beginning on or after 1 January 2011.

The group expects to adopt the amendment for the first time in the 2012 group and company annual financial statements.

It is unlikely that the amendment will have a material impact on the company's group and company annual financial statements.

**2010 Annual Improvements Project: Amendments to IFRS 7 Financial Instruments: Disclosures**

Additional clarification is provided on the requirements for risk disclosures.

The effective date of the amendment is for years beginning on or after 1 January, 2011.

The group expects to adopt the amendment for the first time in the 2012 group and company annual financial statements.

The adoption of this amendment is not expected to impact on the results of the company, but may result in more disclosure than is currently provided in the group and company annual financial statements.

**2.3 STANDARDS AND INTERPRETATIONS EFFECTIVE AND ADOPTED IN THE CURRENT YEAR**  
**2010 Annual Improvements Project: Amendments to IAS 1 Presentation of financial statements**

The amendment now requires that an entity must present, either in the statements of changes in equity or in the notes, an analysis of other comprehensive income by item.

The effective date of the amendment is for years beginning on or after 1 January 2011.

The group expects to adopt the amendment for the first time in the 2012 group and company annual financial statements.

The adoption of this amendment is not expected to impact on the results of the company, but may result in more disclosure than is currently provided in the group and company annual financial statements.

The following standards and interpretations have been published and are mandatory for the group's accounting periods beginning on or after 1 July 2011 or later periods but are not relevant to its operations: (effective date indicated in brackets).

**IFRS 1: First-time Adoption of International Financial Reporting Standards**

- Accounting policy changes in the year of adoption (1 January 2011)
- Revaluation basis as deemed cost (1 January 2011)
- Use of deemed cost for operations subject to rate regulation (1 January 2011)
- Standard amended to provide guidance for entities emerging from severe hyperinflation and resuming presentation of IFRS-compliant financial statements, or presenting IFRS-compliant financial statements for the first time. (1 July 2011)

- Standard amended to remove the fixed date of 1 January 2004 relating to the retrospective application of the derecognition requirements of IAS 39, and relief for first-time adopters from calculating day 1 gains on transactions that occurred before the date of adoption (1 July 2011)

**IFRS 3: Business Combinations**

- Transition requirements for contingent consideration from a business combination that occurred before the effective date of the revised IFRS (1 January 2011)
- Measurement of non-controlling interests (1 January 2011)
- Un-replaced and voluntarily replaced share-based payment awards (1 January 2011)

**IFRS 7: Financial Instruments: Disclosures**

- Clarification of disclosures (1 January 2011)
- Additional disclosure on transfer transactions of financial assets (1 July 2011)

**IFRS 9: Financial Instruments**

- New standard that forms the first part of a three-part project to replace IAS 39 Financial Instruments: Recognition and Measurement (1 January 2013)

**IFRS 10 Consolidated Financial Statements**

- New standard that replaces the consolidation requirements in SIC-12 Consolidation-Special Purpose Entities and IAS 27 Consolidated and Separate Financial Statements. Standard builds on existing principles by identifying the concept of control as the determining factor in whether an entity should be included within the consolidated financial statements of the parent company and provides additional guidance to assist in the determination of control where this is difficult to assess (1 January 2013)

**IFRS 11 Joint Arrangements**

- New standard that deals with the accounting for joint arrangements and focuses on the rights and obligations of the arrangement, rather than its legal form. Standard requires a single method for accounting for interests in jointly controlled entities (1 January 2013)

## ACCOUNTING POLICIES

CONTINUED

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### IFRS 12 Disclosure of Interests in Other Entities

- New and comprehensive standard on disclosure requirements for all forms of interests in other entities, including joint arrangements, associates, special purpose vehicles and other off balance sheet vehicles (1 January 2013)

### IFRS 13 Fair Value Measurement

- New guidance on fair value measurement and disclosure requirements (1 January 2013)

### IAS 1: Presentation of Financial Statements

- Clarification of statement of changes in equity (1 January 2011)

### IAS 12: Income Taxes

- Rebuttable presumption introduced that an investment property will be recovered in its entirety through sale. (1 July 2012)

### IAS 24: Related Party Disclosure

- Simplification of the disclosure requirements for government-related entities (1 January 2011)
- Clarification of the definition of related party (1 January 2011)

### IAS 27: Consolidated and separate financial statements

- Consequential amendments resulting from the issue of IFRS 10, 11 and 12 (1 January 2013)

### IAS 28: Investments in Associates

- Consequential amendments resulting from the issue of IFRS 10, 11 and 12 (1 January 2013)

### IAS 31: Interests in Joint Ventures

- Consequential amendments resulting from the issue of IFRS 10, 11 and 12 (1 January 2013)

### IAS 34: Interim Financial Reporting

- Significant events and transactions (1 January 2011)

### IFRIC 13: Customer Loyalty Programmes

- Fair value of award credits (1 January 2011)

| FOR THE YEAR ENDED 30 JUNE 2011         | 2011           |                          |                | 2010           |                          |                |
|---|----------------|--------------------------|----------------|----------------|--------------------------|----------------|
|   | Cost           | Accumulated depreciation | Carrying value | Cost           | Accumulated depreciation | Carrying value |
| Figures in Rand thousand                |                |                          |                |                |                          |                |
| <b>3. PROPERTY, PLANT AND EQUIPMENT</b> |                |                          |                |                |                          |                |
| GROUP                                   |                |                          |                |                |                          |                |
| Land                                    | 3 560          |                          | 3 560          | 3 560          |                          | 3 560          |
| Buildings                               | 37 356         | (1 955)                  | 35 401         | 37 356         | (1 208)                  | 36 148         |
| Plant and machinery                     | 2 907          | (1 576)                  | 1 331          | 2 321          | (1 040)                  | 1 281          |
| Furniture and fixtures                  | 5 536          | (3 023)                  | 2 513          | 6 482          | (3 595)                  | 2 887          |
| Motor vehicles                          | 23 249         | (3 784)                  | 19 465         | 18 776         | (7 690)                  | 11 086         |
| Office equipment                        | 13 314         | (8 519)                  | 4 795          | 9 017          | (4 937)                  | 4 080          |
| IT equipment                            | 16 277         | (13 941)                 | 2 336          | 15 311         | (12 250)                 | 3 061          |
| Computer software                       | 16 127         | (10 423)                 | 5 704          | 13 913         | (7 095)                  | 6 818          |
| Leasehold improvements                  | 6 713          | (3 056)                  | 3 657          | 4 776          | (2 353)                  | 2 423          |
| Rental stock                            | 157 766        | (78 263)                 | 79 503         | 100 143        | (51 106)                 | 49 037         |
|   | <b>282 805</b> | <b>(124 540)</b>         | <b>158 265</b> | <b>211 655</b> | <b>(91 274)</b>          | <b>120 381</b> |

| Figures in Rand thousand  | Opening balance | Additions     | Disposals      | Foreign exchange movements | Depreciation    | Total          |
|---|-----------------|---------------|----------------|----------------------------|-----------------|----------------|
| <b>RECONCILIATION OF PROPERTY, PLANT AND EQUIPMENT - GROUP - 2011</b> |                 |               |                |                            |                 |                |
| Land  | 3 560           | -             | -              | -                          | -               | 3 560          |
| Buildings   | 36 148          | -             | -              | -                          | (747)           | 35 401         |
| Plant and machinery   | 1 281           | 999           | -              | 501                        | (1 450)         | 1 331          |
| Furniture and fixtures  | 2 887           | 958           | (8)            | (720)                      | (604)           | 2 513          |
| Motor vehicles  | 11 086          | 10 936        | (2 080)        | 79                         | (556)           | 19 465         |
| Office equipment  | 4 080           | 2 317         | (10)           | 125                        | (1 717)         | 4 795          |
| IT equipment  | 3 061           | 1 368         | (27)           | -                          | (2 066)         | 2 336          |
| Computer software   | 6 818           | 1 268         | -              | -                          | (2 382)         | 5 704          |
| Leasehold improvements  | 2 423           | 2 239         | -              | -                          | (1 005)         | 3 657          |
| Rental stock  | 49 037          | 57 652        | -              | -                          | (27 186)        | 79 503         |
|   | <b>120 381</b>  | <b>77 737</b> | <b>(2 125)</b> | <b>(15)</b>                | <b>(37 713)</b> | <b>158 265</b> |

| FOR THE YEAR ENDED 30 JUNE 2011                                       |                 |           |           |           |                            |              |         |
|---|-----------------|-----------|-----------|-----------|----------------------------|--------------|---------|
| Figures in Rand thousand  | Opening balance | Additions | Disposals | Transfers | Foreign exchange movements | Depreciation | Total   |
| <b>RECONCILIATION OF PROPERTY, PLANT AND EQUIPMENT – GROUP – 2010</b> |                 |           |           |           |                            |              |         |
| Land  | -               | -         | -         | 3 560     | -                          | -            | 3 560   |
| Buildings   | 37 686          | 2 769     | -         | (3 560)   | -                          | (747)        | 36 148  |
| Plant and machinery   | 36 115          | 377       | (6)       | (34 737)  | -                          | (468)        | 1 281   |
| Furniture and fixtures  | 1 591           | 1 786     | (16)      | -         | (2)                        | (472)        | 2 887   |
| Motor vehicles  | 12 846          | 741       | (516)     | -         | (68)                       | (1 917)      | 11 086  |
| Office equipment  | 2 270           | 4 008     | (183)     | -         | (654)                      | (1 361)      | 4 080   |
| IT equipment  | 3 613           | 1 542     | (98)      | -         | -                          | (1 996)      | 3 061   |
| Computer software   | 7 669           | 2 296     | (487)     | -         | -                          | (2 660)      | 6 818   |
| Leasehold improvements  | 1 999           | 1 829     | -         | -         | -                          | (1 405)      | 2 423   |
| Rental Stock  |                 | 40 784    | (2 312)   | 34 737    | (23)                       | (24 149)     | 49 037  |
|   | 103 789         | 56 132    | (3 618)   | -         | (747)                      | (35 175)     | 120 381 |

| Figures in Rand thousand  | Group         |        |
|---|---------------|--------|
|   | 2011          | 2010   |
| <b>Pledged as security</b>  |               |        |
| Carrying value of assets pledged as security:   |               |        |
| Buildings – Route 21 Corporate Park   | <b>34 591</b> | 34 591 |
| The building serves as security for a mortgage bond with ABSA Bank Limited – Refer to Note 19 – Other Financial Liabilities   |               |        |
| <b>Compensation received for losses on property, plant and equipment – included in operating profit.</b>  |               |        |
| Buildings   | -             | 4 593  |
| During the 2010 financial year, the group received compensation from the governing body of the Gautrain for the expropriation of the group's previous head office building in the Highveld Technopark, Centurion, South Africa. |               |        |
| <b>Assets subject to finance lease (Net carrying amount)</b>  |               |        |
| Motor vehicles  | <b>12 749</b> | 7 807  |
| Leasehold improvements  | <b>3 657</b>  | 2 423  |
|   | <b>16 406</b> | 10 230 |

| FOR THE YEAR ENDED 30 JUNE 2011   |  | Group         |        |
|---|--|---------------|--------|
| Figures in Rand thousand  |  | 2011          | 2010   |
| Details of properties   |  |               |        |
| Sectional Title Units 1, 2, 11, 12 is scheme SS Regency Office Park, Route 21 Office Park |  |               |        |
| – Purchase price: 30 January 2008   |  | 34 591        | 34 591 |
| – Capitalised Expenditure   |  | 2 765         | 1 557  |
|   |  | <b>37 356</b> | 36 148 |
| Land situated on portion 35 of the farm Merlish 205                                       |  |               |        |
| – Purchase price: 2006  |  | 1 098         | 1 098  |
| – Additions since purchase  |  | 2 462         | 2 462  |
|   |  | <b>3 560</b>  | 3 560  |

The estimation of the useful lives of property, plant and equipment is based on historic performance as well as expectations about future use and therefore requires a significant degree of judgment to be applied by management. The depreciation rates used represent management's current best estimate of the useful lives of the assets.

The above represents a reconciliation for the group as the company does not own any property, plant and equipment.

| Figures in Rand thousand | 2011    |                        |                | 2010    |                        |                |
|--------------------------|---------|------------------------|----------------|---------|------------------------|----------------|
|                          | Cost    | Accumulated impairment | Carrying value | Cost    | Accumulated impairment | Carrying value |
| <b>4. GOODWILL GROUP</b> |         |                        |                |         |                        |                |
| Goodwill                 | 156 234 | -                      | 156 234        | 153 409 | -                      | 153 409        |

| Figures in Rand thousand                         | Opening balance business combinations | Additions through movements | Foreign exchange | Total   |
|--|---------------------------------------|-----------------------------|------------------|---------|
| <b>RECONCILIATION OF GOODWILL – GROUP – 2011</b> |                                       |                             |                  |         |
| Goodwill   | 153 409                               | 560                         | 2 265            | 156 234 |
| <b>RECONCILIATION OF GOODWILL – GROUP – 2010</b> |                                       |                             |                  |         |
| Goodwill   | 168 552                               | 6 164                       | (21 307)         | 153 409 |

| FOR THE YEAR ENDED 30 JUNE 2011  |                | Group          |  |
|--|----------------|----------------|--|
| Figures in Rand thousand   | 2011           | 2010           |  |
| Goodwill has been allocated to the following cash – generating units (“CGU’s”) for the purposes of impairment testing: |                |                |  |
| <b>CASH – GENERATING UNIT</b>  |                |                |  |
| <b>South African Operations</b>  |                |                |  |
| DigiCore Electronics (Proprietary) Limited   | 8 953          | 8 953          |  |
| C-Track SA (Proprietary) Limited   | 9 195          | 9 195          |  |
| DigiCore Fleet Management SA (Proprietary) Limited   | 1 458          | 1 458          |  |
| <b>Overseas Operations</b>   |                |                |  |
| C-Track Limited (formerly DigiCore Limited)  | 40 809         | 43 013         |  |
| DigiCore Europe B.V.   | 53 093         | 50 539         |  |
| C-Track Benelux B.V.   | 33 015         | 30 541         |  |
| DigiCore Deutschland GmbH  | 3 726          | 3 546          |  |
| C-Track UK Limited (formerly MPS 2010 Limited)   | 5 985          | 6 164          |  |
|  | <b>156 234</b> | <b>153 409</b> |  |

#### Impairment

Goodwill is reviewed annually for impairment, or more frequently when there are indicators that impairment may have occurred, by comparing the carrying value to its recoverable amount. The impairment loss is recognised separately in the statement of comprehensive income.

All of the CGU’s mentioned above, when performing the goodwill impairment test, were not particularly sensitive to changes in revenue, PAT margins as well as the changes in discount rate. The recoverable amounts for these CGU’s were fairly in excess of the carrying amount of the goodwill allocated to them.

The cash-generating capabilities of all CGU’s were determined by discounting the future cash flows generated from continuing operations.

#### Key assumptions used in impairment testing for goodwill impaired in the current period

The recoverable amount of each operation’s goodwill is based on value-in-use calculations. The calculations are based upon discounting expected pre-tax cash flows at a risk-adjusted interest rate appropriate to the cash-generating unit, the determination of both of which requires the exercise of judgments. The estimation of pre-tax cash flows is sensitive to the periods for which forecasts are available and to assumptions regarding the long-term sustainable cash flows. While forecasts are compared with actual performance and external economic data, expected cash flows naturally reflect management’s view of future performance.

#### South African operations

The recoverable amount of the above CGU’s have been determined based on a value-in-use calculation. The calculation uses cash flow projections based on the 2012 financial year budgets approved by management, cash flow projections have been calculated for a further four years to 2016. The discount rate used for the determination of the value in use were between 20% and 23%. For the purposes of the calculations, cash flows beyond that period have been extrapolated using a steady 6% growth rate. The growth rate does not exceed the long-term average growth rate for the market in which the entity operates and is consistent with the long-term average of the industry.

The pre-tax discount rate for each cash-generating unit was applied in determining the recoverable amount of each cash-generating unit. The discount rate was estimated based on an industry average weighted average cost of capital, and using a pre-tax market interest rate of 9%.

The values assigned to the key assumptions represent management’s assessment of future trends in the industry and are based on both external sources and internal sources (historical data).

Overseas operations

The recoverable amount of the above CGU's have been determined based on a value-in-use calculation. The calculation uses cash flow projections based on the 2012 financial year budgets approved by management, cash flow projections have been calculated for a further four years to 2016. The discount rate used for the determination of the value in use is between 8,5% -10,5%. For the purposes of the calculations, cash flows beyond that period have been extrapolated using a steady growth rate of between 4% - 4,5%. The growth rate does not exceed the long-term average growth rate for the market in which the entity operates and is consistent with the long-term average of the industry.

The pre-tax discount rate for each cash-generating unit was applied in determining the recoverable amount of each cash-generating unit. The discount rate was estimated based on an industry average weighted average cost of capital, and using a pre-tax market interest rate of between 0,5% - 1%.

The values assigned to the key assumptions represent management's assessment of future trends in the industry and are based on both external sources and internal sources (historical data).

5. **INTANGIBLE ASSETS**

GROUP

| Figures in Rand thousand               | Cost   | 2011<br>Accumulated<br>amortisation | Carrying<br>value | Cost   | 2010<br>Accumulated<br>amortisation | Carrying<br>value |
|--|--------|-------------------------------------|-------------------|--------|-------------------------------------|-------------------|
| Technology related<br>Contracts        | 12 496 | (3 483)                             | 9 013             | 12 073 | -                                   | 12 073            |
| Intangible assets under<br>development | 41 472 | (9 160)                             | 32 312            | 19 438 | (1 810)                             | 17 628            |
| Customer contracts                     | 14 348 | (2 047)                             | 12 301            | 15 062 | -                                   | 15 062            |
|  | 68 316 | (14 690)                            | 53 626            | 46 573 | (1 810)                             | 44 763            |

**RECONCILIATION OF INTANGIBLE ASSETS – GROUP – 2011**

| Figures in Rand thousand               | Opening<br>balance | Additions | Additions<br>through<br>business<br>combinations | Foreign<br>exchange<br>movements | Amortisation | Impairment<br>loss | Total  |
|--|--------------------|-----------|--|----------------------------------|--------------|--------------------|--------|
| Technology related contracts           | 12 073             | -         | 1 049  | (672)                            | (3 437)      | -                  | 9 013  |
| Intangible assets under<br>development | 17 628             | 18 257    | -  | -                                | (3 435)      | (138)              | 32 312 |
| Customer contracts                     | 15 062             | -         | -  | (685)                            | (2 076)      | -                  | 12 301 |
|  | 44 763             | 18 257    | 1 049  | (1 357)                          | (8 948)      | (138)              | 53 626 |

RECONCILIATION OF INTANGIBLE ASSETS – GROUP – 2010

| Figures in Rand thousand            | Opening balance | Additions | Additions through business combinations | Total  |
|-------------------------------------|-----------------|-----------|---|--------|
| Technology related contracts        | -               | -         | 12 073                                  | 12 073 |
| Intangible assets under development | -               | 17 628    | -                                       | 17 628 |
| Customer contracts                  | -               | -         | 15 062                                  | 15 062 |
|                                     | -               | 17 628    | 27 135                                  | 44 763 |

**Development costs**

Development costs relate to costs incurred in developing vehicle tracking solutions to be sold to Dedicall (Proprietary) Limited – an associate of the group – and various other projects. Once these projects are ready for commencement, the asset is amortised over the expected useful life of five years.

**Technology related contracts**

Technology related contracts arose due to the business combinations with C-Track UK Limited (formerly MPS 2010 Limited), C-Track Ireland and MinorPlanet systems B.V. These assets are amortised over the expected useful life of four years. Refer to the business combinations note.

**Customer contracts**

Customer contracts were acquired due to the business combination the C-Track UK Limited (formerly MPS 2010 Limited). These assets are amortised over the expected useful life of 6 – 8 years. Refer to the business combinations note.

Impairment tests were conducted on the carrying values based on forecast contributory cash flows on the underlying products and R138 000 (2010: Rnil) of development cost was impaired. This was as a result of the value in use being lower than the carrying amount of the intangible asset.

Impairment tests are conducted on an annual basis for intangible assets with indefinite and definite lives and intangible assets not yet available for use.

The estimation of the useful lives of intangible assets is based on historic performance as well as expectations about future use and therefore requires a significant degree of judgment to be applied by management. These rates represent management's best estimate of the useful lives of these assets. Refer to accounting policies note.

**6. INVESTMENT IN SUBSIDIARIES**

| Name of company   | Held by | % voting power 2011 | % voting power 2010 | % holding 2011 | % holding 2010 | Company - carrying amount 2011 | Company - carrying amount 2010 |
|---|---------|---------------------|---------------------|----------------|----------------|--------------------------------|--------------------------------|
| Integrated Fare Collection Services (Proprietary) Limited (formerly Sugar Creek Trading (Proprietary) * | 1       | 100                 | 100                 | 100            | 100            | -                              | -                              |
| DigiCore Brands (Proprietary) Limited*  | 1       | 100                 | 100                 | 100            | 100            | -                              | -                              |
| DigiCore Cellular (Proprietary) Limited*  | 1       | 100                 | 100                 | 100            | 100            | -                              | -                              |
| DigiCore Investments (Proprietary) Limited*   | 1       | 100                 | 100                 | 100            | 100            | -                              | -                              |
| DigiCore International (Proprietary) Limited*   | 1       | 100                 | 100                 | 100            | 100            | -                              | -                              |
| DigiCore Technologies (Proprietary) Limited*  | 1       | 100                 | 100                 | 100            | 100            | -                              | -                              |
| DigiCore Electronics (Proprietary) Limited  | 1       | 100                 | 100                 | 100            | 100            | 8 953                          | 8 953                          |
| DigiCore Fleet Management SA (Proprietary) Limited  | 1       | 70                  | 70                  | 70             | 70             | 1 488                          | 1 488                          |
| C-Track SA (Proprietary) Limited  | 1       | 100                 | 100                 | 100            | 100            | 9 196                          | 9 196                          |
| DigiCore Financial Services (Proprietary) Limited*  | 1       | 100                 | 100                 | 100            | 100            | -                              | -                              |
| DigiCore Properties (Proprietary) Limited*  | 1       | 100                 | 100                 | 100            | 100            | -                              | -                              |
| DigiCore International Holdings B.V.  | 1       | 100                 | 100                 | 100            | 100            | 321                            | 321                            |
| DigiCore Europe B.V.@   | 2       | 100                 | 100                 | 100            | 100            | -                              | -                              |
| C-Track Benelux B.V.%   | 3       | 100                 | 100                 | 100            | 100            | -                              | -                              |
| C-Track Belgium Bvba >  | 3       | 100                 | 100                 | 100            | 100            | -                              | -                              |
| C-Track France Sarl >   | 3       | 100                 | 100                 | 100            | 100            | -                              | -                              |
| DigiCore Deutschland GmbH >   | 3       | 100                 | 100                 | 100            | 100            | -                              | -                              |
| C-Track Limited (formerly DigiCore Limited)   | 1       | 100                 | 100                 | 100            | 100            | 55 670                         | 55 670                         |
| C-Track Finance Limited (formerly MPS 2010 Limited) ^   | 4       | 100                 | 100                 | 100            | 100            | -                              | -                              |
| C-Track UK Limited (formerly DigiCore UK Limited)*  | 1       | 100                 | 100                 | 100            | 100            | -                              | -                              |
| C-Track Ireland Limited }   | 5       | 100                 | -                   | 100            | -              | -                              | -                              |
| C-Track Latin America S.A. ]  | 5       | 90                  | -                   | 90             | -              | -                              | -                              |
| C-Track Asia Sdn Bhd. ?   | 5       | 90                  | -                   | 90             | -              | -                              | -                              |
|   |         |                     |                     |                |                | <b>75 628</b>                  | <b>75 628</b>                  |

The carrying amounts of subsidiaries are shown net of impairment losses.

\* carrying amount of investment is less than R1 000

@ the investment in DigiCore Europe B.V. is held by DigiCore International (Proprietary) Limited, the carrying amount of this investment is R61 176 292

% the investment in C-Track Benelux B.V. is held by DigiCore Europe B.V., the translated carrying amount of this investment is R33 903 169

> the investments in these companies is held by DigiCore Europe B.V., the translated carrying amount of these investments is less than R1 000

^ the investment in C-Track UK Limited (formerly MPS 2010 Limited) is held by DigiCore Electronics (Proprietary) Limited, the carrying amount of this investment is R34 944 811

] the investment in C-Track Ireland Limited is held by DigiCore International Holdings B.V., the translated carrying amount is less than R1 000

J the investment in C-Track Latin America S.A. is held by DigiCore International Holdings B.V., the translated carrying amount is R7 078

? the investment in C-Track Asia Sdn Bhd. is held by DigiCore International Holdings B.V., the translated carrying amount is R1 197 000

1 DigiCore Holdings Limited

2 DigiCore International (Proprietary) Limited

3 DigiCore Europe B.V.

4 DigiCore Electronics (Proprietary) Limited

5 DigiCore International Holdings B.V.

## 7. INVESTMENTS IN ASSOCIATES

| Name of company                                       | Listed/Unlisted | % holding<br>2011 | % holding<br>2010 | Group - 2011<br>R' (000) | Group - 2010<br>R' (000) | Company 2011<br>R' (000) | Company 2010<br>R' (000) |
|---|-----------------|-------------------|-------------------|--------------------------|--------------------------|--------------------------|--------------------------|
| Trakker (Private) Limited                             | Unlisted        | 30,00             | 30,00             | 4 282                    | 2 139                    | 708                      | 2 139                    |
| Dedical (Proprietary) Limited*                        | Unlisted        | 35,00             | 35,00             | -                        | -                        | -                        | -                        |
| Vehicle Management Services<br>(Proprietary) Limited# | Unlisted        | 25,20             | 25,20             | 243                      | -                        | -                        | -                        |
|   |                 |                   |                   | 4 525                    | 2 139                    | 708                      | 2 139                    |

The carrying amounts of associates are shown net of impairment losses.

\* The cost of the investment in Dedical (Proprietary) Limited is R350, the investment is held by DigiCore Fleet Management SA (Proprietary) Limited

# The cost of the investment in Vehicle Management Services (Proprietary) Limited is R355 978, the investment is held by DigiCore International Holdings B.V.

### Fair value

In the directors' estimate the carrying value of investments in associates approximate their fair value.

| FOR THE YEAR ENDED 30 JUNE 2011                   |  | Group          |         |
|---|--|----------------|---------|
| Figures in Rand thousand                          |  | 2011           | 2010    |
| Summary of groups interest in associate           |  |                |         |
| Trakker (Private) Limited                         |  |                |         |
| Total assets                                      |  | <b>288 038</b> | 190 430 |
| Total liabilities                                 |  | <b>123 301</b> | 14 194  |
| Revenue   |  | <b>68 229</b>  | 74 550  |
| Profit or (loss)                                  |  | <b>9 239</b>   | 7 340   |
| Dedical (Proprietary) Limited                     |  |                |         |
| Total assets                                      |  | <b>17 706</b>  | 11 984  |
| Total liabilities                                 |  | <b>26 013</b>  | 16 040  |
| Revenue   |  | <b>5</b>       | -       |
| Profit or (loss)                                  |  | <b>(2 874)</b> | (1 492) |
| Vehicle Management Services (Proprietary) Limited |  |                |         |
| Total assets                                      |  | <b>12 492</b>  | -       |
| Total liabilities                                 |  | <b>13 268</b>  | -       |
| Revenue   |  | <b>41 504</b>  | -       |
| Profit or (loss)                                  |  | <b>(451)</b>   | -       |

Trakker (Private) Limited is incorporated in Pakistan. Total assets and liabilities have been translated at spot rate at 30 June 2011 and 30 June 2010 respectively and revenue and profit and loss have been translated at average rates for the respective financial years. The following exchange rates have been used:

2011 – Spot Rate at 30 June 2011 – PKR (Pakistani Rupee) 12.5684: R1. Average rate for the year – PKR 12.0907: R1 2010 – Spot Rate at 30 June 2010 – PKR 11.2603: R1. Average rate for the year – PKR 11.14282: R1

Dedical (Proprietary) Limited is incorporated in South Africa.

Vehicle Management Services (Proprietary) Limited is incorporated in Australia. Total assets and liabilities have been translated at spot rate at 30 June 2011 and revenue and profit and loss have been translated at the average rate for the 2011 financial year. The following exchange rates have been used:

2011 – Spot Rate at 30 June 2011 – AUD (Australian Dollar) 1: R7 2360. Average rate for the period – AUD1: R6.9343

There are no significant restrictions on the ability of associates to transfer funds to the investor in the form of cash dividends, or repayment of loans or advances.

| FOR THE YEAR ENDED 30 JUNE 2011  |  | Company        |           |
|--|--|----------------|-----------|
| Figures in Rand thousand   |  | 2011           | 2010      |
| <b>8. LOANS TO/(FROM) GROUP COMPANIES</b>  |  |                |           |
| Subsidiaries   |  |                |           |
| DigiCore Staff Share Trust   |  | 44 370         | 44 894    |
| DigiCore Fleet Management SA (Proprietary) Limited   |  | (29 631)       | (24 560)  |
| DigiCore Electronics (Proprietary) Limited   |  | (93 647)       | (101 836) |
| DigiCore Properties (Proprietary) Limited  |  | (19 687)       | (16 627)  |
| C-Track SA (Proprietary) Limited   |  | 83 461         | 55 293    |
| Integrated Fare Collection Services (Proprietary) Limited  |  | 77             | -         |
| DigiCore Technologies (Proprietary) Limited  |  | (10 317)       | (10 317)  |
| DigiCore Investments (Proprietary) Limited   |  | 162 499        | 162 498   |
| DigiCore International (Proprietary) Limited   |  | 61 342         | 61 342    |
| C-Track Finance Limited (formerly DigiCore UK Limited)   |  | (3 154)        | (3 322)   |
| C-Track Limited (formerly DigiCore Limited)  |  | (1 976)        | (11 879)  |
| DigiCore Financial Services (Proprietary) Limited  |  | (14 715)       | (11 374)  |
| DigiCore Brands (Proprietary) Limited  |  | 12 761         | 12 761    |
| DigiCore Europe B.V.   |  | (10 193)       | 124       |
| C-Track Asia Sdn Bhd.  |  | 522            | -         |
| C-Track Latin America S.A.   |  | 1 087          | -         |
| DigiCore International Holdings B.V.   |  | 2 540          | -         |
|  |  | <b>185 339</b> | 156 997   |
| <b>Other loans to/(from) group companies</b>   |  |                |           |
| Loans to and from subsidiaries are unsecured and are not subject to any fixed terms of repayment. No interest is charged by wholly owned subsidiaries at present, but these arrangements are subject to revision from time to time.  |  |                |           |
| <b>Loan to/(from) DigiCore Europe BV</b>   |  |                |           |
| The loan to DigiCore Europe BV is subject to interest at 7% per annum payable quarterly in arrears. The loan has been ceded to Barclays Bank London as security for term loan facilities granted to DigiCore Holdings Limited (refer to the other financial liabilities note). |  |                |           |
| Current assets   |  | 368 659        | 336 912   |
| Current liabilities  |  | (183 320)      | (179 915) |
|  |  | <b>185 339</b> | 156 997   |

| FOR THE YEAR ENDED 30 JUNE 2011  |  | Group                         |              | Company  |                        |
|--|--|-------------------------------|--------------|--|------------------------|
| Figures in Rand thousand   |  | 2011                          | 2010         | 2011   | 2010                   |
| <p><b>Fair value of loans to and from group companies</b></p> <p>In the directors' estimate, the carrying value of loans to/from group companies approximates their fair values</p> <p>The carrying amount of loans to and from group companies are denominated in the following currencies:</p> <p>Rand<br/>           British Pound<br/>           Euro</p> <p>No impairment has been recognised on loans to group companies for the year ended 30 June 2011 (2010: Rnil)</p> <p>The maximum exposure to credit risk at the reporting date is the fair value of each class of loan mentioned above. The group does not hold any collateral as security.</p>  |  |                               |              | <b>198 122</b><br><b>(488)</b><br><b>(1 195)</b> | 168 342<br>(994)<br>13 |
| <b>9. OTHER FINANCIAL ASSETS</b>   |  |                               |              |  |                        |
| <p><b>Loans and receivables</b></p> <p>Loan to Associate - Dedicall (Proprietary) Limited</p>  |  | <b>19 901</b>                 | 8 191        |  |                        |
| <p><b>Non-current assets</b></p> <p>Loans and receivables</p>  |  | <b>19 901</b>                 | 8 191        |  |                        |
| <p><b>Fair values of loans and receivables</b></p> <p>In the directors estimate, the carrying value of loans and receivables approximate their fair value.</p> <p><b>Loan to associate - Dedicall (Proprietary) Limited</b></p> <p>Portion Granted by DigiCore Fleet Management SA (Proprietary) Limited<br/>           Portion Granted by DigiCore Electronics (Proprietary) Limited</p>  |  | <b>13 469</b><br><b>6 441</b> | 7 887<br>304 |  |                        |
|  |  | <b>19 910</b>                 | 8 191        |  |                        |
| <p>The loans to Dedicall (Proprietary) Limited are unsecured and not subject to any fixed terms of repayment. No interest is charged. Neither DigiCore Fleet Management SA (Proprietary) Limited nor DigiCore Electronics (Proprietary) Limited will demand repayment of this loan within the next 12 months.</p> <p>No impairment has been recognised against loans and receivables for the year ended 30 June 2011 (2010: Rnil)</p> <p>The maximum exposure to credit risk at the reporting date is the fair value of each class of loan mentioned above. The group does not hold any collateral as security.</p> <p><b>Credit quality of other financial assets</b></p> <p>The credit quality of financial assets that are neither past due nor impaired are considered to be fair.</p> |  |                               |              |  |                        |

**10. FINANCIAL ASSETS BY CATEGORY**

The accounting policies for financial instruments have been applied to the line items below:

| Figures in Rand thousand    | Loans and<br>receivables | Total          |
|-----------------------------|--------------------------|----------------|
| <b>GROUP – 2011</b>         |                          |                |
| Other financial assets      | 19 910                   | 19 910         |
| Trade and other receivables | 209 798                  | 209 798        |
| Cash and cash equivalents   | 53 092                   | 53 092         |
|                             | <b>282 800</b>           | <b>282 800</b> |
| <b>GROUP – 2010</b>         |                          |                |
| Other financial assets      | 8 191                    | 8 191          |
| Trade and other receivables | 170 397                  | 170 397        |
| Cash and cash equivalents   | 49 330                   | 49 330         |
|                             | 227 918                  | 227 918        |
| <b>COMPANY – 2011</b>       |                          |                |
| Loans to group companies    | 368 659                  | 368 659        |
| Cash and cash equivalents   | 15 698                   | 15 698         |
|                             | <b>384 357</b>           | <b>384 357</b> |
| <b>COMPANY – 2010</b>       |                          |                |
| Loans to group companies    | 336 912                  | 336 912        |

The terms and conditions of the above financial assets have been disclosed in the relevant notes, refer to note numbers 8, 9,13 and 14 for more information.

| FOR THE YEAR ENDED 30 JUNE 2011   |  | Group   |         | Company |      |
|---|--|---------|---------|---------|------|
|   |  | 2011    | 2010    | 2011    | 2010 |
| Figures in Rand thousand  |  |         |         |         |      |
| <b>11. DEFERRED TAX</b>   |  |         |         |         |      |
| Deferred tax asset  |  | 24 470  | 19 612  | 28      | 28   |
| Deferred tax liability  |  | (2 075) | (1 037) |         |      |
| Net deferred tax asset/(liability)  |  | 22 395  | 18 575  | 28      | 28   |
| Deferred tax asset  |  |         |         |         |      |
| Accelerated capital allowances for tax purposes   |  | 22 395  | 18 575  | 28      | 28   |
| <b>RECONCILIATION OF DEFERRED TAX ASSET (LIABILITY)</b>   |  |         |         |         |      |
| At beginning of the year  |  | 18 575  | 6 630   | 28      | 84   |
| Increase (decrease) in tax losses available for set off against future taxable income   |  | (227)   | (108)   | -       | -    |
| Originating temporary difference on tangible fixed assets   |  | 472     | (848)   | -       | -    |
| Originating temporary difference on provisions  |  | 3 575   | (379)   | -       | (56) |
| Tax assets acquired in business combination   |  |         | 13 280  | -       | -    |
|   |  | 22 395  | 18 575  | 28      | 28   |
| Recognition of deferred tax asset   |  |         |         |         |      |
| Deferred income tax assets are recognised for tax loss carry-forwards to the extent that the realisation of the related tax benefit through future taxable profits is probable. |  |         |         |         |      |
| <b>12. INVENTORIES</b>  |  |         |         |         |      |
| Raw materials, components   |  | 9 159   | 16 755  |         |      |
| Work in progress  |  | 26 720  | 27 716  |         |      |
| Finished goods  |  | 64 000  | 46 917  |         |      |
|   |  | 99 879  | 91 388  |         |      |
| Inventories (write-downs)   |  | (6 020) | (3 830) |         |      |
|   |  | 93 859  | 87 558  |         |      |
| Cost of inventories recognised as an expense during the period  |  | 227 855 | 158 374 |         |      |

The cost of inventories recognised as an expense includes R2 190 000 (2010: R961 000) in respect of provision for writedowns of inventory to net realisable value.

An allowance is made to write stock down to the lower of cost or net realisable value. Management have made estimates of the selling price and direct cost to sell on certain inventory items. The write down is included in operating profit.

| FOR THE YEAR ENDED 30 JUNE 2011  |  | Group          |         | Company    |      |
|--|--|----------------|---------|------------|------|
|  |  | 2011           | 2010    | 2011       | 2010 |
| Figures in Rand thousand   |  |                |         |            |      |
| <b>13. TRADE AND OTHER RECEIVABLES</b>   |  |                |         |            |      |
| Trade receivables  |  | 206 902        | 149 678 | -          | -    |
| Prepayments  |  | 2 985          | 2 465   | -          | 126  |
| Deposits   |  | 3 214          | 1 371   | 994        | -    |
| VAT  |  | 922            | 1 006   | -          | -    |
| Other receivables  |  | 2 896          | 20 719  | -          | -    |
|  |  | <b>216 919</b> | 175 239 | <b>994</b> | 126  |
| <b>Exposure to credit risk</b>   |  |                |         |            |      |
| The carrying amount of trade and other receivables represents the maximum credit exposure. The maximum exposure to credit risk for trade receivables at the reporting date by geographic region was: |  |                |         |            |      |
| <b>Credit Quality</b>  |  |                |         |            |      |
| The following represents information on the credit quality of trade receivables that are neither past due nor impaired   |  |                |         |            |      |
| A  |  | 85             | 80      | -          | -    |
| B  |  | 15             | 20      | -          | -    |

A – The % of debtors are of good credit quality and no default in payment is expected.

B – This % of debtors usually pay, but have previously paid late and therefore there is a possibility that these debtors will not be recoverable

None of the financial assets that are fully performing have been renegotiated in the last year. Please refer to note for detailed information regarding the credit risk of trade and other receivables.

**Fair value of trade and other receivables**

In the directors' estimate the carrying value of trade and other receivables approximate their fair value.

Trade receivables disclosed above are classified as loans and receivables and are therefore measured at amortised cost. The average credit period on sales of goods is 60 days. No interest is charged on outstanding balances. The Group has recognised an allowance for doubtful debts of 13% against all receivables over 120 days. No Allowances for doubtful debts are recognised against trade receivables between 60 – 90 days and 90 – 120 days as the group estimates that these amounts are fully recoverable.

Before accepting any new customer, the Group uses a pre-determined credit scoring system to assess the potential customer's credit quality and defines credit limits by customer. Of the trade receivables balance at the end of the year, R6 632 417 (30 June 2010: R10 826 124) is due from Trakker (Private) Limited, the Group's largest customer. There are no other customers who represent more than 5% of the total balance of trade receivables.

The group assesses its trade and loans receivables for impairment at each reporting date. In determining whether an impairment loss should be recorded in the statement of comprehensive income, the group makes judgments as to whether there is observable data indicating a measurable decrease in the estimated future cash flows from a financial asset.

The impairment for trade and loans receivable is calculated on a specific basis, based on historical loss ratios, adjusted for national and industry-specific economic conditions and other indicators present at the reporting date.

Trade receivables disclosed above include amounts (see below for aged analysis) that are past due at the end of the reporting period but against which the Group has not recognised an allowance for doubtful receivables because there has not been a significant change in credit quality and the amounts are still considered recoverable.

| FOR THE YEAR ENDED 30 JUNE 2011   | Group         |         | Company |      |
|---|---------------|---------|---------|------|
|   | 2011          | 2010    | 2011    | 2010 |
| Figures in Rand thousand  |               |         |         |      |
| <b>Trade and other receivables past due but not impaired</b>  |               |         |         |      |
| Trade and other receivables which are less than three months past due are not considered to be impaired. At 30 June, 2011, R83 018 (2010: R115 009) were past due but not impaired.   |               |         |         |      |
| The ageing of amounts past due but not impaired is as follows:  |               |         |         |      |
| 60 – 90 days  | 12 204        | 17 831  | -       | -    |
| 90 – 120 days   | 10 465        | 10 352  | -       | -    |
| 120+ days   | 60 349        | 86 826  | -       | -    |
| <b>Trade and other receivables impaired</b>   |               |         |         |      |
| In determining the recoverability of a trade receivable, the group considers any change in the credit quality of the trade receivable from the date credit was initially granted up to the end of the reporting period. The concentration of credit risk is limited due to the customer base being large and unrelated. |               |         |         |      |
| As of 30 June 2011, trade and other receivables of R23 880 000 (2010: R17 307 000) were impaired and provided for. The ageing of these loans is as follows:   |               |         |         |      |
| 120 days +  | 23 880        | 17 307  | -       | -    |
| The carrying amount of trade and other receivables are denominated in the following currencies:   |               |         |         |      |
| Rand  | 131 902       | 89 821  | -       | -    |
| US dollar   | 2 247         | 2 331   | -       | -    |
| British pound   | 8 545         | 2 754   | -       | -    |
| Euro  | 3 732         | 3 272   | -       | -    |
| <b>Reconciliation of provision for impairment of trade and other receivables</b>  |               |         |         |      |
| Opening balance   | 17 307        | 14 623  | -       | -    |
| Provision for impairment  | 6 573         | 3 880   | -       | -    |
| Unused amounts reversed   |               | (1 196) | -       | -    |
|   | <b>23 880</b> | 17 307  | -       | -    |

The creation and release of provision for impaired receivables have been included in operating expenses in profit or loss. Amounts charged to the allowance account are generally written off when there is no expectation of recovering additional monies.

The maximum exposure to credit risk at the reporting date is the fair value of each class of loan mentioned above. The group does not hold any collateral as security.

| FOR THE YEAR ENDED 30 JUNE 2011       |  | Group         |          | Company       |          |
|---------------------------------------|--|---------------|----------|---------------|----------|
|                                       |  | 2011          | 2010     | 2011          | 2010     |
| Figures in Rand thousand              |  |               |          |               |          |
| <b>14. CASH AND CASH EQUIVALENTS</b>  |  |               |          |               |          |
| Cash and cash equivalents consist of: |  |               |          |               |          |
| Cash on hand                          |  | 538           | 253      |               |          |
| Bank balances                         |  | 52 554        | 49 077   | 15 698        |          |
| Bank overdraft                        |  | (523)         | (37 012) |               | (31 018) |
|                                       |  | <b>52 569</b> | 12 318   | <b>15 698</b> | (31 018) |
| Current assets                        |  | <b>53 092</b> | 49 330   | <b>15 698</b> |          |
| Current liabilities                   |  | <b>(523)</b>  | (37 012) |               | (31 018) |
|                                       |  | <b>52 569</b> | 12 318   | <b>15 698</b> | (31 018) |

Local bank balances consist of current and investment accounts with ABSA Bank Limited Bank balances of the foreign subsidiaries is managed with the subsidiaries' own bankers.

The following facilities have been made available by ABSA Bank Limited:

**DigiCore Holdings Limited**

- Overdraft - R6 080 000
- Call Loan - R57 250 000
- Credit Card - R25 000
- Debit Order - R50 000

**DigiCore Electronics (Proprietary) Limited**

- Overdraft - R100 000
- Credit Card - R20 000
- FEC - R1 000 000

**C-Track SA (Proprietary) Limited**

- Funds transfer direct debit - R5 000 000
- Asset based loans - R3 935 000
- Funds Transfer direct credit - R8 000 000

**DigiCore Fleet Management SA (Proprietary) Limited**

- ACB - R5 000 000

**DigiCore Financial Services (Proprietary) Limited**

- ACB - R500 000

The following has been provided as security for facilities granted by ABSA Bank Limited:

**For facilities granted to DigiCore Holdings Limited**

- Cession of CFC accounts
- Negative pledge of assets
- Unlimited cession of loan in DigiCore Europe BV

**For facilities granted to the DigiCore Group**

Unlimited cross suretyship between the following entities:

- DigiCore Investments (Proprietary) Limited
- C-Track SA (Proprietary) Limited
- DigiCore Brands (Proprietary) Limited
- DigiCore Properties (Proprietary) Limited
- DigiCore Financial Services (Proprietary) Limited
- DigiCore Technology (Proprietary) Limited
- DigiCore Electronics (Proprietary) Limited
- DigiCore International (Proprietary) Limited
- DigiCore Cellular (Proprietary) Limited
- DigiCore Fleet Management SA (Proprietary) Limited
- DigiCore Holdings Limited

Cession of intercompany loans by:

- C-Track SA (Proprietary) Limited
- DigiCore Cellular (Proprietary) Limited
- DigiCore Technology (Proprietary) Limited
- DigiCore Electronics (Proprietary) Limited
- DigiCore International (Proprietary) Limited
- DigiCore Fleet Management SA (Proprietary) Limited
- DigiCore Holdings Limited

Cession of debtors excluding intercompany loans by:

- C-Track SA (Proprietary) Limited
- DigiCore Cellular (Proprietary) Limited
- DigiCore Technology (Proprietary) Limited
- DigiCore Electronics (Proprietary) Limited
- DigiCore International (Proprietary) Limited
- DigiCore Holdings Limited

| FOR THE YEAR ENDED 30 JUNE 2011  |  | Group           |          | Company        |         |
|--|--|-----------------|----------|----------------|---------|
|  |  | 2011            | 2010     | 2011           | 2010    |
| Figures in Rand thousand   |  |                 |          |                |         |
| <b>15. SHARE CAPITAL</b>   |  |                 |          |                |         |
| Authorised   |  |                 |          |                |         |
| 1 000 000 000 ordinary par value shares of R0,001 each   |  | <b>1 000</b>    | 1 000    | <b>1 000</b>   | 1 000   |
| Reconciliation of number of shares issued:   |  |                 |          |                |         |
| Reported as at 01 July 2010: 217 669 272 ordinary par value shares<br>(2009: 215 264 194 ordinary par value shares)  |  | <b>218</b>      | 215      | <b>218</b>     | 215     |
| Issue of shares – 2 405 078 ordinary par value shares to settle the C-Track Limited (formerly DigiCore Limited) transaction  |  | -               | 3        | -              | 3       |
| Rights Issue – 30 000 000 ordinary par value shares  |  | <b>30</b>       | -        | <b>30</b>      | -       |
| Shares in issue at 30 June 2011: 247 669 272 ordinary par value shares<br>(2010: 217 669 272 ordinary par value shares)  |  | <b>248</b>      | 218      | <b>248</b>     | 218     |
| 752 330 728 unissued ordinary par value shares remain under the control of the directors in terms of a resolution of members passed at the last annual general meeting. This authority remains in force until the next annual general meeting. |  |                 |          |                |         |
| Issued   |  |                 |          |                |         |
| Ordinary   |  | <b>248</b>      | 218      | <b>248</b>     | 218     |
| Share premium  |  | <b>218 026</b>  | 133 115  | <b>219 213</b> | 135 544 |
| Treasury shares  |  | <b>(52 059)</b> | (50 748) | -              | -       |
|  |  | <b>166 215</b>  | 82 585   | <b>219 461</b> | 135 762 |

As published on the SENS on 16 November 2010, 9 December 2010 and 14 January 2011 and the circular dated 31 January 2011 the group made a rights issue of shares to existing shareholders. In terms of the fully underwritten renounceable rights offer, 30 000 000 new DigiCore ordinary par value shares of R0,001 each ("rights offer shares") were issued to qualifying ordinary shareholders.

The rights offer shares were issued in the ratio of 13,78237 rights offer shares for every 100 DigiCore ordinary shares held on the record date, being Friday, 28 January 2011 at a subscription price of 300 cents per rights offer share.

**16. SHARE BASED PAYMENTS**

| Share Option Group                       | Number ('000) | Weighted exercise price | Total value (R'000) |
|--|---------------|-------------------------|---------------------|
| Outstanding at the beginning of the year | 5 902         | 3,86                    | 22 301              |
| Granted during the year                  | 12 075        | 3,01                    | 36 315              |
| Exercised during the year                | (150)         | 1,42                    | (213)               |
| Outstanding at the end of the year       | 17 827        | 3,26                    | 58 403              |
| Exercisable at the end of the year       | 2 552         | 3,26                    | 8 320               |

Of the options outstanding at 30 June 2011, 15 275 000 options are not yet exercisable

No options expired or were forfeited during the year.

Weighted average share price at exercise date of options was R3,16 (2010: R6,11).

| Outstanding options not yet exercisable               | Exercise date within one year | Exercise date from two to five years | Total      |
|---|-------------------------------|--------------------------------------|------------|
| Options with an exercise price of R3,65               | 800 000                       | 2 400 000                            | 3 200 000  |
| Options with an exercise price of R3,10               | 180 000                       | 720 000                              | 900 000    |
| Options with an exercise price of R3,00               | 2 235 000                     | 8 940 000                            | 11 175 000 |
| <b>Information on options granted during the year</b> |                               |                                      |            |
| Weighted fair value of options issued during the year | 0,70                          | 1,14                                 |            |

The company operates several Share Option Schemes. Share options are granted to executive directors of the company and/or its subsidiaries or key management personnel or a combination of both.

As of the year ended 30 June 2011 the following schemes were still in effect:

- Option Scheme C - Granted to directors only on 1/12/2002 with an option price of R0,60
- Option Scheme D - Granted to directors only on 31/05/2004 with an option price of R1,42
- Option Scheme E - Granted to directors only on 26/06/2005 with an option price of R2,47
- Option Scheme F - Granted to directors only on 15/12/2005 with an option price of R2,79
- Option Scheme G - Granted to directors only on 7/12/2006 with an option price of R4,07
- Option Scheme H - Granted to directors and key management personnel on 30/04/2007 with an option price of R5,89
- Option Scheme I - Granted to directors only on 17/10/2007 with an option price of R8,41 only (cancelled during the 2009 financial year)
- Option Scheme J - Granted to directors and key management personnel on 12/10/2009 with an option price of R3,65
- Option Scheme K - Granted to directors and key management personnel on 06/08/2010 with an option price of R3,10
- Option Scheme L - Granted to directors and key management personnel on 14/03/2011 with an option price of R3,00

Share options vest in tranches over 4 years from the grant date on the condition that the employee remains in the group's employment. The number of share options is calculated in accordance with group's policy in appraising employees and as approved by the remuneration committee of the group. Upon resignation the share options will lapse immediately. Share options remain exercisable after vesting and expire 10 years after grant date.

This option scheme is equity settled and is based on one share option converting into one ordinary share of DigiCore Holdings Limited on exercise. The reserve is recognised in the statement of financial position based on the measurement of the fair value of the share options.

The fair value of options granted was determined by using the Black-Scholes-Merton Option Pricing Model. The following inputs were used for option scheme K granted during the year:

|                             |                    |
|-----------------------------|--------------------|
| Exercise price              | - R3,10            |
| Expected volatility         | - 28,375%*         |
| Option life                 | - 366 - 1 466 days |
| Expected dividends          | - 2,03%            |
| The risk-free interest rate | - 7,59%**          |

\* The expected volatility in the value of the share options granted was determined using the historical volatility of DigiCore's share price from 4/1/2010 - 6/8/2010 (Grant Date)

\*\* The risk free rate for periods within the contractual term of the share options was based on the South African long term government bond rate in effect at the time of the grant.

The following inputs were used for option scheme L granted during the year:

|                             |              |
|-----------------------------|--------------|
| Exercise price              | - R3,00      |
| Expected volatility         | - 29,924%*   |
| Option life - 366           | - 1 466 days |
| Expected dividends          | - 2,03%      |
| The risk-free interest rate | - 7,59%**    |

\* The expected volatility in the value of the share options granted was determined using the historical volatility of DigiCore's share price from 4/1/2010 - 14/3/2011 (Grant Date).

\*\* The risk free rate for periods within the contractual term of the share options was based on the South African long term government bond rate in effect at the time of the grant.

Early exercising of options is not permitted. Total expenses of R2 847 232 related to equity-settled share based payments transactions were recognised in 2011 (2010: R3 086 000).

**17. FOREIGN CURRENCY TRANSLATION RESERVE**

Translation reserve comprises exchange differences on consolidation of foreign subsidiaries and the translation of goodwill arising at the date of acquisition of foreign operation to spot rate at year end.

| Figures in Rand thousand  | Group    |          | Company |      |
|---|----------|----------|---------|------|
|   | 2011     | 2010     | 2011    | 2010 |
| Opening balance   | (21 744) | 8 794    | -       | -    |
| Exchange differences on translating foreign operations  | 7 173    | (15 455) | -       | -    |
| C-Track Limited (formerly DigiCore Limited) – translation of goodwill on acquisition  | (2 203)  | (5 835)  | -       | -    |
| DigiCore Europe BV – Translation of goodwill on acquisition   | 2 580    | (9 248)  | -       | -    |
|   | (14 194) | (21 744) | -       | -    |
| Exchange differences relating to the translation of the net assets of the Group's foreign operations from their functional currencies to the Group's presentation currency (i.e. Rands) are recognised directly in other comprehensive income and accumulated in the foreign currency translation reserve. Gains and losses on hedging instruments that are designated as hedges of net investments in foreign operations are included in the foreign currency translation reserve. Exchange differences previously accumulated in the foreign currency translation reserve (in respect of translating both the net assets of foreign operations and hedges of foreign operations) are reclassified to profit or loss on the disposal or partial disposal of the foreign operation. |          |          |         |      |
| <b>18. RESERVE FOR OWN SHARES/SHARE REPURCHASE RESERVE</b>  |          |          |         |      |
| This reserve related to the purchase of the non-controlling 49,9% interest in C-Track Limited (formerly DigiCore Limited) on 1 July 2007. The purchase price for the non-controlling interest of C-Track Limited was made up of R4 452 000 in cash and the issue of 4 810 156 DigiCore ordinary shares at a value of R7,95 per share, conditional on certain profit warranties being achieved. These shares were issued in 2 tranches, one on 31 July 2008 and one 31 July 2009. The cash component was settled during the 2010 financial year.   |          |          |         |      |
| Rand value of share to be issued  | -        | 19 120   | -       | -    |
| Proceeds on shares issued   | -        | (19 120) | -       | -    |
|   | -        | -        | -       | -    |

| FOR THE YEAR ENDED 30 JUNE 2011   |  | Group         |        | Company      |        |
|---|--|---------------|--------|--------------|--------|
|   |  | 2011          | 2010   | 2011         | 2010   |
| Figures in Rand thousand  |  |               |        |              |        |
| <b>19. OTHER FINANCIAL LIABILITIES</b>  |  |               |        |              |        |
| Held at amortised cost  |  |               |        |              |        |
| Term loan – Barclays Bank   | A loan of EUR1 725 000 from Barclays Bank London was obtained in the 2005 financial year to fund the C-Track Benelux B.V. acquisition. In September 2007, the initial loan was restructured and a total loan value of EUR2 027 000 was obtained to fund the remaining DigiCore Europe B.V. shareholding acquisition. The term of the loan is five years with equal annual repayments of EUR405 400 payable in October of each year. Interest is payable quarterly in arrears and based on the LIBOR rate plus 1.5% per annum margin. The capital balance outstanding is EUR810 800 (2010: EUR1 216 200). | 7 970         | 11 359 | 7 970        | 11 359 |
| Mortgage bond – Absa Bond   | The loan carries interest at prime minus 1.75%. At year end this rate was 8.25% (2010: 8.25%). The current installment is R386 218 per month and the loan is repayable in 10 years. This mortgage bond is secured by the property in the Regency Office Park. Refer to the Property, plant and equipment note number 3.  | 24 914        | 27 304 | -            | -      |
|   |  | <b>32 884</b> | 38 663 | <b>7 970</b> | 11 359 |
| <b>Non-current liabilities</b>  |  |               |        |              |        |
| At amortised cost   |  | <b>26 324</b> | 32 425 | <b>3 985</b> | 7 573  |
| <b>Current liabilities</b>  |  |               |        |              |        |
| At amortised cost   |  | <b>6 560</b>  | 6 238  | <b>3 985</b> | 3 786  |
|   |  | <b>32 884</b> | 38 663 | <b>7 970</b> | 11 359 |
| In the directors estimates, the carrying value of other financial liabilities at amortised cost approximates their fair values.   |  |               |        |              |        |
| The group's borrowing powers are unlimited and the group has not exceeded the borrowing powers in terms of the Articles of Association of the holding company and of the underlying subsidiaries. |  |               |        |              |        |
| The carrying amounts of financial liabilities at amortised cost are denominated in the following currencies:  |  |               |        |              |        |
| Rand  |  | 24 914        | 27 304 | -            | -      |
| British Pound   |  | -             | 300    | -            | -      |
| Euro  |  | 811           | 1 216  | 811          | 1 216  |

| FOR THE YEAR ENDED 30 JUNE 2011                | Group                    |              | Company  |          |
|--|--------------------------|--------------|----------|----------|
|  | Figures in Rand thousand |              |          |          |
|  | 2011                     | 2010         | 2011     | 2010     |
| <b>20. FINANCE LEASE OBLIGATION</b>            |                          |              |          |          |
| Minimum lease payments due                     |                          |              |          |          |
| - within one year                              | 5 365                    | 2 739        | -        | -        |
| - in second to fifth year inclusive            | 7 337                    | 3 421        | -        | -        |
|  | 12 702                   | 6 160        | -        | -        |
| Less: future finance charges                   | (1 048)                  | (509)        | -        | -        |
| <b>Present value of minimum lease payments</b> | <b>11 654</b>            | <b>5 651</b> | <b>-</b> | <b>-</b> |
| Present value of minimum lease payments due    |                          |              |          |          |
| - within one year                              | 4 923                    | 2 513        | -        | -        |
| - in second to fifth year inclusive            | 6 731                    | 3 138        | -        | -        |
|  | 11 654                   | 5 651        | -        | -        |
| Non-current liabilities                        | 6 731                    | 3 138        | -        | -        |
| Current liabilities                            | 4 923                    | 2 513        | -        | -        |
|  | 11 654                   | 5 651        | -        | -        |

In the directors estimates the carrying value of finance lease liabilities approximate their fair values.

It is group policy to lease certain motor vehicles and equipment under finance leases.

The average lease term is 3 - 5 years and the average effective borrowing rate was 9% (2010: 9%) .

Interest rates are linked to prime at the contract date. All leases have fixed repayments and no arrangements have been entered into for contingent rent.

The group's obligations under finance leases are secured by the lessor's charge over the leased assets. Refer to the property, plant and equipment note.

**21. PROVISIONS**

| Figures in Rand thousand                             | Opening balance | Additions    | Utilised during the year | Reversed during the year | Total         |
|--|-----------------|--------------|--------------------------|--------------------------|---------------|
| <b>RECONCILIATION OF PROVISIONS – GROUP – 2011</b>   |                 |              |                          |                          |               |
| Product warranties                                   | 2 768           | 675          | -                        | -                        | 3 443         |
| Other provisions                                     | 1 851           | -            | (1 733)                  | -                        | 118           |
| Provision for restructuring costs                    | 2 021           | 235          | -                        | (2 256)                  | -             |
| Provision for employee benefits                      | 2 542           | 4 810        | (42)                     | -                        | 7 310         |
|  | <b>9 182</b>    | <b>5 720</b> | <b>(1 775)</b>           | <b>(2 256)</b>           | <b>10 871</b> |
| <b>RECONCILIATION OF PROVISIONS – GROUP – 2010</b>   |                 |              |                          |                          |               |
| Product warranties                                   | 1 744           | 1 024        | -                        | -                        | 2 768         |
| Other provisions                                     | 4 491           | -            | (2 640)                  | -                        | 1 851         |
| Provision for restructuring costs                    | -               | 2 021        | -                        | -                        | 2 021         |
| Employee benefits                                    | 4 458           | -            | (13)                     | (1 903)                  | 2 542         |
|  | 10 693          | 3 045        | (2 653)                  | (1 903)                  | 9 182         |
| <b>RECONCILIATION OF PROVISIONS – COMPANY – 2011</b> |                 |              |                          |                          |               |
| Other provisions                                     |                 |              | 100                      | 100                      | 100           |
| <b>RECONCILIATION OF PROVISIONS – COMPANY – 2010</b> |                 |              |                          |                          |               |
| Other provisions                                     |                 |              | 300                      | (200)                    | 100           |

All provisions are recognised in accordance with the group and company's accounting policies.

**Provision for product warranties**

The warranty provision represents management's best estimate of the group's liability under one period warranties granted on electrical products, based on prior experience and industry averages for defective products.

**Other provisions**

Other provisions relates to provisions for consulting fees, professional fees, and other small items.

**Employee benefits**

The employee benefits provision relates to provisions for bonuses to directors and employees.

**Provision for retrenchment costs**

This provision relates to the business combination with MPS 2010 Limited. Refer to business combinations note number 35.

The estimated timing of the above provisions to be utilised has been estimated to be between 12 and 24 months.

**22. TRADE AND OTHER PAYABLES**

| Figures in Rand thousand  | Group         |        | Company      |      |
|---|---------------|--------|--------------|------|
|   | 2011          | 2010   | 2011         | 2010 |
| Trade payables  | 60 123        | 44 499 | 2 643        | 248  |
| VAT   | 1 715         | 2 557  | 805          | 574  |
| Other payables  | 8 854         | 6 974  | -            | -    |
| Accrued expenses  | 10 720        | 11 551 | -            | 143  |
|   | <b>81 412</b> | 65 581 | <b>3 448</b> | 965  |
| <p><b>Fair value of trade and other payables</b></p> <p>The average credit period on purchases of certain goods from suppliers is 2 months. No interest is charged on the trade payables outstanding balances. The Group has financial risk management policies in place to ensure that all payables are paid within the pre-agreed credit terms.</p> <p>Due to the short term nature of the group's trade and other payables, the carrying value approximates their fair value.</p> <p>The carrying amounts of trade and other payables are denominated in the following currencies:</p> |               |        |              |      |
| Rand  | 66 400        | 26 777 | 840          | 965  |
| Euro  | 611           | 1 472  |              |      |
| British Pound   | 2 010         | 801    |              |      |

**23. FINANCIAL LIABILITIES BY CATEGORY**

The accounting policies for financial instruments have been applied to the line items below:

| Figures in Rand thousand    | Financial liabilities at amortised cost | Total          |
|-----------------------------|---|----------------|
| <b>GROUP 2011</b>           |   |                |
| Other financial liabilities | 32 884                                  | 32 884         |
| Trade and other payables    | 82 454                                  | 82 454         |
| Bank overdraft              | 523                                     | 523            |
| Finance Lease Obligation    | 11 654                                  | 11 654         |
|                             | <b>127 515</b>                          | <b>127 515</b> |
| <b>GROUP - 2010</b>         |   |                |
| Other financial liabilities | 38 663                                  | 38 663         |
| Trade and other payables    | 64 484                                  | 64 484         |
| Bank overdraft              | 41 053                                  | 41 053         |
| Finance lease obligation    | 5 651                                   | 5 651          |
|                             | 149 851                                 | 149 851        |
| <b>COMPANY - 2011</b>       |   |                |
| Loans from group companies  | 183 320                                 | 183 320        |
| Other financial liabilities | 7 970                                   | 7 970          |
| Trade and other payables    | 2 643                                   | 2 643          |
|                             | <b>193 933</b>                          | <b>193 933</b> |
| <b>COMPANY - 2010</b>       |   |                |
| Loans from group companies  | 179 915                                 | 179 915        |
| Other financial liabilities | 11 359                                  | 11 359         |
| Trade and other payables    | 391                                     | 391            |
| Bank overdraft              | 31 018                                  | 31 018         |
|                             | 222 683                                 | 222 683        |

The terms and conditions of the above financial liabilities have been disclosed in the relevant notes, refer to notes 8,14, 19, 20 and 22 for more information.

| FOR THE YEAR ENDED 30 JUNE 2011  |  | Group          |         | Company      |         |
|--|--|----------------|---------|--------------|---------|
|  |  | 2011           | 2010    | 2011         | 2010    |
| Figures in Rand thousand   |  |                |         |              |         |
| <b>24. REVENUE</b>   |  |                |         |              |         |
| Sale of goods  |  | 417 888        | 284 460 | -            | -       |
| Rendering of services  |  | 266 393        | 222 274 | -            | -       |
| Rental Income  |  | 27 967         | 23 800  | -            | -       |
| Management fees  |  | -              | -       | 7 800        | 7 100   |
|  |  | <b>712 248</b> | 530 534 | <b>7 800</b> | 7 100   |
| <b>25. OPERATING (LOSS) PROFIT</b>   |  |                |         |              |         |
| Operating (loss) profit for the year is stated after accounting for the following: |  |                |         |              |         |
| Income from subsidiaries   |  |                |         |              |         |
| Dividends  |  | -              | -       | 2 067        | 644     |
| Operating lease charges  |  |                |         |              |         |
| Premises   |  |                |         |              |         |
| • Contractual amounts  |  | 14 417         | 12 073  | -            | -       |
| Motor vehicles   |  |                |         |              |         |
| • Contractual amounts  |  | 18             | 311     | -            | -       |
| Equipment  |  |                |         |              |         |
| • Contractual amounts  |  | 2 141          | 2 123   | -            | -       |
|  |  | <b>16 576</b>  | 14 507  | -            | -       |
| Profit on sale of property, plant and equipment                                    |  |                |         |              |         |
|  |  | 749            | 1 752   | -            | -       |
| Impairment on intangible assets  |  |                |         |              |         |
|  |  | 139            | -       | -            | -       |
| Profit on exchange differences   |  |                |         |              |         |
|  |  | 3 766          | 2 711   | 1 107        | (3 273) |
| Amortisation on intangible assets  |  |                |         |              |         |
|  |  | 8 948          | -       | -            | -       |
| Depreciation on property, plant and equipment                                      |  |                |         |              |         |
|  |  | 37 713         | 35 175  | -            | -       |
| Employee costs excluding provident fund contributions                              |  |                |         |              |         |
|  |  | 188 410        | 169 646 | 701          | 375     |
| Provident fund contributions   |  |                |         |              |         |
|  |  | 33 249         | 29 937  | -            | -       |
| Research and development   |  |                |         |              |         |
|  |  | 546            | -       | -            | -       |
| <b>26. INVESTMENT REVENUE</b>  |  |                |         |              |         |
| Dividend revenue   |  |                |         |              |         |
| Subsidiaries – Local   |  | -              | -       | 2 067        | 644     |
| Interest revenue   |  |                |         |              |         |
| Other loans  |  | -              | 541     | -            | 23      |
| Bank   |  | 85             | 505     | -            | 61      |
|  |  | <b>85</b>      | 1 046   | <b>2 067</b> | 728     |

| FOR THE YEAR ENDED 30 JUNE 2011                                   |  | Group         |               | Company      |              |
|---|--|---------------|---------------|--------------|--------------|
|   |  | 2011          | 2010          | 2011         | 2010         |
| Figures in Rand thousand  |  |               |               |              |              |
| <b>27. FINANCE COSTS</b>  |  |               |               |              |              |
| Finance leases  |  | 839           | 493           |              |              |
| Bank  |  | 5 444         | 4 278         | 3 206        | 1 263        |
|   |  | <b>6 283</b>  | <b>4 771</b>  | <b>3 206</b> | <b>1 263</b> |
| <b>28. TAXATION</b>   |  |               |               |              |              |
| MAJOR COMPONENTS OF THE TAX EXPENSE                               |  |               |               |              |              |
| Current   |  |               |               |              |              |
| Local income tax - current period                                 |  | 23 040        | 16 251        | 602          | 1 853        |
| STC   |  | 1 647         | 1 905         | 1 352        | 1 480        |
| Foreign income tax or withholding tax - current period            |  | 3 193         | 875           | -            | 56           |
|   |  | <b>27 880</b> | <b>19 031</b> | <b>1 954</b> | <b>3 333</b> |
| Deferred  |  |               |               |              |              |
| Originating and reversing temporary differences                   |  | (4 147)       | 1 317         | -            | -            |
|   |  | <b>23 733</b> | <b>20 348</b> | <b>1 954</b> | <b>3 389</b> |
| Reconciliation of the tax expense:                                |  |               |               |              |              |
| Reconciliation between accounting profit and tax expense          |  |               |               |              |              |
| Accounting profit   |  | 78 153        | 67 873        | 4 158        | 9 022        |
| Tax at the applicable tax rate of 28% (2010: 28%)                 |  | 21 883        | 19 004        | 1 164        | 2 526        |
| Tax effect of adjustments on taxable income                       |  |               |               |              |              |
| Expenses not tax deductible                                       |  | 248           | 246           | 562)         | -            |
| Income not subject to taxation                                    |  | (579)         | (180)         | 1 352        | -            |
| STC   |  | 1 647         | 1 915         | -            | -            |
| Prior year under provision  |  | (472)         | -             | -            | -            |
| Differences between foreign tax rates and South African tax rates |  | 1 006         | (637)         | -            | -            |
|   |  | <b>23 733</b> | <b>20 348</b> | <b>1 954</b> | <b>2 526</b> |
| <b>29. AUDITORS' REMUNERATION</b>                                 |  |               |               |              |              |
| Fees  |  | 1 715         | 1 710         | -            | 850          |
| Other   |  | 62            | -             | -            | -            |
| Tax and secretarial services                                      |  | 40            | 23            | -            | -            |
|   |  | <b>1 817</b>  | <b>1 733</b>  | <b>-</b>     | <b>850</b>   |

| FOR THE YEAR ENDED 30 JUNE 2011 |  | Group      |              | Company    |              |
|---------------------------------|--|------------|--------------|------------|--------------|
|                                 |  | 2011       | 2010         | 2011       | 2010         |
| Figures in Rand thousand        |  |            |              |            |              |
| <b>30.</b>                      | <b>SHARE OF PROFIT OF ASSOCIATES</b>                           |            |              |            |              |
|                                 | Share of profits/(losses):                                     |            |              |            |              |
|                                 | Trakker (Private) Limited                                      | 1 790      | 1 431        | -          | -            |
|                                 | Dedical (Proprietary) Limited                                  | (1 241)    | (522)        | -          | -            |
|                                 | Vehicle Management Systems (Proprietary) Limited               | (113)      |              |            |              |
|                                 | Dividends received:  |            |              |            |              |
|                                 | Trakker (Private) Limited                                      | -          | -            | -          | -            |
|                                 | Dedical (Proprietary) Limited                                  | -          | -            | -          | -            |
|                                 | Vehicle Management Systems (Proprietary) Limited               | -          | -            | -          | -            |
|                                 |  | <b>436</b> | <b>909</b>   | <b>-</b>   | <b>-</b>     |
| <b>31.</b>                      | <b>OTHER COMPREHENSIVE INCOME</b>                              |            |              |            |              |
|                                 | Figures in Rand thousand                                       |            | <b>Gross</b> | <b>Tax</b> | <b>Net</b>   |
|                                 | <b>COMPONENTS OF OTHER COMPREHENSIVE INCOME - GROUP - 2011</b> |            |              |            |              |
|                                 | Exchange differences on translating foreign operations         |            |              |            |              |
|                                 | Exchange differences arising during the year                   |            | <b>7 550</b> | -          | <b>7 550</b> |
|                                 | <b>COMPONENTS OF OTHER COMPREHENSIVE INCOME - GROUP - 2010</b> |            |              |            |              |
|                                 | Exchange differences on translating foreign operations         |            |              |            |              |
|                                 | Exchange differences arising during the year                   |            | (30 538)     | -          | (30 538)     |

| FOR THE YEAR ENDED 30 JUNE 2011 |  | Group           |                 | Company        |                |
|---------------------------------|--|-----------------|-----------------|----------------|----------------|
|                                 |  | 2011            | 2010            | 2011           | 2010           |
| Figures in Rand thousand        |  |                 |                 |                |                |
| <b>32.</b>                      | <b>CASH GENERATED FROM OPERATIONS</b>                        |                 |                 |                |                |
|                                 | Profit before taxation                                       | 78 153          | 67 873          | 4 158          | 9 022          |
|                                 | Adjustments for:   |                 |                 |                |                |
|                                 | Depreciation and amortisation                                | 46 661          | 35 175          | -              | -              |
|                                 | Profit on sale of assets                                     | (748)           | (1 752)         | -              | -              |
|                                 | Loss (profit) on foreign exchange                            | 3 766           | (2 710)         | -              | -              |
|                                 | Income from equity – accounted investments                   | (436)           | (909)           | -              | (1 431)        |
|                                 | Dividends received   | -               | -               | (2 067)        | (644)          |
|                                 | Interest received  | (85)            | (1 046)         | -              | (84)           |
|                                 | Finance costs  | 6 283           | 4 771           | 3 206          | 1 263          |
|                                 | Impairment loss  | 139             | -               | -              | -              |
|                                 | Movements in provisions                                      | 3 149           | (1 629)         | -              | (200)          |
|                                 | Other non-cash items – investment in associates              | -               | (1 000)         | 1 431          | -              |
|                                 | Other non-cash items – share based payment expense           | 2 804           | -               | 2 804          | 3 086          |
|                                 | Other non-cash items – foreign currency translation movement | 6 614           | -               | -              | -              |
|                                 | Changes in working capital:                                  |                 |                 |                |                |
|                                 | Inventories  | (6 301)         | 17 478          | -              | -              |
|                                 | Trade and other receivables                                  | (43 048)        | 1 281           | (867)          | 321            |
|                                 | Trade and other payables                                     | 12 762          | 9 784           | 2 480          | (700)          |
|                                 |  | <b>109 713</b>  | <b>127 316</b>  | <b>11 145</b>  | <b>10 633</b>  |
| <b>33.</b>                      | <b>TAX PAID</b>  |                 |                 |                |                |
|                                 | Balance at beginning of the year                             | (6 104)         | (1 394)         | 1 190          | 2 055          |
|                                 | Current tax for the year recognised in profit or loss        | (27 880)        | (19 031)        | (1 954)        | (3 333)        |
|                                 | Balance at end of the year                                   | 10 168          | (1 680)         | (536)          | (1 190)        |
|                                 |  | <b>(23 816)</b> | <b>(22 105)</b> | <b>(1 300)</b> | <b>(2 468)</b> |

**34. BUSINESS COMBINATIONS**

**C-TRACK UK LIMITED (FORMERLY MPS 2010 LIMITED)**

Restatement of the statement of financial position as at 30 June 2010

On 9 June 2010 the group acquired 100% of the voting equity interest of MPS 2010 Limited which resulted in the group obtaining control over MPS 2010 Limited. MPS 2010 Limited is principally involved in the distribution of fleet management and vehicle tracking solutions. As a result of the acquisition, the group is expecting to increase its market share in the United Kingdom. It is also expecting to reduce costs through economies of scale.

The initial accounting under IFRS 3, 'Business Combinations', for the C-Track UK Limited (formerly MPS 2010 Limited) acquisition had not been completed as at 30 June 2010. During the period ended 09 June 2011, adjustments to provisional fair values in respect of the C-Track UK Limited (formerly MPS 2010 Limited) acquisition have been made. As a result, comparative information for the year ended 30 June 2010 have been presented as if the further adjustments to provisional fair values had been made from the transaction date of 09 June 2010. The impact on the prior period statement of comprehensive income has been reviewed and no material adjustments to the statement of comprehensive income as a result of the adjustments to provisional fair values were required. The following table reconciles the impact on the statement of financial position reported for the year ended 30 June 2010 to the comparative balance sheet presented in these financial statements.

Fair value of assets acquired and liabilities assumed:

| Figures in Rand thousand                          | As at 30 June 2010 | Adjustments to provisional fair values | Restated as at 30 June 2010 |
|---|--------------------|--|-----------------------------|
| Property, plant and equipment                     | 112                | (112)                                  | -                           |
| Intangible assets                                 | 18 716             | 8 419                                  | 27 135                      |
| Deferred tax                                      | -                  | 13 280                                 | 13 280                      |
| Inventories                                       | -                  | 1 025                                  | 1 025                       |
| Trade and other receivables                       | 1                  | 5 256                                  | 5 257                       |
| Other financial liabilities                       | (3 372)            | (828)                                  | (4 200)                     |
| Provisions  | (9 218)            | 7 197                                  | (2 021)                     |
| Current tax payable                               | -                  | (7 784)                                | (7 784)                     |
| Trade and other payables                          | -                  | (7 325)                                | (7 325)                     |
| Total identifiable net assets                     | 6 239              | 19 128                                 | 25 367                      |
| Goodwill  | 25 292             | (19 128)                               | 6 164                       |
|   | 31 531             | -                                      | 31 531                      |
| Acquisition date fair value of consideration paid |                    |  |                             |
| Cash  | (31 531)           | -                                      | (31 531)                    |

**Revenue and profit or loss of C-Track UK Limited (formerly MPS 2010 Limited)**

Revenue of R4 558 578 and loss of R3 579 114 of C-Track UK Limited (formerly MPS 2010 Limited) have been included in the group's results since the date of acquisition.

#### C-TRACK IRELAND LIMITED

On 28 September 2010 the group acquired certain assets which constitute a business as per IFRS 3 of C-Track Ireland Limited for a fair value purchase consideration of R956 394 paid in cash. This resulted in the group obtaining control over C-Track Ireland Limited. C-Track Ireland Limited is principally involved in the distribution of fleet management and vehicle tracking solutions. As a result of the acquisition, the group is expecting to increase its market share in Ireland. It is also expecting to reduce costs through economies of scale.

| Figures in Rand thousand                              | Group |      |
|---|-------|------|
|   | 2011  | 2010 |
| Fair value of assets acquired and liabilities assumed |       |      |
| Intangible assets                                     | 956   | -    |
| Acquisition date fair value of consideration paid     |       |      |
| Cash  | (956) | -    |

The acquisition of the above business is based on provisional fair values as the group has not yet determined the fair values of the identifiable assets, liabilities and/or contingent liabilities. The fair value of the business will be accurately determined by the next reporting date.

#### Revenue and profit or loss of C-Track Ireland Limited

Revenue of R3 669 505 and a loss of R2 773 969 of C-Track Ireland Limited have been included in the group's results since the date of acquisition.

If C-Track Ireland Limited's results were however included in the group's results for the entire year, the amount that would have been included in the group's results is revenue of R4 892 673 and a net loss after taxation of R3 698 625

#### MINORPLANET EUROPE B.V

On 17 August, 2010 the group acquired certain assets which constitute a business as per IFRS 3 of Minorplanet Europe B.V. for a fair value purchase consideration of R1 540 044 paid in cash. This resulted in the group obtaining control over MinorPlanet Europe B.V. Minorplanet Europe B.V. is principally involved in the distribution of fleet management and vehicle tracking solutions. As a result of the acquisition, the group is expecting to increase its market share in Ireland. It is also expecting to reduce costs through economies of scale.

Goodwill of R560 000 arising from the acquisition consists largely of the synergies and economies of scale expected from combining the operations of the entities, as well as from intangible assets which did not qualify for separate recognition. Goodwill is not deductible for income tax purposes.

| Figures in Rand thousand                              | Group |      |
|---|-------|------|
|   | 2011  | 2010 |
| Fair value of assets acquired and liabilities assumed |       |      |
| Property, plant and equipment                         | 373   | -    |
| Intangible assets                                     | 93    | -    |
| Trade and other receivables                           | 514   | -    |
| Total identifiable net assets                         | 980   | -    |
| Goodwill  | 560   | -    |
|   | 1 540 | -    |

| FOR THE YEAR ENDED 30 JUNE 2011 | Group |      |
|---------------------------------|-------|------|
|                                 | 2011  | 2010 |

Figures in Rand thousand

Acquisition date fair value of consideration paid

Cash

(1 540)

-

The acquisition of the above business is based on provisional fair values as the group has not yet determined the fair values of the identifiable assets, liabilities and/or contingent liabilities. The fair value of the business will be accurately determined by the next reporting date.

Revenue and profit or loss of MinorPlanet Europe B.V

Revenue of R10 791 700 and a profit of R946 968 of MinorPlanet Europe B.V. have been included in the group's results since the date of acquisition.

If MinorPlanet Europe B.V.'s results were however included in the group's results for the entire year, the amount that would have been included in the group's results is revenue of R12 333 371 and a profit after taxation of R1 082 249.

| Figures in Rand thousand  | Group  |        | Company |       |
|---|--------|--------|---------|-------|
|   | 2011   | 2010   | 2011    | 2010  |
| <b>35. MOVEMENT IN INVESTMENTS (INCL SUBSIDIARIES, JOINT VENTURES AND ASSOCIATES)</b> |        |        |         |       |
| Fair value of assets acquired   |        |        |         |       |
| Reserves  | -      | -      | -       | 320   |
| Consideration paid  |        |        |         |       |
| Cash  | -      | -      | -       | (320) |
| Net cash outflow on acquisition   |        |        |         |       |
| Cash consideration paid   | -      | -      | -       | (320) |
| <b>36. COMMITMENTS</b>  |        |        |         |       |
| Operating leases - as lessee (expense)  |        |        |         |       |
| Minimum lease payments due  |        |        |         |       |
| - within one year   | 8 260  | 7 175  | -       | -     |
| - in second to fifth year inclusive   | 17 283 | 8 836  | -       | -     |
|   | 25 543 | 16 011 | -       | -     |

Operating lease payments represent rentals payable by the group for certain of its office properties. Leases are negotiated for an average term of three years and rentals are fixed for an average of three years. No contingent rent is payable.

**37. RELATED PARTIES**

|   |  |
|---|--|
| Relationships   |  |
| Subsidiaries  | Refer to note 6                            |
| Associates  | Refer to note 7                            |
| Loans to/(from) group companies   | Refer to note 8                            |
| Loans to associates   | Refer to note 9                            |
| Company controlled by director – NH Vlok  | Veppo Properties (Proprietary) Limited     |
| Company in which a close family member of a director of DigiCore Holdings Limited is a director – SR Aberdein | Bawco (Proprietary) Limited<br>Marallon CC |
| Close corporation of which a director of a subsidiary of DigiCore Holdings Limited is a member – MW Hill      |  |
| Company controlled by director – BC Esterhuyzen   | Luna Holdings (Proprietary) Limited        |
| Close corporation of which a former director is a member – BJ Richards  | Greenlea Guest House CC                    |

| Figures in Rand thousand   | Group |      | Company |         |
|--|-------|------|---------|---------|
|  | 2011  | 2010 | 2011    | 2010    |
| <b>RELATED PARTY TRANSACTIONS</b>                                  |       |      |         |         |
| <b>Purchases from (sales to) related parties</b>                   |       |      |         |         |
| Greenlea Guest House CC  | -     | 69   | -       | -       |
| <b>Rent paid to (received from) related parties</b>                |       |      |         |         |
| Bawco (Proprietary) Limited  | 545   | 604  | -       | -       |
| Marallon CC  | 470   | 424  | -       | -       |
| Veppo Properties (Proprietary) Limited                             | 565   | 380  | -       | -       |
| Luna Holdings (Proprietary) Limited                                | 1 055 | 150  | -       | -       |
| <b>Administration fees paid to (received from) related parties</b> |       |      |         |         |
| C-Track SA (Proprietary) Limited                                   | -     | -    | (5 000) | (4 500) |
| DigiCore Electronics (Proprietary) Limited                         | -     | -    | (600)   | (1 000) |
| DigiCore Fleet Management SA (Proprietary) Limited                 | -     | -    | (2 100) | (1 500) |
| DigiCore Financial Services (Proprietary) Limited                  | -     | -    | -       | (100)   |
| DigiCore Properties (Proprietary) Limited                          | -     | -    | (100)   | -       |

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**Key Senior Management**

J Mostert was appointed as a prescribed officer of the company on 01 January 2011. The directors and prescribed officers are defined as key senior management. Details of the directors and prescribed officers emoluments and share options issued to directors are disclosed in note 38.

During the year, certain related parties in the ordinary course of business, entered into various loans and transactions with the group under arm's length terms no less favourable than those arranged with other third parties.

**Properties leased from related parties**

DigiCore Holdings Limited and its subsidiaries entered into operating lease agreements for premises with entities whose directors and/or members are also directors of DigiCore Holdings Limited and/or its subsidiaries. These directors are:

- NH Vlok
- SR Aberdein
- MW Hill
- BC Esterhuyzen

The lease periods for the properties ranges between three and five and are rented under terms that are no less favourable to the company than those arranged with third parties. Total rent paid included in the financial statements relating to the aforementioned related parties amounted to R2 635 000 (2010: R1 558 000).

**Premises Leased**

Bawco (Proprietary) Limited – DigiCore Electronics (Proprietary) Limited – Factory Premises  
Maralton CC – DigiCore Fleet Management SA (Proprietary) Limited – Durban Branch  
Vepro Properties (Proprietary) Limited – DigiCore Fleet Management SA (Proprietary) Limited – Boksburg Branch  
Luna Holdings (Proprietary) Limited – C-Track SA (Proprietary) Limited – Office premises in Cape Town

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**38. DIRECTORS' EMOLUMENTS AND SHARE OPTIONS ISSUED TO DIRECTORS**

All emoluments paid to executive directors and prescribed officers have been paid by subsidiaries.

Executive directors and prescribed officers:

| Figures in Rand thousand   | Basic salary<br>including travel<br>allowance | Annual bonus | Provident fund<br>contributions | Medical aid<br>contributions | Total<br>2011 | Total<br>2010 |
|----------------------------|---|--------------|---------------------------------|------------------------------|---------------|---------------|
| <b>Executive directors</b> |   |              |                                 |                              |               |               |
| NH Vlok*                   | 2 469   | -            | 165                             | 53                           | <b>2 687</b>  | 2 488         |
| MD Rousseau                | 1 708   | -            | 105                             | 67                           | <b>1 880</b>  | 1 691         |
| D du Rand                  | 1 592   | -            | 113                             | 26                           | <b>1 731</b>  | 1 707         |
| SR Aberdein                | 1 319   | -            | 109                             | 36                           | <b>1 464</b>  | 1 514         |
| FJ Schindehütte            | 1 582   | -            | 104                             | 5                            | <b>1 691</b>  | 1 667         |
| J Verster                  | 426   | -            | 38                              | 6                            | <b>470</b>    | -             |
| BJ Richards^^              | -   | -            | -                               | -                            | <b>-</b>      | 1 617         |
| BC Esterhuyzen^^           | 1 044   | -            | -                               | 4                            | <b>1 048</b>  | 357           |
| <b>Prescribed officer</b>  |   |              |                                 |                              |               |               |
| J Mostert^                 | 643   | -            | 46                              | 26                           | <b>715</b>    | -             |
|                            | 10 783  | -            | 680                             | 223                          | <b>11 686</b> | 11 041        |

\* NH Vlok was an executive director for the full 2011 financial year. ^J Mostert was appointed as a prescribed officer on 01 January 2011

^^ BJ Richards and BC Esterhuyzen were executive directors for only a part of the 2010 financial year.

Non-executive directors:

| Figures in Rand thousand | Fees for board<br>meetings | Fees for<br>committee<br>and other work | Total<br>2011 | Total<br>2010 |
|--------------------------|----------------------------|---|---------------|---------------|
| NA Gaso                  | 175                        | 180                                     | <b>355</b>    | 280           |
| SS Ntsaluba*             | 56                         | 15                                      | <b>71</b>     | 71            |
| BC Esterhuyzen           | -                          | -                                       | <b>-</b>      | 28            |
| BS Khuzwayo              | 98                         | 45                                      | <b>143</b>    | 90            |
| B Marx                   | 98                         | 45                                      | <b>143</b>    | 79            |
| L Msengana-Ndela         | 63                         | 11                                      | <b>74</b>     | -             |
| JD Wiese                 | 42                         | -                                       | <b>42</b>     | -             |
| G Pretorius              | 14                         | -                                       | <b>14</b>     | -             |
|                          | 546                        | 296                                     | <b>842</b>    | 548           |

Fees paid to non-executive directors for board meetings and for committee and other work have been paid by the company.

\* Emoluments paid to SS Ntsaluba are paid out to Amabubhezi Investments (Proprietary) Limited, of which he is a director.

The following share options are issued to directors :

|                 | Date granted | Expiry date | Strike price | Number of options issued but not exercised | Share options cancelled | Options forfeited | Share options exercised | Date exercised | Gain    | Number of options issued but not exercised |
|-----------------|--------------|-------------|--------------|--|-------------------------|-------------------|-------------------------|----------------|---------|--|
| SR Aberdein     | 2005/12/15   | 2015/12/15  | 2.47         | 120 000                                    |                         |                   |                         |                |         | 120 000                                    |
|                 | 2006/06/27   | 2016/06/27  | 2.79         | 60 000                                     |                         |                   |                         |                |         | 60 000                                     |
|                 | 2006/12/07   | 2016/12/07  | 4.09         | 80 000                                     |                         |                   |                         |                |         | 80 000                                     |
| D du Rand       | 2005/12/15   | 2015/12/15  | 2.47         | 120 000                                    |                         |                   |                         |                |         | 120 000                                    |
|                 | 2006/06/27   | 2016/06/27  | 2.79         | 60 000                                     |                         |                   |                         |                |         | 60 000                                     |
|                 | 2006/12/07   | 2016/12/07  | 4.09         | 80 000                                     |                         |                   |                         |                |         | 80 000                                     |
|                 | 2007/10/17   | 2017/10/17  | 8.41         | 800 000                                    | (800 000)               |                   |                         |                |         |  |
|                 | 2009/10/12   | 2019/10/12  | 3.65         | 600 000                                    |                         |                   |                         |                |         | 600 000                                    |
|                 | 2011/03/14   | 2021/03/14  | 2.95         | 700 000                                    |                         |                   |                         |                |         | 700 000                                    |
| BJ Richards *   | 2005/06/26   | 2015/06/26  | 1.42         | 60 000                                     |                         | (60 000)          |                         |                |         |  |
|                 | 2005/12/15   | 2015/12/15  | 2.47         | 120 000                                    |                         | (60 000)          | (60 000)                | 2008/12/30     | 115 800 |  |
|                 | 2006/06/27   | 2016/06/27  | 2.79         | 60 000                                     |                         | (60 000)          |                         |                |         |  |
|                 | 2006/12/07   | 2016/12/07  | 4.09         | 80 000                                     |                         | (60 000)          | (20 000)                | 2008/12/30     | 6 200   |  |
|                 | 2007/10/17   | 2017/10/17  | 8.41         | 800 000                                    | (800 000)               |                   |                         |                |         |  |
| MD Rousseau     | 2005/06/26   | 2015/06/26  | 1.42         | 60 000                                     |                         |                   |                         |                |         | 6 000                                      |
|                 | 2005/12/15   | 2015/12/15  | 2.47         | 120 000                                    |                         |                   |                         |                |         | 120 000                                    |
|                 | 2006/06/27   | 2016/06/27  | 2.79         | 60 000                                     |                         |                   |                         |                |         | 60 000                                     |
|                 | 2006/12/07   | 2016/12/07  | 4.09         | 80 000                                     |                         |                   |                         |                |         | 80 000                                     |
|                 | 2007/10/17   | 2017/10/17  | 8.41         | 800 000                                    | (800 000)               |                   |                         |                |         |  |
|                 | 2009/10/12   | 2009/10/12  | 3.65         | 600 000                                    |                         |                   |                         |                |         | 600 000                                    |
| J Verster       | 2011/03/14   | 2021/03/14  | 2.95         | 1 200 000                                  |                         |                   |                         |                |         | 1 200 000                                  |
|                 | 2011/03/14   | 2021/03/14  | 2.95         | 1 000 000                                  |                         |                   |                         |                |         | 1 000 000                                  |
|                 | 2011/03/14   | 2021/03/14  | 2.95         | 2 450 000                                  |                         |                   |                         |                |         | 2 450 000                                  |
| FJ Schindehütte | 2007/10/17   | 2017/10/17  | 8.41         | 500 000                                    | (500 000)               |                   |                         |                |         |  |
|                 | 2009/10/12   | 2009/10/12  | 3.65         | 500 000                                    |                         |                   |                         |                |         | 500 000                                    |
|                 | 2011/03/14   | 2021/03/14  | 2.95         | 800 000                                    |                         |                   |                         |                |         | 800 000                                    |
| J Mostert       | 2011/03/14   | 2021/03/14  | 2.95         | 500 000                                    |                         |                   |                         |                |         | 500 000                                    |
| NH Vlok         | 2005/12/15   | 2015/12/15  | 2.47         | 120 000                                    |                         |                   | (60 000)                | 2008/12/30     | 115 800 | 60 000                                     |
|                 | 2006/06/27   | 2016/06/27  | 2.79         | 60 000                                     |                         |                   |                         |                |         | 60 000                                     |
|                 | 2006/12/07   | 2016/12/07  | 4.09         | 80 000                                     |                         |                   | (20 000)                | 2008/12/30     | 6 200   | 60 000                                     |
|                 | 2007/10/17   | 2017/10/17  | 8.41         | 1 900 000                                  | (1 900 000)             |                   |                         |                |         |  |
|                 |              |             |              | 14 570 000                                 | (4 800 000)             | (160 000)         | (160 000)               |                | 244 000 | 9 316 000                                  |

\* BJ Richards resigned during the 2010 financial period and all options that were allocated to him have been forfeited

### 39. RISK MANAGEMENT

#### Introduction and overview

The group has exposure to the following risks from its use of financial assets and liabilities:

- Credit risk
- Liquidity risk
- Market risks (Foreign exchange risk and interest rate risk)
- Operational risks
- Capital risk management

This note presents information about the group's exposure to each of the above risks, the group's objectives, policies and processes for measuring and managing risk, and the group's management of capital. The group's activities expose it to a variety of financial risks: market risk (including currency risk, fair value interest rate risk and cash flow interest rate risk), credit risk and liquidity risk.

#### Risk management framework

The board has overall responsibility for the establishment and oversight of the group's risk management framework. The Board has established the Audit and Risk Management Committee, which is responsible for developing and monitoring the Group's risk management policies. The committee reports regularly to the Board of Directors on its activities.

The group's risk management policies are established to identify and analyse the risks faced by the group, to set appropriate risk limits and controls, and to monitor risks and adherence to limits. Risk management policies and systems are reviewed regularly to reflect changes in market conditions, products and services offered. The group, through its training and management standards and procedures, aims to develop a disciplined and constructive control environment, in which all employees understand their roles and obligations.

The Group Audit and Risk Committee oversees how management monitors compliance with the Group's risk management policies and procedures, and reviews the adequacy of the risk management framework in relation to the risks faced by the Group. The Group Audit and Risk Committee is assisted in its oversight role by Internal Audit. Internal Audit undertakes both regular and ad hoc reviews of risk management controls and procedures, the results of which are reported to the Audit Committee.

There have been no changes to the objectives, policies and processes for managing the risk and methods used to manage the risk from prior year.

#### Credit risk

Credit risk is managed on a group basis.

Credit risk relates to the risk of financial loss to the group relating to customers, loans receivables and other financial instruments who fail to meet their contractual obligations. The potential exposure on these financial instruments is inherent in trade receivables, loans, bank and call deposits.

#### Trade and other receivables

Trade receivables comprise a widespread customer base. Management evaluates credit risk relating to customers on an ongoing basis. The Group's exposure to credit risk is influenced mainly by the individual characteristics of each customer. However, management also considers the demographics of the Group's customer base, including the default risk of the industry and country in which customers operate, as these factors may have an influence on credit risk. If customers are independently rated, these ratings are used. Otherwise, if there is no independent rating, risk control assesses the credit quality of the customer, taking into account its financial position, past experience and other factors. Individual risk limits are set based on internal or external ratings in accordance with limits set by the board. The utilisation of credit limits is regularly monitored. Sales to retail customers are settled in cash or using major credit cards. Credit guarantee insurance is purchased when deemed appropriate.

The Group has established a credit policy under which each new customer is analysed individually for creditworthiness before the Group's standard payment and delivery terms and conditions are offered.

More than 70% percent of the Group's customers have been transacting with the Group for over four years, and minimal impairment losses have been recognised against these customers. In monitoring customer credit risk, customers are grouped according to their credit characteristics, including whether they are an individual or legal entity, whether they are a wholesale, retail or end-user customer, geographic location, industry, aging profile, maturity and existence of previous financial difficulties.

The Group establishes an allowance for impairment that represents its estimate of incurred losses in respect of trade and other receivables. The main components of this allowance are a specific loss component that relates to individually significant exposures. The collective loss allowance is determined based on historical data of payment statistics for similar financial assets.

At the reporting date, the group did not consider there to be any significant concentration of credit risk which has not been adequately provided for.

The Board has delegated the responsibility of managing the credit risk to the managing executives of each subsidiary, who are responsible for:

- Establishing the authorisation structure for the approval and renewal of credit facilities;
- Reviewing and assessing credit risk;
- Monitoring the financial position of customers on an on-going basis; and
- Formulating credit policies in relation to the subsidiary's business and customer base.

Financial assets exposed to credit risk at year end were as follows:

| Financial instrument       | Group<br>2011 | Group<br>2010 | Company<br>2011 | Company<br>2010 |
|----------------------------|---------------|---------------|-----------------|-----------------|
| Bank – Favourable Balances | 53 092        | 49 330        | -               | -               |
| Other financial assets     | 19 901        | 8 191         | -               | -               |
| Trade receivables          | 209 798       | 170 397       | -               | -               |
| Loans to group companies   | -             | -             | 368 659         | 336 912         |

Loans made to group subsidiaries do not expose the group to credit risk as the group manages this risk by setting off future transactions with the group against these balances.

The maximum exposure to credit risk does not exceed the amounts mentioned above.

#### Liquidity risk

Liquidity risk is the risk that the Group will encounter difficulty in meeting the obligations associated with its financial liabilities that are settled by delivering cash or another financial asset. The Group's approach to managing liquidity is to ensure, as far as possible, that it will always have sufficient liquidity to meet its liabilities when due, under both normal and stressed conditions, without incurring unacceptable losses or risking damage to the Group's reputation.

The group's risk to liquidity is a result of the funds available to cover future commitments. The group manages liquidity risk through an ongoing review of future commitments and credit facilities.

Typically the Group ensures that it has sufficient cash on demand to meet expected operational expenses for a period of 60 days, including the servicing of financial obligations; this excludes the potential impact of extreme circumstances that cannot reasonably be predicted, such as natural disasters.

Cash flow forecasts are prepared and adequate utilised borrowing facilities are monitored.

The table below analyses the group's financial liabilities into relevant maturity groupings based on the remaining period at the statements of financial position to the contractual maturity date. The amounts disclosed in the table are the contractual undiscounted cash flows. Balances due within 12 months equal their carrying balances as the impact of discounting is not significant.

GROUP

| <b>At 30 June 2011</b><br>Figures in Rand thousand | <b>Less than 1<br/>year</b> | <b>Between 1 and<br/>5 years</b> | <b>Over 5<br/>years</b> | <b>Total</b>   |
|--|-----------------------------|----------------------------------|-------------------------|----------------|
| Other Financial Assets                             |                             | 19 910                           |                         | 19 910         |
| Cash and cash equivalents                          | 53 092                      |                                  |                         | 53 092         |
| Trade and other receivables                        | 209 798                     |                                  |                         | 209 798        |
| <b>Total Financial Assets</b>                      | <b>262 890</b>              | <b>19 910</b>                    |                         | <b>282 800</b> |
| Other financial liabilities                        | 6 560                       | 21 786                           | 10 041                  | 38 387         |
| Finance lease obligation                           | 4 923                       | 6 731                            |                         | 11 654         |
| Trade and other payables                           | 82 454                      |                                  |                         | 82 454         |
| Bank Overdraft                                     | 523                         |                                  |                         | 523            |
| <b>Total Financial Liabilities</b>                 | <b>94 460</b>               | <b>28 517</b>                    | <b>10 041</b>           | <b>133 018</b> |
| <b>Net Liquidity Gap</b>                           | <b>168 430</b>              | <b>(8 607)</b>                   | <b>(10 041)</b>         | <b>149 782</b> |
| <b>At 30 June 2010</b><br>Figures in Rand thousand | <b>Less than 1<br/>year</b> | <b>Between 1 and<br/>5 years</b> | <b>Over<br/>5 years</b> | <b>Total</b>   |
| Other financial assets                             |                             | 8 191                            |                         | 8 191          |
| Cash and cash equivalents                          | 49 330                      |                                  |                         | 49 330         |
| Trade and other receivables                        | 170 397                     |                                  |                         | 170 397        |
| <b>Total Financial Assets</b>                      | <b>219 727</b>              | <b>8 191</b>                     |                         | <b>227 918</b> |
| Other financial liabilities                        | 12 101                      | 8 626                            | 17 793                  | 38 520         |
| Finance Lease Obligation                           | 2 513                       | 3 138                            |                         | 5 651          |
| Trade and other payables                           | 47 211                      |                                  |                         | 47 211         |
| <b>Total Financial Liabilities</b>                 | <b>61 825</b>               | <b>11 764</b>                    | <b>17 793</b>           | <b>91 382</b>  |
| <b>Net Liquidity Gap</b>                           | <b>157 902</b>              | <b>(3 573)</b>                   | <b>(17 793)</b>         | <b>136 536</b> |

COMPANY

| <b>At 30 June 2011</b><br>Figures in Rand thousand | <b>Less than 1<br/>year</b> | <b>Between 1 and<br/>5 years</b> | <b>Over<br/>5 years</b> | <b>Total</b>   |
|--|-----------------------------|----------------------------------|-------------------------|----------------|
| Loans to group companies                           | 368 659                     |                                  |                         | 368 659        |
| Cash and cash equivalents                          | 15 698                      |                                  |                         | 15 698         |
| <b>Total Financial Assets</b>                      | <b>384 357</b>              |                                  |                         | <b>384 357</b> |
| Trade and other payables                           | 2 643                       |                                  |                         | 2 643          |
| Other financial liabilities                        | 3 985                       | 3 985                            |                         | 7 970          |
| Loans from group companies                         | 183 320                     |                                  |                         | 183 320        |
| <b>Total Financial Liabilities</b>                 | <b>189 948</b>              | <b>3 985</b>                     |                         | <b>193 933</b> |
| <b>Net Liquidity Gap</b>                           | <b>194 409</b>              | <b>(3 985)</b>                   |                         | <b>190 424</b> |
| <b>At 30 June 2010</b><br>Figures in Rand thousand | <b>Less than 1<br/>year</b> | <b>Between 1 and<br/>5 years</b> | <b>Over<br/>5 years</b> | <b>Total</b>   |
| Total Financial Assets                             | 336 912                     |                                  |                         | 336 912        |
| Other financial liabilities                        | 4 094                       | 7 881                            |                         | 11 975         |
| Trade and other payables                           | 391                         |                                  |                         | 391            |
| Loans from group companies                         | 179 915                     |                                  |                         | 179 915        |
| Bank overdraft                                     | 31 018                      |                                  |                         | 31 018         |
| <b>Total Financial Liabilities</b>                 | <b>215 418</b>              | <b>7 881</b>                     |                         | <b>223 299</b> |
| <b>Net Liquidity Gap</b>                           | <b>121 494</b>              | <b>(7 881)</b>                   |                         | <b>113 613</b> |

#### Capital risk management

The group's objectives when managing capital are to safeguard the group's ability to continue as a going concern in order to provide returns for shareholders and benefits for other stakeholders and to maintain an optimal capital structure to reduce the cost of capital.

The capital structure of the group consists of debt, which includes the borrowings disclosed in notes , 8, 20, 19, cash and cash equivalents disclosed in note 14, and equity attributable to holders of the parent as disclosed in the statements of financial position.

In order to maintain or adjust the capital structure, the group may adjust the amount of dividends paid to shareholders, return capital to shareholders, issue new shares or sell assets to reduce debt.

Consistent with others in the industry, the group monitors capital on the basis of the debt: equity ratio.

This ration is calculated as net debt divided by total equity. Net debt is calculated as total borrowings (including 'current and non-current borrowings' as shown in the statements of financial position) less cash and cash equivalents. Total equity is represented in the statements of financial position.

The group's strategy is to maintain a debt: equity ratio of between 5% to 35%.

From time to time the Group purchases its own shares on the market; the timing of these purchases depends on market prices. Primarily the shares are intended to be used for issuing shares under the Group's share option programme. Buy and sell decisions are made on a specific transaction basis by the Board and approved by the shareholders at the AGM; the Group does not have a defined share buy-back plan.

There have been no changes to what the entity manages as capital, the strategy for capital maintenance or externally imposed capital requirements from the previous year.

The debt: equity ratio at 2011 and 2010 respectively were as follows:

|                   | <b>Group<br/>2011</b> | Group<br>2010 | <b>Company<br/>2011</b> | Company<br>2010 |
|-------------------|-----------------------|---------------|-------------------------|-----------------|
| Debt equity ratio | <b>0.06:1</b>         | 0.08:1        | <b>0.01:1</b>           | 0.06:1          |

#### Interest rate risk

The group's cash flow interest rate risk is the risk that the future cash flows of a financial instrument will fluctuate owing to changes in the market interest rates. The fair value interest rate risk is the risk that the value of the financial instrument will fluctuate because of changes in the market interest rates. The group assumes exposure to the effects of fluctuations in the prevailing levels of market interest rates on both the fair value and cash flow risks.

The group's interest rate risk arises from long-term borrowings. Borrowings issued at variable rates expose the group to cash flow interest rate risk. Borrowings issued at fixed rates expose the group to fair value interest rate risk. Group policy is to maintain all of its borrowings in variable rate instruments. During 2011 and 2010, the group's borrowings at variable rate were denominated in the Rands and the Euro.

The group analyses its interest rate exposure on a dynamic basis. The group is not highly geared and does not hedge against fluctuations in interest rates.

At 30 June, 2011, if interest rates on Rand-denominated borrowings had been 1% higher with all other variables held constant, post-tax profit for the year would have been R274 015 (2010: R188 224)) lower, mainly as a result of higher interest expense on floating rate borrowings;

At 30 June 2010, if interest rates on Euro-denominated borrowings had been 1% higher with all other variables held constant, post-tax profit for the year would have been R59 763 (2010: R250 254) lower, mainly as a result of higher interest expense on floating rate borrowings.

Cash flow interest rate risk

| Financial instrument               | Current interest rate | Due in less than a year | Due in one to two years | Due in two to three years | Due in three to four years | Due after five years |
|------------------------------------|-----------------------|-------------------------|-------------------------|---------------------------|----------------------------|----------------------|
| Bond over property – floating rate | 8,25%                 | 4 635                   | 4 635                   | 4 635                     | 4 635                      | 10 041               |
| Term Loan – Barclays Bank          | 2,70%                 | 3 985                   | 3 985                   |                           |                            |                      |

Foreign exchange risk

The group operates internationally and is exposed to foreign exchange risk arising from various currency exposures, primarily with respect to the US dollar, UK pound and the Euro. Foreign exchange risk arises from future commercial transactions, recognised assets and liabilities and net investments in foreign operations.

The group does not hedge foreign exchange fluctuations.

The group has certain investments in foreign operations, whose net assets are exposed to foreign currency translation risk. Currency exposure arising from the net assets of the group's foreign operations is managed primarily through borrowings denominated in the relevant foreign currencies.

At 30 June, 2011, if the Rand had strengthened by 10% against the US dollar, British Pound and Euro with all other variables held constant, post-tax profit for the year would have been R147 231 (rounded) (2010: R4 117 449) lower, mainly as a result of foreign exchange losses on translation of US dollar, British Pound and Euro denominated trade and other receivables and trade and other payables.

Foreign currency exposure at the end of the reporting period

| Financial Assets<br>Figures in Rand thousand          | Group<br>2011 | Group<br>2010 |
|---|---------------|---------------|
| DigiCore Europe BV – Cash & Cash Equivalents          | 14 885        | 12 093        |
| DigiCore Europe BV – Trade and other receivables      | 26 134        | 25 300        |
| C-Track Limited – Cash & Cash Equivalents             | 222           | 3 420         |
| C-Track Limited – Trade and other receivables         | 55 864        | 29 487        |
| C-Track Finance Limited – Cash & Cash Equivalents     |               | 41            |
| C-Track Finance Limited – Trade and other receivables | 4 156         | 35            |
| South African operations – Trade Receivables          | 49 548        | 25 343        |
| C-Track Ireland Limited – Trade Receivables           | 986           |               |
| C-Track UK Limited – Trade Receivables                | 16 647        | 5 250         |
| C-Track UK Limited – Cash & Cash Equivalents          | 69            | 7             |
| C-Track Asia Sdn Bhd – Trade Receivables              | 298           |               |
| C-Track Asia Sdn Bhd – Cash & Cash Equivalents        | 694           |               |
| C-Track Latin America S.A. – Cash & Cash Equivalents  | 52            |               |
| C-Track Latin America S.A. – Trade Receivables        | 351           |               |

| Financial Liabilities<br>Figures in Rand thousand         | Group<br>2011 | Group<br>2010 |
|---|---------------|---------------|
| DigiCore Europe BV – Trade and other payables             | 11 189        | 13 752        |
| C-Track Limited – Trade and other payables                | 5 737         | 9 226         |
| C-Track Finance Limited – Trade and other payables        | 3 867         | 10            |
| South African operations – Other Financial Liabilities    | 7 970         | 11 359        |
| South African Operations – Trade and other payables       | 2 383         | 2 796         |
| C-Track UK Limited – Trade and other payables             | 13 370        | 3 163         |
| C-Track Asia Sdn Bhd – Trade and other payables           | 44            | -             |
| C-Track Latin America S.A. – Trade and other payables     | 28            | -             |
| Exchange rates used for conversion of foreign items were: |               |               |
| USD – Spot rate at year end                               | 6,84          | 7,65          |
| GBP – Spot rate at year end                               | 10,95         | 11,53         |
| EUR – Spot rate at year end                               | 9,83          | 9,34          |
| GBP – Average Rate for the year                           | 11,14         | 12,05         |
| EUR – Average Rate for the year                           | 9,55          | 10,60         |

There have been no changes in the way the group manages its exposure to foreign currency risk.

#### 40. EVENTS AFTER THE REPORTING PERIOD

Circular for shareholder approval in terms of section 45 of the Companies Act 71 of 2008

On the 5th of August 2011 a circular was posted to the shareholders to seek approval for the granting by DigiCore of financial assistance to any company or corporation forming part of the group as contemplated in section 45 of the Companies Act 71 of 2008.

Shareholder approval of non-executive directors remuneration

By means of a special resolution it was resolved that in terms of section 66(9) of the Companies Act 71 of 2008 the company is and is hereby authorised to remunerate its non-executive directors for their services as directors on the basis recommended by the remuneration committee and approved by the board of directors.

**41. EARNINGS AND DIVIDENDS PER SHARE**

| Reconciliation of Basic and Diluted earnings<br>Figures in Rand thousand                               | Group 2011     | Group 2010                |   |
|--|----------------|---------------------------|---|
| Profit for the year  | 54 420         | 47 525                    |   |
| Less: Non-Controlling Interest   | (4 966)        | (1 270)                   |   |
| <b>Equals: Basic &amp; Diluted Earnings</b>  | <b>49 454</b>  | <b>46 255</b>             |   |
| <b>Reconciliation of headline earnings</b>   |                |                           |   |
| Basic & Diluted Earnings   | 49 454         | 46 255                    |   |
| <b>Adjusted for:</b>   |                |                           |   |
| Profit on sale of fixed assets   | (749)          | (1 752)                   |   |
| Impairment of intangible assets  | 139            | -                         |   |
|  | <b>48 844</b>  | <b>44 503</b>             |   |
| Tax effect of adjustments  | 210            | 491                       |   |
| Non-controlling interest in adjustments  | -              | -                         |   |
| <b>Equals: Basic &amp; Diluted Headline Earnings</b>   | <b>49 054</b>  | <b>44 994</b>             |   |
| <b>Reconciliation of weighted number of shares in issue</b>  |                |                           |   |
| Weighted number of shares in issue (thousands)   | 220 756        | 210 018                   |   |
| Prior year adjusted for effects of rights issue  | -              | 12 737                    |   |
| Weighted number of shares in issue to be used in the calculation of basic & diluted earnings per share | <b>220 756</b> | <b>222 755</b>            |   |
|  |                |                           |   |
| Indicators (cents per share)   | Group 2011     | Group 2010 -<br>restated* | Group 2010 -<br>As previously<br>reported |
| Basic Earnings per Share   | 22,40          | 20,76                     | 22,02                                     |
| Diluted Earnings per Share   | 22,40          | 20,76                     | 22,02                                     |
| Basic Headline Earnings per Share  | 22,22          | 20,20                     | 21,19                                     |
| Diluted Headline Earnings per Share  | 22,22          | 20,20                     | 21,19                                     |
| Dividend per share   | 5,99           | 6,89                      | 6,89                                      |

\* Earnings indicators for the 2010 financial period have been re-stated for the effects of the rights issue of shares that occurred during the year. Refer to the share capital note number 15.

Basic earnings and headline earnings per share are calculated by dividing the relevant earnings amount by the weighted average number of shares in issue. Diluted earnings and diluted headline earnings per share are calculated by dividing the relevant earnings by the weighted average number of shares in issue after taking the dilutive impact of potential ordinary shares to be issued into account.

Dividends per share calculations are based on a declared dividends during the year of R14 846 000 (2010: R14 999 000) and shares of 247 669 772 (2010: 217 669 772).

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**42. SEGMENT INFORMATION**

Segment information is presented only at group level, where it is most meaningful. Operating segments are identified on the basis of internal reports about components of the group that are regularly reviewed by the chief operating decision-maker in order to allocate resources to the segment and to assess its performance.

The group has identified its operating segments based on its business by service or product and aggregated them into the following reporting segments:

**South African Distribution** – This operating segment focuses on distribution of manufactured fleet management and vehicle tracking solutions within the South African consumer market

**Foreign Distribution** – This operating segment focuses on distribution of manufactured fleet management and vehicle tracking solutions within the European consumer market

**Product Development and manufacturing** – This operating segment focuses on investing in research, manufacturing and development of vehicle tracking and fleet management solutions for distribution.

**Group Management Services** – This operating segment renders management services to the group.

The accounting policies of the reportable segments are the same as the Group's accounting policies described in note 1. Segment profit represents the profit earned by each segment.

For the purposes of monitoring segment performance and allocating resources between segments:

All assets are allocated to reportable segments. Goodwill is allocated to group services. Assets used jointly by reportable segments are allocated on the basis of the revenues earned by individual reportable segments; and all liabilities are allocated to reportable segments. Liabilities for which reportable segments are jointly liable are allocated in proportion to segment assets

Sales between segments are carried out at arm's length, and are eliminated in the "Eliminations" column. The revenue from external parties and all other items of income, expenses, profits and losses reported in the segment report is measured in a manner consistent with that in the statement of comprehensive income.

The group is not reliant on any one major customer as the group's products are consumed by the general public in various countries

**Geographical information**

The group operates in 2 main geographical areas:

**South Africa** – The group derives revenues from product manufacturing and developing and distribution of fleet management and vehicle tracking solutions within the South African Market; and

**Europe** – The group's activities comprise distribution of fleet management and vehicle tracking solutions to the European market.

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## SEGMENTAL ANALYSIS

| Figures in Rand thousand                 | SA Distribution | Foreign Distribution | Product development and manufacturing | Group services | Eliminated | Consolidated |
|--|-----------------|----------------------|---------------------------------------|----------------|------------|--------------|
| <b>30 June 2011</b>                      |                 |                      |                                       |                |            |              |
| Revenue                                  | 523 397         | 198 040              | 206 157                               | 20 109         | (235 455)  | 712 248      |
| External revenue                         | 480 049         | 198 040              | 26 770                                | 7 389          |            | 712 248      |
| Internal revenue                         | 43 348          |                      | 179 387                               | 12 720         | (235 455)  |              |
| Other operating income                   | 15 924          |                      | 2 484                                 |                | (15 350)   | 3 058        |
| Operating income                         | 539 321         | 198 040              | 208 641                               | 20 109         | (250 805)  | 715 306      |
| Operating expenses                       | (449 837)       | (186 693)            | (185 371)                             | (11 789)       | 250 805    | (582 885)    |
| External operating expenses              | (368 404)       | (146 447)            | (56 245)                              | (11 789)       |            | (582 885)    |
| Internal operating expenses              | (81 433)        | (40 246)             | (129 126)                             |                | 250 805    |              |
| Profit/(Loss) exchange differences       |                 | (313)                | (2 659)                               | 516            |            | (2 456)      |
| Profit/(Loss) disposal of assets         | 749             |                      |                                       |                |            | 749          |
| Depreciation and amortisation            | (31 421)        | (8 026)              | (5 812)                               | (1 402)        |            | (46 661)     |
| Impairment of intangible assets          |                 |                      | (138)                                 |                |            | (138)        |
| Operating income                         | 58 812          | 3 008                | 14 661                                | 7 434          |            | 83 915       |
| Operating profit                         | 58 812          | 3 008                | 14 661                                | 7 434          |            | 83 915       |
| Investment revenue                       | 9 117           | 85                   |                                       |                | (9 117)    | 85           |
| Finance costs                            | (10 043)        | (236)                |                                       | (5 121)        | 9 117      | (6 283)      |
| Income from equity accounted investments |                 |                      |                                       | 436            |            | 436          |
| Segment result: Profit before tax        | 57 886          | 2 857                | 14 661                                | 2 749          |            | 78 153       |
| Taxation                                 |                 |                      |                                       |                |            | (23 733)     |
| Profit for the year                      |                 |                      |                                       |                |            | 54 420       |
| Other disclosures                        |                 |                      |                                       |                |            |              |
| Segment assets                           | 290 002         | 135 771              | 161 814                               | 244 507        | (49 157)   | 782 937      |
| Segment liabilities                      | (52 764)        | (33 994)             | (25 864)                              | (88 168)       | 49 157     | (151 633)    |
| Capital expenditure                      | 64 807          | 1 040                | 1 382                                 | 147            |            | 67 376       |

## SEGMENTAL ANALYSIS

| Figures in Rand thousand                 | SA Distribution | Foreign Distribution | Product development and manufacturing | Group services | Eliminated | Consolidated |
|--|-----------------|----------------------|---------------------------------------|----------------|------------|--------------|
| <b>30 June 2010</b>                      |                 |                      |                                       |                |            |              |
| Revenue                                  | 415 748         | 123 138              | 154 602                               | 26 237         | (189 191)  | 530 534      |
| External revenue                         | 380 208         | 112 071              | 25 457                                | 12 798         |            | 530 534      |
| Internal revenue                         | 35 540          | 11 067               | 129 145                               | 13 439         | (189 191)  |              |
| Other operating income                   | 15 814          |                      | 20 028                                | 7 877          |            | 43 719       |
| Operating income                         | 431 562         | 123 138              | 174 630                               | 34 114         | (189 191)  | 574 253      |
| Operating expenses                       | (342 737)       | (122 992)            | (167 359)                             | (24 913)       | 189 191    | (468 810)    |
| External operating expenses              | (172 052)       | (111 925)            | (166 359)                             | (18 474)       |            | (468 810)    |
| Internal operating expenses              | (170 685)       | (11 067)             | (1 000)                               | (6 439)        | 189 191    |              |
| Profit/(Loss) exchange differences       |                 |                      | (5 984)                               | 3 273          |            | (2 711)      |
| Profit/(Loss) disposal of assets         |                 |                      |                                       | 1 752          |            | 1 752        |
| Depreciation and amortisation            | (29 541)        |                      | (2 406)                               | (1 848)        |            | (33 795)     |
| Operating income                         | 59 284          | 146                  | (1 119)                               | 12 378         |            | 70 689       |
| Operating profit                         | 59 284          | 146                  | (1 119)                               | 12 378         |            | 70 689       |
| Investment revenue                       | 13 086          | 84                   | 81                                    | 238            | (12 443)   | 1 046        |
| Finance costs                            | (12 946)        |                      | (478)                                 | (3 790)        | 12 443     | (4 771)      |
| Income from equity accounted investments |                 |                      |                                       | 909            |            | 909          |
| Segment result: Profit before tax        | 59 424          | 230                  | (1 516)                               | 9 735          |            | 67 873       |
| Taxation                                 |                 |                      |                                       |                |            | (20 348)     |
| Profit for the year                      |                 |                      |                                       |                |            | 47 525       |
| Other disclosures                        |                 |                      |                                       |                |            |              |
| Segment assets                           | 226 210         | 101 918              | 116 631                               | 238 617        | (16 195)   | 667 181      |
| Segment liabilities                      | (40 810)        | (46 474)             | (16 390)                              | (81 956)       | 16 195     | (169 435)    |
| Capital expenditure                      | 48 775          | 1 475                | 2 489                                 | 1 487          |            | 54 226       |

GEOGRAPHICAL  
INFORMATION

| Figures in Rand thousand | South Africa     |           | Europe          |          | Eliminated       |           | Consolidated     |           |
|--------------------------|------------------|-----------|-----------------|----------|------------------|-----------|------------------|-----------|
|                          | 2011             | 2010      | 2011            | 2010     | 2011             | 2010      | 2011             | 2010      |
| Revenue                  | <b>749 663</b>   | 596 586   | <b>198 040</b>  | 123 138  | <b>(235 455)</b> | (189 191) | <b>712 248</b>   | 530 534   |
| External revenue         | <b>514 208</b>   | 418 463   | <b>198 040</b>  | 112 071  |                  |           | <b>712 248</b>   | 530 534   |
| Internal revenue         | <b>235 455</b>   | 178 123   |                 | 11 067   | <b>(235 455)</b> | (189 191) |                  |           |
| Segment operating profit | <b>80 907</b>    | 70 543    | <b>3 008</b>    | 146      |                  |           | <b>83 915</b>    | 70 689    |
| Segment assets           | <b>696 323</b>   | 581 458   | <b>135 771</b>  | 101 918  | <b>(49 157)</b>  | (16 195)  | <b>782 937</b>   | 667 181   |
| Segment liabilities      | <b>(166 796)</b> | (138 526) | <b>(33 994)</b> | (47 104) | <b>49 157</b>    | 16 195    | <b>(151 633)</b> | (169 435) |
| Capital expenditure      | <b>66 336</b>    | 52 751    | <b>1 040</b>    | 1 475    |                  |           | <b>67 376</b>    | 54 226    |

## GENERAL INFORMATION

|  |  |
|--|--|
| <b>Country of incorporation and domicile</b>       | South Africa   |
| <b>Nature of business and principal activities</b> | Manufacturing and distribution of fleet management and vehicle tracking solutions  |
| <b>Directors</b>                                   | <p>SR Aberdein – Executive Director<br/> D du Rand – Executive Director<br/> NA Gasá – Lead Independent Non-Executive Director<br/> MD Rousseau – Chief Operations Officer<br/> SS Ntsaluba – Independent Non-Executive Director<br/> NH Vlok – Non-Executive Director and Chairman of the Board<br/> FJ Schindehütte – Chief Financial Officer<br/> BS Khuzwayo – Independent Non-Executive Director and Chairman of the Transformation Committee<br/> BC Esterhuyzen – Chief Executive Officer<br/> Prof B Marx – Independent Non-Executive Director and Chairman of the Audit and Risk Committee<br/> L Msengana-Nalela – Independent Non-Executive Director<br/> JD Wiese – Non-Executive Director<br/> J Verster – Chief Technology Officer<br/> G Pretorius – Independent Non-Executive Director</p> |
| <b>Registered office</b>                           | DigiCore Building, Regency Office Park,<br>9 Regency Drive, Route 21 Corporate Park,<br>Irene Ext 30, Centurion, South Africa  |
| <b>Postal address</b>                              | PO Box 68270,<br>Highveld Park,<br>0169  |
| <b>Bankers</b>                                     | ABSA Bank Limited  |
| <b>Auditors</b>                                    | PKF (Pta) Inc.<br>Chartered Accountants (S.A.)<br>Registered Auditors<br>Registration Number: 2000/026635/21   |
| <b>Secretary</b>                                   | DA Nieuwoudt   |
| <b>Company registration number</b>                 | 1998/012601/06   |
| <b>JSE Share Code</b>                              | DGC  |
| <b>ISIN</b>  | ZAE000016945   |



DigiCore

Ctrack

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