07 DIGICORE ANNUAL REPORT

DigiCore
HOLDINGS LIMITED

Unsurpassed **excellence**
incomparable value

CONTENTS

DigiCore HOLDINGS LIMITED

www.digicore.com

CORPORATE PROFILE

The JSE-listed DigiCore Holdings group specialises in the research, design, development, manufacture, sales and support of technologically advanced GPS/GSM fleet management and vehicle tracking solutions.

DigiCore works in partnership with its customers to develop solutions that deliver measurable business and operational benefits by providing total visibility and control of mobile assets and mobile work forces.

A wide range of vehicle location, fleet management, satellite navigation, workflow, mobile job planning and security tools are utilised to provide commercial vehicle, van and car fleet operators with scaleable solutions that offer flexibility, reliability and functionality.

VISION AND MISSION

We provide telematic solutions for asset and business management.

We achieve this through continuous research and development and a total commitment to service and customer satisfaction.

Our *Customers for Life* strategy is entrenched into the life blood of DigiCore.

We seek to achieve outstanding long-term profitability for our shareholders whilst maintaining a high standard of ethics and developing and rewarding our people accordingly.

In doing this we shall build a future for our shareholders, staff and customers alike.

DIGICORE STRENGTHS

Superior products

Superior products and software solutions are the key distinguishing factors between DigiCore and its competitors.

Insurance industry approval

DigiCore's full product range and its supporting infrastructure have received a resounding thumbs up from SAIA (South African Insurance Association). This has paved the way for the insurance industry to endorse and recommend C-track.

Customer focus

DigiCore aims at establishing long-term relationships with customers based on adding genuine value to their business, business ethics and corporate culture. Partners in the vehicle manufacturing, vehicle retail, financing and insurance industries add further value to our *Customers for Life* strategy.

Black economic empowerment

Two BEE partners purchased 30% of DigiCore Fleet Management SA in 2006. DigiCore Fleet Management SA employs over 350 people in nine branches throughout South Africa and has more than 100 fully equipped mobile service vehicles and constitutes the bulk of DigiCore's South African operations. The two partners are Amabubesi Investments which holds 17,4% and Western Breeze which holds 12,6% of DigiCore Fleet Management SA (Pty) Limited. These partners are now well entrenched and continue to add significant value.

ISO 9001:2000

During the course of 2002, the DigiCore group obtained ISO 9001:2000 certification for quality management and maintaining systems according to the above mentioned standards.

Research and development

DigiCore places great emphasis on the research and development of products in meeting market demands for value-added, flexible, feature-rich and cost-effective technology. The importance of research and development is evidenced by the continued investment in this activity with 2007 spend reflecting an increase year on year of 30%.

Telematics

Telematics can be defined as the wireless communication of information and services with vehicles and equipment. DigiCore provides the wireless hardware and software platforms within the telematics chain.

Project implementation

Built on our extensive experience in fleet management and project implementation, DigiCore has the ability to implement global projects ranging from 1 to 19 000 vehicles such as debis (Telkom), eThekwini (Durban) Municipality and Thames Water, enabling the customer to maximise the solution benefits effectively.

FINANCIAL HIGHLIGHTS

Revenue **36%**

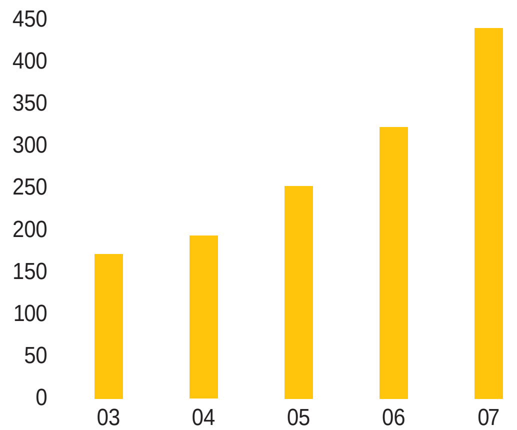
Operating profit **44%**

Earnings per share **37%**

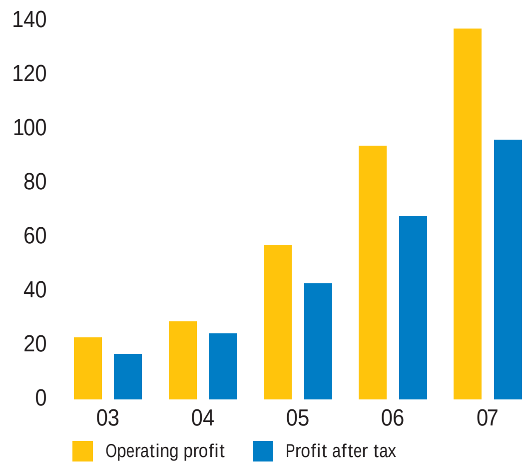
Attributable earnings **37%**

Cash on hand **R59 million**

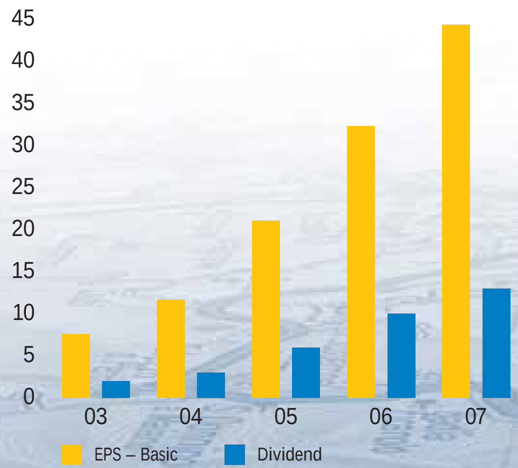
Sales analysis (R'million)



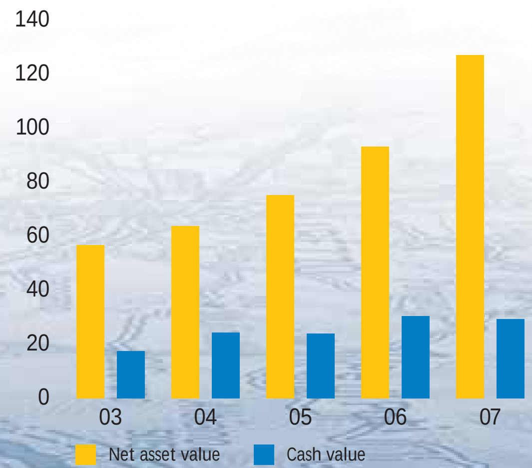
Profit overview (R'million)



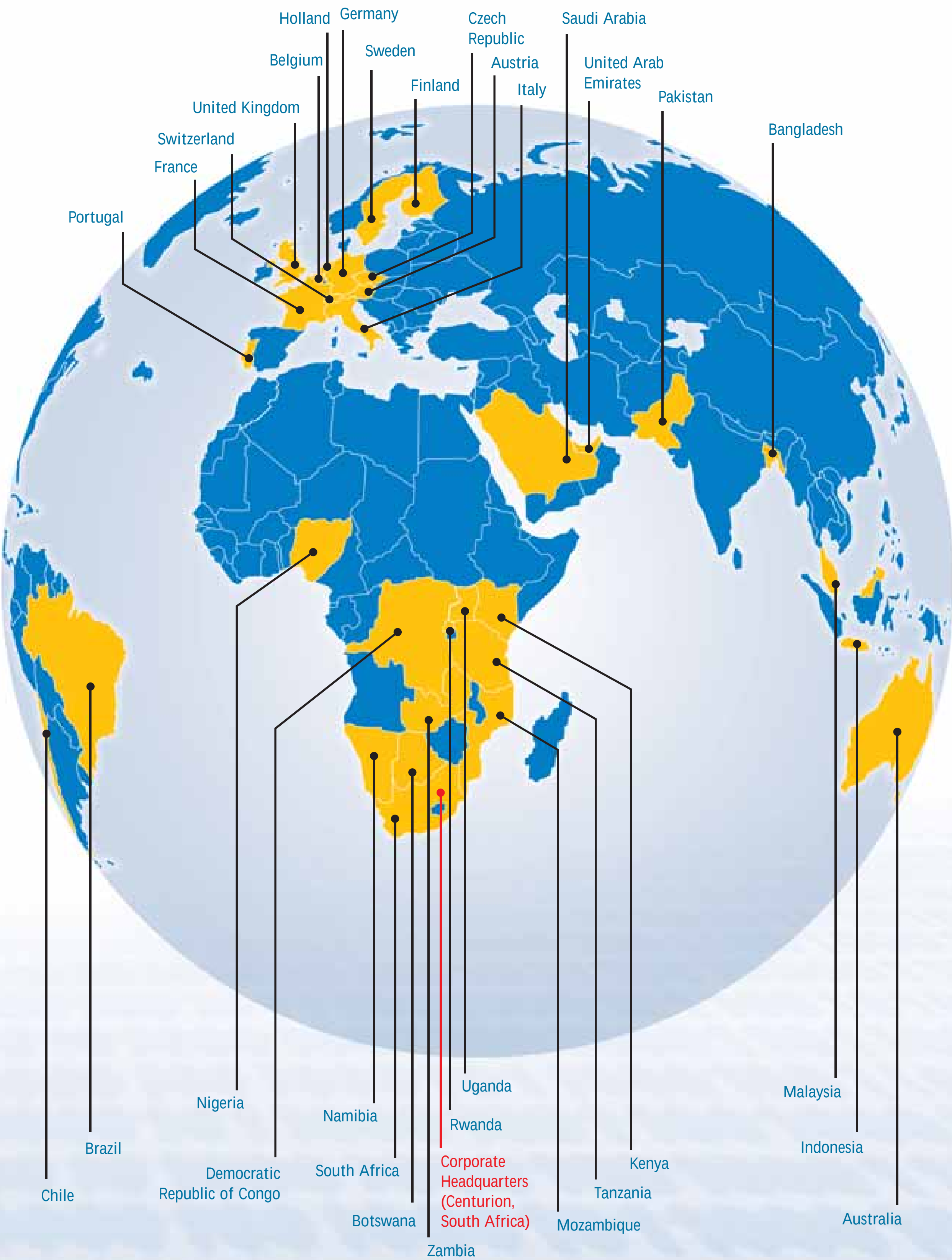
EPS/Dividend per share (cents)



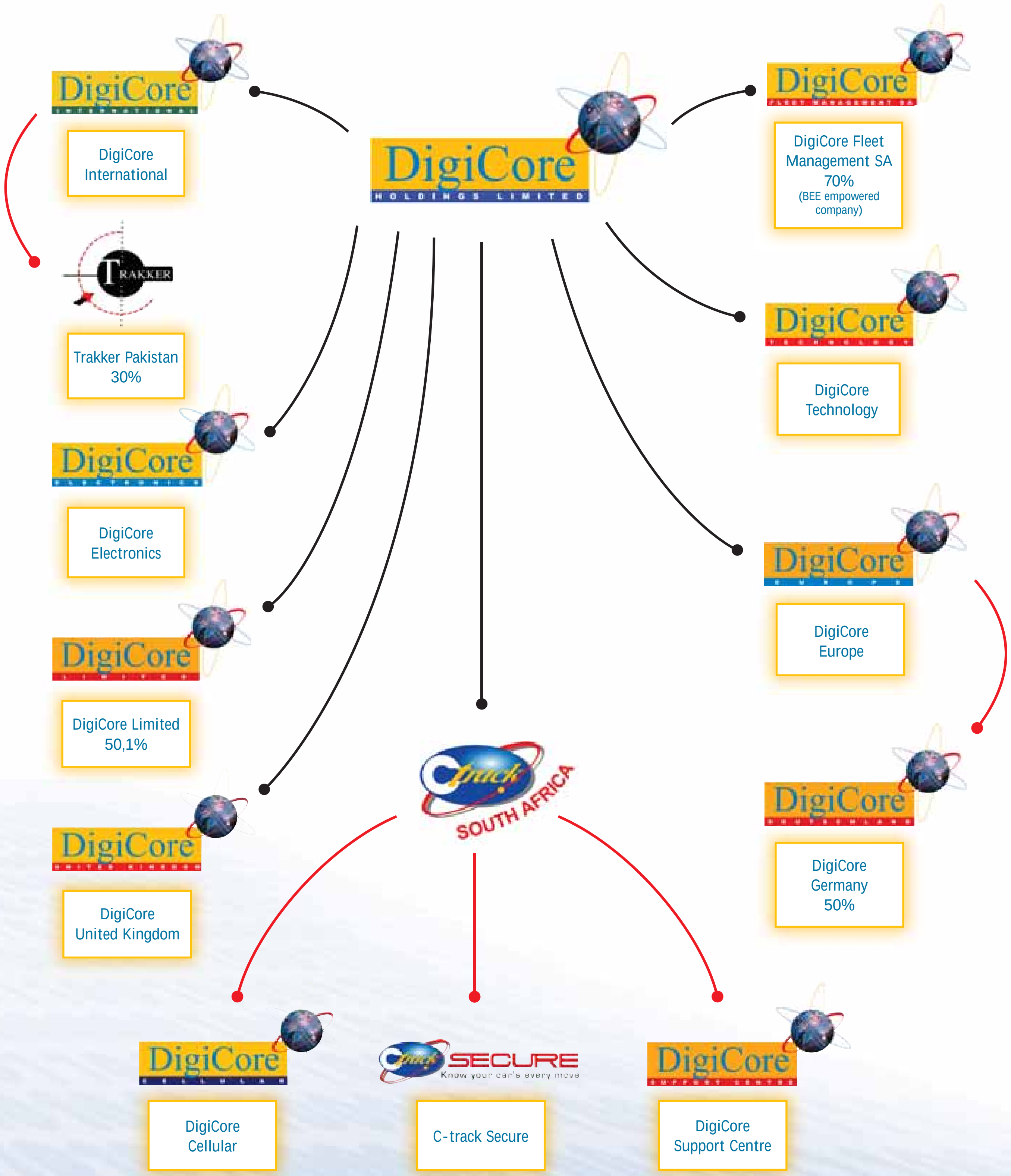
Asset/Cash value per share (cents)



GLOBAL OPERATIONS



GROUP STRUCTURE



BOARD OF DIRECTORS

1 FJ Schindehütte (42)
BCom (RAU), Hon BCompt (Unisa), CA(SA)
Group financial director
DigiCore Holdings board
Member of audit committee
Appointed 26 June 2007

2 BJ Richards (41)
(British)
Director – International
DigiCore Holdings board
Appointed 7 October 2001

3 SS Ntsaluba (47)
BCom, Hon BCompt (Unisa), CA(SA), HDip Tax Law (RAU)
Non-executive director
DigiCore Holdings board
Chairman of audit committee
Appointed 12 April 2006

4 NA Gasa (57)
BAdmin (Hons) (Unisa), MCom (Unizul), Nat Dip (Physio)
Chairman
DigiCore Holdings board
Appointed 23 November 2001

5 NH Vlok (51)
BCom (RAU)
Chief executive officer
DigiCore Holdings board
Member of remuneration committee
Appointed 8 October 1997

6 ND Mokone (35)
Hon BCom (KZN)
Non-executive director
DigiCore subsidiary board
Appointed 12 September 2007

7 MW Hill (49)
BCom (Unisa)
Regional director (Coastal)
DigiCore subsidiary board
Appointed 1 July 2005

DigiCore Holdings Limited board members

8 MD Rousseau (45)

BCom (Unisa)

Managing director – DigiCore Fleet Management

DigiCore Holdings board
Appointed 3 January 2005

9 DA Nieuwoudt (35)

BAcc (Stell), Hon BCompt (Unisa), CA(SA)

Group company secretary
Financial director

DigiCore subsidiary board
Member of risk committee
Appointed 1 April 2005

10 Adv BS Khuzwayo (45)

BProc (Unizul), LLB (Natal)

Non-executive director

DigiCore Holdings board
Chairman of BEE committee
Appointed 25 July 2006

11 HF Jordt (39)

Certificate Business Management (Unisa)

Regional director (Inland)

DigiCore subsidiary board
Appointed 1 July 2005

12 JC Mostert (44)

Electronic Engineering Dip (Pta Technikon, Engineering Management Dip (Pta)

Director Research and Development

DigiCore subsidiary board
Appointed 1 June 2004

13 D du Rand (47)

BEng (Hons) (UP), MBL (Unisa)

Managing director – DigiCore Technology

DigiCore Holdings board
Appointed 7 December 2000

14 BC Esterhuyzen (47)

BComm, LLB

Non-executive director

DigiCore Holdings board
Chairman of remuneration committee
Appointed 13 December 2005

15 SR Aberdein (50)

BBus Sc (UCT), CA(SA), Dip Data (Unisa)

Executive director

Managing director – DigiCore Electronics
DigiCore Holdings board
Member of risk committee
Appointed 1 July 1998

CHAIRMAN'S REPORT

"It is indeed gratifying to see that DigiCore has earned the status of being a proud South African company offering world-class telematic solutions to local and international customers"

Introduction

Now 21 years old, the JSE-listed DigiCore Holdings has truly come of age. Not only has the group grown in age and size, it has accumulated and continually refined its technology and the art of servicing customers in the 21 years of its existence, as reflected in financial results for the year to June 2007. It is, therefore, my pleasure to report to all our shareholders, stakeholders and customers that DigiCore Holdings is in good health.

Although we have extended our operations to 32 countries to date, we remain a truly South African company in transformation. Our vision, *We provide telematic solutions for asset and business management*, remains true for us today and in the future. To maintain this position, the group will continue to provide customer service, relationship building and continuous technological improvements.

Board of directors

The board has continued to maintain its independence while staying abreast of the company's strategic and operational activities. The balanced cross-section of professional backgrounds, knowledge, expertise and experience among current board members adds real value to the quality of decisions and strategic guidance provided to executive management.

There is improved racial and gender participation in the main and subsidiary boards, and the board plans to continually enhance representation without compromising on quality.

The relationship between the board and the executive remains healthy and transparent. A strategic review was held in July 2007 to ensure that the organisation is fully aligned to technological, business and environmental changes in the marketplace. The proposed strategies flowing out of this session are being vigorously implemented by management, while the board remains vigilant on issues of policy, corporate governance, risk management and transformation.

Currently, the board has three fully functional subcommittees, namely:

- Audit and risk committee, chaired by Sango Ntsaluba
- Remuneration committee, chaired by Barney Esterhuyzen
- BEE/transformation committee chaired by Advocate Vusi Khuzwayo.

The steady growth in international and local business is maintained and driven by the clear direction provided by the board and the dedication and astuteness of the management team under the leadership of our chief executive officer, Nick Vlok.

Black economic empowerment

In July 2006, the group sold a 30% stake in DigiCore Fleet Management to an empowerment consortium comprising Amabubesi and Western Breeze Trading, with subsequent board representation. While this transaction improved the BEE status of DigiCore Holdings, the value added by these directors to the group's main and subsidiary boards has been phenomenal. Further improvements are planned for the group's BEE status, employment equity, gender participation and corporate social investment, driven by the BEE/transformation committee's guidance and direction to the board on all related issues.

Overall performance

Every division and distributor has grown during the review period and all were profitable. Our product offerings were advanced and several software developments have again pre-empted our competitors, allowing the group to retain its market leading position.

The tenders awarded to DigiCore by blue-chip organisations in South Africa and in Europe, the Middle East and Asia, bear testimony to our superior products and services. These orders have raised our global image, presented new opportunities and ensured a stable supply of units for the coming year.

Future challenges

As environmental, socio-political, technological and business conditions change, DigiCore Holdings will face challenges which require adjustment and alignment. Fortunately, the group has a board and executives that embrace change. The board diligently continues to apply itself to these challenges including:

- Changing needs of our customers
- Changing policies and goals of government
- Human resource development issues
- Rapidly growing international and local business
- Increased government business especially at provincial and local levels
- Market environment
- Technological environment
- The financial markets and associated issues
- Expectations of our shareholders
- Social needs of our communities
- Inherent needs of our staff.

In appreciation

The board appreciates the unequivocal support of all our international and local customers who have partnered with us in developing DigiCore to where it is today. We commit ourselves to continued excellent customer service.

We extend our deep appreciation to our chief executive, his committed management team and all our staff for the excellent results they have achieved in the past year.

Our shareholders have continued to believe in us and we trust our consistent performance will entrench their confidence.

To all our stakeholders, business partners, suppliers and service providers – it continues to be an honour to work with you.

Lastly, I thank my board colleagues for the support, dedication and good counsel that enable me to fulfil my role as chairman.

NA Gasa
Chairman

CHIEF EXECUTIVE OFFICER'S REPORT

"The recent local and international tenders awarded to DigiCore bears testimony to the fact that we are a true global competitor"

Introduction

It is with great pleasure that we announce sterling growth for the sixth consecutive year. For the year ended 30 June 2007, DigiCore recorded 37% growth in earnings per share, a remarkable achievement for a group still building new markets. Equally, the 36% increase in revenue is proof of our world-class products and services, now delivered to 32 countries. During the review period, we also secured tenders from several blue-chip companies, including BHP Billiton and the South African Police Services, to be delivered during the coming year.

Financial results

Revenue rose by 36% to R440,6 million (2006: R323,2 million) while operating profit increased by 44% to R135 million and margins remained stable.

Earnings per share increased 37% to 44,4 cents for the period from 32,3 cents. Headline earnings per share rose to 44,1 cents from 31,9 cents, a 38% improvement.

Our cash balance reduced slightly to R59 million mainly due to increased tax and dividend payments, and the need for more working capital to fulfil large orders received in June and only expedited in July 2007.

Trade receivables increased to R146 million mainly due to record sales performance in June 2007 while inventories increased by R23 million in anticipation of several large orders.

We finalised negotiations to acquire the remaining 49% stake in DigiCore Europe BV in May 2007 at a price/earnings multiple of 8.5. Accordingly, effective 1 January 2007, 100% of DigiCore Europe was consolidated in the results for this year.

Fleet management operations

We have maintained or grown our market share in most of the countries in which we operate.

In South Africa, we are entrenching our position as the service provider of choice, building relationships and supplying superior technology at an unprecedented rate.

Among others, we successfully installed over 5 000 units for eThekwini (Durban) Municipality, resulting in more efficient control, service delivery and cost savings for them.

The fleet services part of our business has increased income from our management information bureau, cellular, product servicing and software licensing by 36%, primarily annuity-based income. Our *Customers for Life* strategy has also been successfully expanded to Europe and other countries.

Our international expansion strategy is producing excellent results:

- With the assistance of our South African team, the UK operation (50,1% subsidiary) secured several tender contracts during the review period. DigiCore Limited contributed to group earnings this year for the first time and is structured to deliver ongoing profits in future.
- DigiCore Europe increased net profit after tax by 27%. Newly appointed distributors are starting to deliver results, further enhancing our service capability in the area.

Stolen vehicle recovery (SVR) operations

C-track South Africa had a very successful year and produced a profit while spending approximately R10 million on brand building and advertising. Our marketing campaign, bundling navigation and in-car DVD systems with the C-track Secure product offering, is producing very encouraging results.

Relationships were built with motor dealers, insurance companies and brokers during the period.

Trakker Pakistan reached a new milestone with 50 000 installations earlier this year and growth of 31% in unit sales. This is currently our most successful SVR operation.

Black economic empowerment

The relationship with our new empowerment partners is working well and has contributed to the success of our local fleet management business. In addition to equity ownership, we have made progress on the other pillars, supporting transformation in our business. The first two black women were appointed to the DigiCore Fleet Management SA board in September 2007.

The future

Several of the large tenders we have been awarded will be rolled out over the next three years, giving us a higher level of guaranteed sales income than we have ever had before. The full scope of these tenders does, in some cases, depend on the successful initial implementation of a few thousand units and achieving targeted goals and savings.

The rapid software development requirements of these tenders will continue to provide leading world-class solutions, further enhancing our opportunities to continue winning larger tenders worldwide.

Indications from several research companies point to exponential growth for our industry in the next five years and we believe we are well placed to capitalise on opportunities.

Prospects for the local stolen vehicle recovery market appear equally promising as customers realise the benefits of our superior products and services.

Owning 100% of our subsidiary in Europe will allow us to contribute to a planned strategic expansion programme in the area that should entrench us in the forefront of the automated vehicle location technology market.

With our ethical and service-orientated approach, we look forward to another successful year ahead.

Thank you

Our appreciation goes to our customers, suppliers, distributors worldwide and our employees for an exceptional year. I have faith that we will take the group from strength to strength in years to come.

Nick Vlok
Chief executive officer

REVIEW OF OPERATIONS

DigiCore Electronics

DigiCore Electronics again substantially increased production volumes, increasing the number of units shipped by 38% compared to the previous financial year. Exports rose by 60%, while unit sales to DigiCore Fleet Management and the Secure division increased by 41%. Commendably, the overall increase in production volumes was achieved with only 18% more staff at the factory while total expenditure decreased by 13%.

Higher production levels, combined with aggressive negotiation with our main suppliers, enabled us to contain and, in some cases, reduce component costs.

In April 2007, the company completed the smooth changeover to a new enterprise resource planning platform, which is already delivering expected efficiencies.

Quality remains a strong focus of the business. Increased automation of the quality-control process has further reduced production faults. We are also replacing automated test equipment, previously custom-built for each product, with a standardised system that allows test equipment to be moved quickly between assembly lines as required. Because this equipment can be used on any of our products and is readily obtainable, it eliminates the risk of test equipment failure and bottlenecks in production.

With strong sales at the end of the review period, and a new monthly production record in September 2007, DigiCore Electronics anticipates another successful year.

DCE remains committed to manage a world class production facility in line with all ISO 9001 requirements.

"We are now confidently well positioned to cater for sudden increases in demand from any of our global markets"

DigiCore Technology

On the back of DigiCore's successes in securing new business, particularly tenders, DigiCore Technology significantly expanded its resources and capabilities throughout its departments to support these projects. Accordingly, a project department was established to ensure a clear split between customer/tender-specific activities and the group's core technology and product development. This project department will also take responsibility for co-ordinating the deployment of DigiCore's technology and products at international distributors and globally assist with large tenders and C-track implementation at major customers.

To support this growth and additional responsibilities, DigiCore Technology's premises were redesigned and refurbished to provide a better working environment for our people. Special initiatives were launched to ensure creativity and innovation are retained despite rapid growth.

DigiCore Technology reached a number of significant product milestones during the year. A major upgrade of the C-track5 base station software was released in the first half of 2007, merging local and international versions into a single entity to optimise technical support and training. This version is now available in eight languages. New versions of C-track's web or internet interfaces have been released and deployed at major customers.

DigiCore Technology has successfully introduced a new telematics unit based on the low-cost GSM/GPRS/GPS technology platform noted in the prior report. This currently represents more than 50% of unit sales to our Pakistan distributor. This technology platform is the focus of significant development to ensure DigiCore's telematics products stay ahead of global competition in terms of cost, functionality and flexibility to adapt to customer-specific requirements.

The company has upgraded the C-track Solo and C-track Secure products and expanded the Solo product range to include various interfaces to third-party systems. A notable achievement is the CAN interface which allows C-track Solo to receive speed, distance, fuel and many other parameters directly from the engine-management computers of modern vehicles. The CAN interface has already been approved by two major vehicle manufacturers and DigiCore is working closely with others to enhance the information available on their vehicles via these interfaces.

The DigiCore product support department is responsible for technical support, product/user documentation and distributor training. During the period, the enlarged department successfully executed C-track deployment and system upgrades at distributors in Saudi Arabia, Nigeria, Malaysia, Pakistan and for a major global customer in Australia, Chile and South Africa. The department works closely with DigiCore Technology developers and assists with the proper release process of all new products and the implementation of training and support.

DigiCore Communication Gateway in Centurion remains a core part of DigiCore's strategy and currently hosts over 50 000 vehicles with more than 15 000 customers receiving their vehicles' information in real time from this facility. The gateway now also supports the new C-track Connect web interface which shows vehicle information to customers worldwide on local maps and in local time.

REVIEW OF OPERATIONS continued

DigiCore Fleet Management South Africa

DigiCore Fleet Management South Africa recorded exceptional results for the review period in an industry focused on controlling costs and improving efficiencies for its customers. Sales growth continued to be driven by new vehicle sales, increased awareness of the benefits of investing in security and fleet management solutions and rising fuel prices.

Changing customer requirements were supported by launching several fleet management solutions and adding more value to the C-track product range:

- Paragon dynamic routing and scheduling software has been integrated with C-track and has attracted much interest in improving fleet efficiencies.
- Job Go is an internally developed solution for remote customer dispatching to improve response times and reduce administration processes.
- C-track Connect has provided the required flexibility of inexpensively monitoring and managing fleets through C-track web-based software.

The company was extremely successful in securing large tenders during the year. As some of these will be rolled out over three years, this enhances the company's annuity income base.

Resources are being increased to accommodate rising demand and ensure excellent service delivery to our customers. Tight cost control and benefit is, however, monitored at senior level.

In line with the group's *Customers for Life* strategy, DigiCore business consultants now help customers improve solutions and processes in their operations with the C-track product range.

At the beginning of the financial year, the black economic empowerment transaction was implemented with our partners, Amabubesi and Western Breeze. This has proved fruitful, both in the growth of the business and access to a wider range of clientele.

The company has achieved its short-term empowerment equity plan goal and will continue implementing its longer-term strategy. Additional initiatives will accelerate the process during the next financial year.

"The focus for the coming year is on expanding the performance of existing operations"

C-track South Africa

This was an exciting and challenging year for C-track South Africa, reflected in a dramatic increase in sales throughout all divisions as market awareness of the product offering became entrenched. The implementation of our marketing strategies has proven highly effective since the fourth quarter of the year, establishing a solid foundation for exponential sales growth in the next year.

Stolen vehicle recovery unit sales are underpinned by new vehicle sales, the increase in criminal activity, brand awareness and superior product offering. Again, our marketing campaigns have elicited a solid response supporting increased sales activity levels.

A 200% growth in fitment centre partners has resulted in a footprint that covers all major South African centres. Uniquely, we have increased mobile installation fitments in these areas as well.

Three major contracts were secured during the period which will benefit future sales growth and additional contracts are currently under negotiation.

The taxi industry is experiencing direct cost savings and management benefits by using C-track products, and proving an exciting growth area.

The support centre operates a bureau service which has attracted a large number of existing customers who enjoy the ease of proactive management reporting and interactive support.

The power of C-track technology and improved processes has enhanced our recovery-rate statistics to unprecedented levels in the stolen vehicle recovery industry, and provided an integrated service to our fleet management customers.

The internal management of GSM data and voice lines has subsequently increased which secures these revenue streams for the future. This annuity income is growing exponentially, as more customers switch their GSM lines to C-track SA to benefit from the management process, which harnesses variable costs.

Innovative value-added products and services will continue to play a part in converting customers to our existing product offerings as we intent conquering this market.

REVIEW OF OPERATIONS continued

DigiCore International

DigiCore's international unit sales rose 60% in the review period, driven by tested and ongoing strategies, particularly the continued focus on established partners and channels across Europe, UK and Pakistan, which have all recorded excellent growth.

With 31% growth in unit sales, Trakker Pakistan continues to strengthen its leading position in the region with an installed base of over 50 000 stolen vehicle recovery systems. Trakker Pakistan has concluded a number of strategic partnerships with financial institutions that stipulate C-track systems for all financed vehicles. Trakker Middle East LLC in Abu Dhabi has secured successful contracts throughout the United Arab Emirates, supplying over 30 car rental companies with fleet management solutions. A highlight in the region was the successful award of the Sharjah Muncipality tender for 1 150 vehicles that will be fully implemented in the new financial year.

During the year, we acquired the remaining 49% shareholding in DigiCore Europe and refocused the business in line with the rapid growth of the European telematics market.

Following the success of the Thames Water tender in London as an anchor contract into the United Kingdom three years ago, in the review period, DigiCore International secured several tenders and contracts that will see our worldwide footprint of operations extended into five more countries. This partner-based strategy seeks to leverage long-standing relationships to accelerate our entry into new markets. This is a vital part of our expansion strategy and counters the difficulties associated with identifying a new high-quality partner in each market.

During the period, we finalised new partners in Malaysia and Saudi Arabia, both second-generation tracking companies. These companies were already active in the fleet management vehicle-tracking industry but were attracted to DigiCore's superior technology and support which will enable them to expand and advance their existing businesses.

Globally, many GSM network operators have invested heavily in continually upgrading network infrastructures for expanding user data requirements. As the C-track product range is an excellent data application to be offered as part of these networks' product offerings, MTN in Nigeria and Grameenphone in Bangladesh became partners during the year, offering C-track solutions to their existing customer bases to increase their value-added services.

Continued investment in DigiCore's end-to-end technology solutions resulted in securing eight international tenders during the year. Of these, five will only be implemented fully during the new financial year. DigiCore International is in a unique position globally where the products we offer cater for both the stolen vehicle recovery market and also the high-end fleet management arena. This has afforded us massive flexibility in evaluating new markets and allows us to segment the market to fit our offering to individual customers' needs.

Currently in 32 countries, DigiCore International continues to build partner's businesses by combining cutting-edge technology with tested solutions. DigiCore software is available in eight languages and each country is given blueprints for effective market strategies, sales training, communication and technical excellence.

"Continued investment in DigiCore's end-to-end technology solutions resulted in securing eight international tenders during the year"

DigiCore Europe

DigiCore Europe has recorded another excellent financial year, with net profit after tax rising 28%. The C-track Benelux operation has strengthened its position and expanded market share while generating almost 45% of European profit. Unit sales rose by 26% for the review period.

DigiCore Europe has been investing in preparations for pan-European growth in the "Pay As You Drive", road-pricing and distance-based pricing models, partnering with insurance and leasing companies. Technology remains key to our success in this highly competitive environment and the second-generation web-based applications of C-track Connect and C-track Online are superior to current market offerings. The business will offer a mixed pricing model in the new financial year, supporting long-term annuity income streams.

The new financial year will be focused on strengthening footprints in our current 12 operations throughout Europe to facilitate optimal organic growth, particularly in the strategically important German and French markets. Scandinavia continues to deliver strong growth in both unit sales and market development. Switzerland, Austria, Italy and Portugal have established partners that are anticipating good growth in the new financial year.

Europe management team

S Broekhuizen (38)

PHM Sporken (44)

CWWL van Kooten (38)

"The new financial year will be focused on strengthening footprints in our current 12 operations throughout Europe to facilitate optimal organic growth"

C-track SOLO

C-track ASSIST

C-track SECURE+ Know your car's every move

REVIEW OF OPERATIONS continued

United Kingdom management team


TM O'Connor (51)


JB Wybrew (66)


MS Naldrett (52)


CP Dowson (33)


MStPE Woodhouse (33)

DigiCore United Kingdom

In the United Kingdom, DigiCore Limited has built up significant momentum in the past 12 months with strong sales growth in a highly competitive industry, following a series of high-profile contract wins. This has substantially expanded the company's presence in key market sectors.

DigiCore Limited has enjoyed continuing success in the utility sector where it is fast becoming the partner of choice among leading UK operators. The company has repeatedly demonstrated the value it can provide to its customers, and has a proven track record in the utility business to effectively deliver large-scale vehicle tracking solutions.

DigiCore Limited has secured new projects from an impressive list of utility-related companies including Southern Water, Wessex Water, Wales & West Utilities and nPower. Elsewhere, DigiCore has achieved additional growth in the service management industry and public sector.

DigiCore Limited has developed a strong pipeline of new business leads for future growth, and a number of major projects are expected to be announced shortly. In the new financial year, the company will pursue this successful partnership strategy with both large corporate and smaller companies to further expand its customer base.

The company has invested in internal resources, including the expansion of its sales force, in response to growing demand for telematics solutions from vehicle operators in the UK. This increasing interest in vehicle-tracking systems, driven by a range of issues including rising fuel prices, congestion, duty-of-care and legislative compliance, will create ongoing business opportunities for DigiCore Limited.

"DigiCore Limited has enjoyed continuing success in the utility sector where it is fast becoming the partner of choice"

CORPORATE GOVERNANCE

As corporate governance is essential to the interests of DigiCore's stakeholders, the board of directors strives to conduct the group's business with integrity. The directors agree with the spirit and principles of generally accepted corporate governance set out in the King Committee Report on Corporate Governance in South Africa (2002) (King II), and believe the group complies substantially with the principles of that report. The group maintains a listing on the JSE Limited which mandates certain disclosure requirements on corporate governance and complies in all material aspects to the regulations and codes of the exchange.

Board of directors

Composition of the board

The board comprises six executive and four non-executive directors, which ensures a balance of power and authority. The group will appoint more non-executive directors, of the right calibre and mix of skills, at the appropriate time.

Operation of the board

The board collectively determines the major policies and strategic direction of the group and retains full and effective control of the group. The implementation of these strategies is delegated to the executive committee, which oversees part of the day-to-day running of the group, and is monitored by the board. The board has also delegated some duties to sub-committees that report to the board regularly. Various charters have been drawn up detailing responsibilities within which the board and sub-committees operate. Non-executive directors ensure the group's interests are served by bringing impartial views that are separate from management.

The functions of the chairperson and chief executive officer are separate, with segregated duties. The chairperson is an independent, non-executive director. He provides guidance to the board as a whole and ensures that the board is efficient, focused and operates as a unit. He acts as facilitator at board meetings to ensure a flow of opinions and lead discussions to optimal outcomes in the interests of good governance. The appraisal of the chief executive officer's performance has been delegated to the remuneration committee.

The company secretary is empowered to properly fulfil his duties. He assists the chairperson and Chief executive officer in the administration of board proceedings and gives guidance on good governance. All directors have access to the services of the company secretary as well as access to company records and management. They may also seek professional advice with any related cost borne by the company.

Board appointment and evaluation

The nomination of new directors is discussed between non-executive directors and the CEO before the candidate is put forward to the board. A résumé is circulated to the board to consider the appropriateness of the nominee and the board, as a whole, appoints the director. Newly appointed directors must resign and stand for election at the first annual general meeting following their appointment. Non-executive directors do not hold service contracts with the company.

Newly appointed directors are inducted in an orientation programme to understand the group's operations and the business environment in which it operates.

Training on fiduciary duties and responsibilities is left up to the individual director, but any changes in legislation or regulations are brought to each director's attention.

Directors are encouraged to become members of professional bodies to gain knowledge and interact with peers. All executive directors are members of the Institute of Directors. The group is also registered with SACOB, the South African Chamber of Business.

Directors resign every three years by rotation and are re-elected by shareholders at the annual general meeting to facilitate board continuity.

Meetings and attendance

The board meets approximately eight times a year. Board packs, including an agenda, are distributed prior to the meeting and include relevant information so that directors can be prepared and make informed decisions. Directors may add additional items to the agenda.

Directors are encouraged to attend all meetings and a schedule is circulated on proposed dates at the beginning of the year. The number of meetings held, and attendance by each director since the last annual report, is detailed on the next page.

CORPORATE GOVERNANCE continued

Dates and attendance of board meetings:

	7/12/06	13/2/07	27/3/07	8/5/07	26/6/07	31/7/07	12/9/07	16/10/07
NA Gasa (chairman)	✓	✓	✓	✓	✓	✓	✓	✓
SR Aberdein	✓	✓	✓	✓	✓	Apologies	✓	✓
D du Rand	✓	✓	✓	✓	Apologies	✓	✓	✓
BC Esterhuyzen	✓	✓	✓	✓	✓	✓	✓	✓
BS Khuzwayo	✓	Apologies	✓	✓	✓	✓	✓	✓
DA Nieuwoudt	✓	✓	✓	✓	Resigned	Resigned	Resigned	Resigned
SS Ntsaluba	Apologies	✓	✓	✓	✓	✓	✓	Apologies
BJ Richards	Apologies	✓	✓	✓	✓	Apologies	✓	✓
MD Rousseau	Apologies	✓	✓	✓	✓	✓	✓	✓
FJ Schindehütte	–	–	–	–	✓	✓	✓	✓
NH Vlok	✓	✓	✓	✓	✓	✓	✓	✓

Board sub-committees

Certain duties of the board have been delegated to sub-committees to give more detailed attention to specific areas and to better channel the board's expertise.

Audit and governance committee

The committee currently comprises one executive and one non-executive director who chairs the meeting. The CEO and other executive directors attend committee meetings by invitation. The external auditors also attend by invitation. The committee meets at least three times a year during interim and year end reporting periods to review results that will be presented to the board for approval, as well as prior to the start of the annual audit to discuss risk areas to be covered in the scope of the fieldwork. Other duties include the review of internal control functions, addressing accounting or auditing concerns identified, assessing the accuracy and reliability of accounting information and reviewing the company's compliance with regulations.

Dates and attendance of audit committee meetings:

	13/2/07	26/6/07	12/9/07
SS Ntsaluba (chairman)	✓	✓	✓
DA Nieuwoudt	✓	Resigned	Resigned
FJ Schindehütte	–	✓	✓

Remuneration committee

The committee currently comprises one executive and two non-executive directors. A non-executive director chairs the meeting. The CEO is a member of the committee, but does not attend the meeting when his remuneration is discussed.

The committee advises the board on executive remuneration policies and the annual review of remuneration packages, profit share paid and issuing of share options to executive directors and senior management.

Dates and attendance of remuneration committee meetings:

	7/12/06	26/6/07	31/7/07
BC Esterhuyzen (chairman)	✓	✓	✓
SS Ntsaluba	Apologies	✓	✓
NH Vlok	✓	✓	✓

Risk committee

The committee comprises two executive directors and senior management from various areas in the group. The committee reviews risk management processes and analyses where potential risk areas lie. Areas of concern are reported to the board. The risk committee also ensures that procedures are practically incorporated into day-to-day operations.

Conflicts of interest

DigiCore has adopted a formal code on managing potential conflicts to ensure directors are free of conflicts of interest between the obligations they have to the company and their private interests. Any interests in contracts with the company must be formally disclosed and documented.

Internal control

It is the responsibility of the board to review the effectiveness of the group's systems of internal control. This covers all material controls, including financial controls, operational controls, compliance with laws and regulations and risk management.

The group's controls and systems are designed to provide reasonable, but not absolute, assurance against misstatement of financial information or loss.

Recommendations made by the group's external auditors to improve internal controls in their report to management have been reviewed by the audit committee, and changes to internal controls made where necessary.

Internal audit reports also highlight areas of weakness and changes are made where deemed appropriate.

Any major issues identified are referred to the audit committee for attention.

Internal audit function

An internal auditor reports directly to the financial director. His function is to review the internal controls of various areas of the business, particularly where new divisions or billing structures have been put in place. The established areas of the business are reviewed periodically to ensure control systems are still working correctly.

The internal auditor has direct access to the audit committee and written reports are presented to the committee for review once the internal audit process is completed.

Going concern

The board is of the opinion that the group has adequate resources to continue its business as a going concern for the year ahead. The financial statements have therefore been prepared on the going-concern basis as detailed in the directors' report.

Closed periods

No director or employee with access to price-sensitive information may trade in company shares between the date of the end of a reporting period and the date of publication of the results for that period, or in periods where the company is trading under a cautionary announcement.

Procedures have been implemented to prohibit such share dealings from taking place during closed periods.

Code of conduct and ethics

The group is committed to the highest standards of honesty, organisational integrity and ethical behaviour in all its dealings. The group's directors and employees are required to maintain the highest ethical standards which, in all reasonable circumstances, are above reproach. Conduct that violates these principles may constitute grounds for disciplinary action or even dismissal.

Staff members dealing with security matters of customers in the group are regularly required to take polygraph tests.

Whistle-blowing policy

A whistle-blowing policy has been drawn up.

Employee participation

Training and development

We emphasise the development and training of our people so they will be empowered to take part in our decision-making processes. The *Employees for Life* programme has been implemented involving all employees of the group. Employees are encouraged to study further and attend short courses or conferences to stay abreast of industry standards and best practice in their areas of involvement. The group sponsors formal education based on certain criteria.

CORPORATE GOVERNANCE continued

Remuneration policy

All employees are remunerated on an equal basis with a guaranteed cash package and company benefits. Benefits paid to salaried employees include company contributions to medical aid, retirement funding and a group life scheme. Benefits paid to wage earners are regulated by the Metal and Engineering Industries Bargaining Council. A non-guaranteed 13th cheque, payable in December, has been paid to staff over the last number of years. Profit-share performance bonuses are paid to all levels of staff based on company performance and other criteria. Key employees have ownership in the company by being allocated options in the share incentive trust.

Employment equity

DigiCore believes that to sustain our business performance into the future, the profile of the company's employees at all levels should more accurately reflect the demographics of our country. The group has therefore adopted a black economic empowerment policy that contains an employment equity programme and various guidelines on the development of previously disadvantaged individuals. Equal employment opportunities are offered to all prospective employees without discrimination. These policies are designed to attract, motivate and retain quality staff at all levels.

Occupational health and safety

The health and safety of all employees, as well as the well-being of the communities in which we operate, is an important component endorsed by the group.

The group's direct activities do not pose any threat to the environment in which it operates. The manufacturing division adheres to ISO 9001:2000 standards, which ensures that the work environment is healthy and safe.

Social responsibility

During the past year, DigiCore was involved in several community projects and charitable causes:

- The group actively supports underprivileged people in the communities in which we operate. Staff members are encouraged to take part in charity initiatives in aid of those less fortunate.
- DigiCore hosted its annual Cotlands Baby Sanctuary Golf Day to raise funds for children impacted by HIV/Aids.
- The company enrolled in the Adopt-a-School initiative in which it annually sponsors a primary school.
- DigiCore sponsors the Christian Praise Centre by donating towards the centre's chicken feeding scheme, which is its only meat source.
- DigiCore made donations to organisations involved in road safety initiatives, like Arrive Alive, to curb accidents on South African roads.
- In-kind donations of equipment and access to DigiCore systems were made to emergency staff at the 94.7 Cycle Challenge and Argus Cycle Tour events for the duration of each event.
- The group took part in the annual casual day event, sponsored by Absa, as well as the Sunflower Fund national bandana day, which aimed to educate and recruit well-informed and ethnically diverse potential bone marrow stem cell donors in an effort to save the lives of those needing transplants when suffering from life-threatening blood disorders.

Communication with shareholders and the investment community

Communication with investors and shareholders takes various forms, primarily via the annual and interim reports and circulars published to shareholders.

The board encourages shareholders to attend the annual general meeting, details of which are contained in this report, and shareholders' meetings which may take place from time to time.

Regular investor road shows and meetings are held with analysts and institutional shareholders following the release of financial results. Press releases are also sent out regularly on the release of important information as well as a quarterly newsletter.

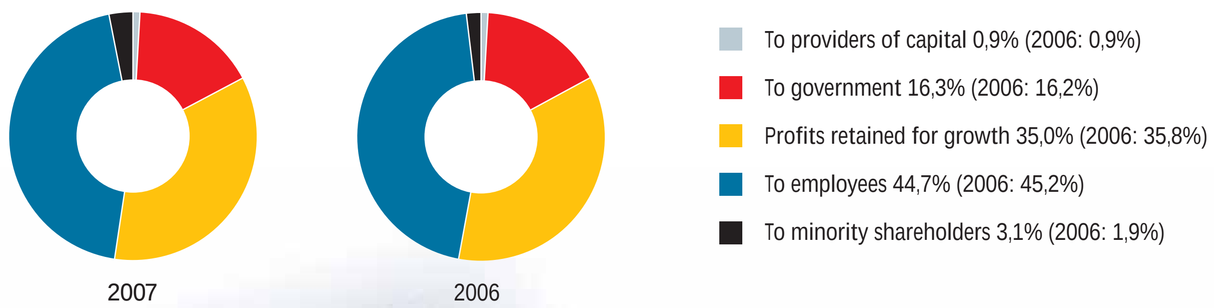
Further details on the group appear on our website, on the JSE Securities Exchange News Service and in the press from time to time.

VALUE ADDED STATEMENT

for the year ended 30 June 2007

Figures in R'000	2007	2006
Revenue	440 667	323 239
Less:	193 369	148 710
– Bought-in costs	180 193	141 479
– Depreciation	13 176	7 231
Net value added from operations	247 298	174 529
Investment income	3 708	4 525
Share of associates' earnings: equity method	766	(112)
Value added available for distribution	251 772	178 942
Distributed as follows:		
To employees		
– Salaries, wages and benefits	112 719	80 839
To government	40 986	28 970
To providers of capital	2 266	1 550
To minority shareholders	7 671	3 453
Profits retained for growth	88 130	64 130
Value distributed	251 772	178 942

Wealth distribution



FIVE-YEAR REVIEW

Figures in R'000	2007	2006	Restated 2005	2004	2003
Income statements for the years ended 30 June					
Revenue	440 667	323 239	253 049	193 860	172 161
Operating profit	134 579	93 690	57 090	28 794	22 804
Net finance income	1 442	2 975	439	251	(1 232)
Income from associates	766	(112)	310	787	181
Profit before taxation	136 787	96 553	57 839	29 832	21 753
Income tax expense	40 986	28 970	14 907	5 533	5 040
Profit after taxation	95 801	67 583	42 932	24 299	16 713
Attributable to:					
Minority shareholders	7 671	3 453	2 113	–	–
Equity holders of parent	88 130	64 130	40 819	24 299	16 713
Earnings per share (cents)	44,4	32,3	21,1	11,7	7,6
Headline earnings per share (cents)	44,1	31,9	21,1	12,2	8,0
Diluted earnings per share (cents)	42,2	32,3	21,1	11,4	7,6
Dividend per share (cents)	13,0	10,0	6,0	3,0	2,0
Special dividend per share (cents)				5,0	
Balance sheets at 30 June					
Assets					
Non-current assets	154 678	87 194	80 730	41 143	42 325
Property, plant and equipment	38 857	22 566	18 347	13 661	13 210
Intangible assets	107 364	56 174	45 951	20 016	21 287
Investments: associates	2 818	1 979	1 939	4 235	3 597
Investments: other	–	382	6 150	708	708
Deferred taxation	5 639	6 093	8 343	2 523	3 523
Current assets	276 096	198 477	157 929	109 208	94 147
Inventories	71 073	48 255	46 510	21 841	28 163
Trade and other receivables	145 780	88 800	62 818	41 174	29 609
Cash and cash equivalents	59 243	61 422	48 601	46 193	36 375
Total assets	430 774	285 671	238 659	150 351	136 472
Equity and liabilities					
Capital and reserves	263 525	198 478	154 483	121 351	115 180
Equity attributable to ordinary shareholders	257 361	188 633	152 370	121 351	115 180
Share capital and premium	13 368	11 630	19 264	15 541	29 445
Distributable reserves	2 533	1 427	6 590	–	–
Retained income	241 460	175 576	126 516	105 810	85 735
Minority interest	6 164	9 845	2 113	–	–
Non-current liabilities	20 188	15 746	29 325	1 825	3 234
Interest bearing borrowings	19 676	15 746	21 987	45	1 670
Long-term provisions	512	–	7 338	1 780	1 564
Current liabilities	147 061	71 447	54 851	27 175	18 058
Trade and other payables	59 318	29 833	26 140	19 957	13 345
Current provisions	14 213	8 294	3 358	3 080	1 075
Taxation payable	16 726	30 590	22 527	2 893	2 055
Other financial liabilities	56 804	2 730	2 826	1 245	1 583
Total equity and liabilities	430 774	285 671	238 659	150 351	136 472
Ratios					
Net asset value per share (cents)	127,2	93,2	75,3	63,8	56,8
Net tangible asset value per share (cents)	74,1	65,5	52,6	53,2	46,7
Cash value per share (cents)	29,3	30,4	24,0	24,3	17,4
Current ratio	1.88:1	2.78:1	2.88:1	4.02:1	5.21:1
Operating margin (%)	30,4	29,9	22,9	15,4	12,6
Closing share price at 30 June (cents)	736	290	146	67	25

The figures for 2007, 2006 and 2005 (restated) are based on International Financial Reporting Standards and the figures for 2004 and 2003 are based on South African Generally Accepted Accounting Practice.

DIGICORE ANNUAL FINANCIAL STATEMENTS CONTENTS

DIRECTORS' RESPONSIBILITIES AND APPROVAL

The directors are required by the South African Companies Act,1973, to maintain adequate accounting records and are responsible for the content and integrity of the financial statements and related financial information included in this report.

It is their responsibility to ensure that the 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 financial statements.

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

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 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 2007 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.

Although the board of directors is primarily responsible for the financial affairs of the group, they are supported by the group's external auditors.

The external auditors are responsible for independently reviewing and reporting on the group's financial statements. The financial statements have been examined by the group's external auditors and their report is presented on page 25.

The financial statements set out on pages 26 to 59, which have been prepared on the going concern basis, were approved by the board of directors and were signed on its behalf by:

NH Vlok
Chief executive officer

NA Gasa
Chairman

Centurion
18 September 2007

CERTIFICATE BY THE COMPANY SECRETARY

In terms of the Companies Act, No 61 of 1973 (as amended) (the Act), I certify that, to the best of my knowledge, the company has lodged with the Registrar of Companies all such returns as are required of a public company in terms of the Act and that all such returns are true, correct and up to date.

DA Nieuwoudt CA(SA)
Company secretary

Centurion
18 September 2007

REPORT OF THE INDEPENDENT AUDITORS

To the shareholders of DigiCore Holdings Limited and its subsidiaries

We have audited the accompanying financial statements of DigiCore Holdings Limited and its subsidiaries, which comprise the directors' report, the balance sheet as at 30 June 2007, the income statement, the statement of changes in equity and cash flow statement for the year then ended, a summary of significant accounting policies and other explanatory notes, as set out on pages 26 to 59.

Directors' responsibility for the financial statements

The company's directors are responsible for the preparation and fair presentation of these financial statements in accordance with International Financial Reporting Standards, and in the manner required by the South African Companies Act,1973. This responsibility includes: designing, implementing and maintaining internal control relevant to the preparation and fair presentation of financial statements that are free from material misstatement, whether due to fraud or error; selecting and applying appropriate accounting policies; and making accounting estimates that are reasonable in the circumstances.

Auditors' responsibility

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

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

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

Opinion

In our opinion, the financial statements present fairly, in all material respects, the financial position of the company as of 30 June 2007, and of its financial performance and its cash flows for the year then ended in accordance with South African Statements of Generally Accepted Accounting Practice, and in the manner required by the South African Companies Act,1973.

PKF (Pretoria) Incorporated
Chartered Accountants (SA)
Registered Accountants and Auditors

Pretoria
18 September 2007

REPORT OF THE DIRECTORS

The directors have pleasure in presenting their report for the year ended 30 June 2007, which forms part of the audited financial statements.

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 is engaged in the manufacturing and distribution of fleet management products using telematics locally and throughout the world.

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

Going concern

The financial statements have been prepared on the going concern basis. This basis presumes that management neither intends to cease trading nor has any realistic alternative but to do so.

This basis presumes that funds will be available to finance future operations and that the realisation of assets and the settlement of liabilities, contingent obligations and commitments will occur in the ordinary course of business.

Internal controls

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 of directors 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.

Events after balance sheet date

Subsequent to year end, the purchase price of R61,136 million for the purchase of the 49% shareholding in DigiCore Europe BV from Stramco BV was settled partly in cash of Euro2,458 million and partly through the issue of 6 509 874 DigiCore shares after fulfilment of the suspensive conditions. The allotment of the 6 509 874 ordinary DigiCore Holdings Limited shares came into effect on 10 September 2007, bringing the total issued share capital to 208 865 351 shares. The purchase price is recorded in the balance sheet under current liabilities, other financial liabilities.

Other than mentioned above, the directors are not aware of any matter or circumstance arising since the end of the financial year not otherwise dealt with in the report or annual financial statements, that would affect the operations or the results of operations significantly.

Directors' interest in contracts

During the year 12,6% of the shares in DigiCore Fleet Management SA (Pty) Limited were sold to Western Breeze Trading (Pty) Limited. Mr Nhanhla Gasa, a director of DigiCore Holdings Limited, is also a director and shareholder of Western Breeze Trading 135 (Pty) Limited.

PSG Capital Limited were appointed as the independent professional expert in accordance with paragraph 10.7(b) of the JSE Listings Requirements and provided the JSE with written confirmation that the terms of the disposal are fair and reasonable to DigiCore Holdings Limited shareholders.

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

Authorised and issued share capital

The details regarding the authorised and issued share capital are contained in note 11 of the annual financial statements.

Borrowing limitations

In terms of the articles of association of the company, the directors may exercise all the powers of the company to borrow money, as they consider appropriate.

Share incentive scheme

The group operates a share investment scheme, where certain employees are awarded options that can be exercised over a four year period. The option strike price is set on the day the options are awarded to staff.

Refer to note 12 for detail about share-based payments during the current year.

Non-current assets

There were no changes in the nature of the non-current assets of the group or in the policy relating to the use of the non-current assets.

Interest in subsidiaries

Details of the company's investment in subsidiaries are set out in note 4.

Dividends

An interim ordinary dividend of 5 cents per share (2006: 4 cents) was declared on 27 February 2007 and a final dividend of 8 cents per share (2006: 6 cents) was proposed on 18 September 2007, making the total distribution for the year 13 cents per share (2006: 10 cents).

The interim dividend was paid on 19 March 2007 and the final dividend was paid on 15 October 2007.

Directorate

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

SR Aberdein
D du Rand
BC Esterhuyzen
NA Gasa
BS Khuzwayo
SS Ntsaluba
DA Nieuwoudt
BJ Richards
MD Rousseau
FJ Schindehütte
NH Vlok

Company secretary

The secretary of the company is DA Nieuwoudt of:

Business address
20 Eddington Crescent
Highveld Park
Centurion
South Africa
0156

Postal address
PO Box 68270
Highveld Park
Centurion
South Africa
0169

Auditors

PKF (Pretoria) Incorporated will continue in office in accordance with section 270(2) of the Companies Act.

Directors' interest in shares of the company as at 30 June 2007

	Direct	Indirectly beneficial	Indirectly non-beneficial	Total
SR Aberdein	1 060 000	17 848 708	191 500	19 100 208
D du Rand	990 000	1 901 000	40 000	2 931 000
DA Nieuwoudt	200 000	–	–	200 000
BR Richards	1 443 100	–	–	1 443 100
MD Rousseau	40 000	1 040 000	–	1 080 000
NH Vlok	14 550 606	18 055 735	3 005 350	35 611 691
BC Esterhuyzen	–	6 137 300	–	6 137 300
	18 283 706	44 982 743	3 236 850	66 503 299

BALANCE SHEETS

as at 30 June 2007

Figures in R'000	Notes	GROUP 2007	GROUP 2006	COMPANY 2007	COMPANY 2006
Assets					
Non-current assets					
Property, plant and equipment	2	38 857	22 566	–	–
Goodwill	3	107 364	56 174	19 636	19 636
Investments in subsidiaries	4	–	–	8 702	8 702
Investments in associates	5	2 818	1 979	708	708
Other financial assets		–	382	–	–
Deferred tax	7	5 639	6 093	175	342
		154 678	87 194	29 221	29 388
Current assets					
Inventories	8	71 073	48 255	–	–
Loans to group companies	6	–	–	249 353	203 208
Trade and other receivables	9	145 780	88 800	1 717	1 154
Cash and cash equivalents	10	59 243	61 422	12 453	37 474
		276 096	198 477	263 523	241 836
Total assets		430 774	285 671	292 744	271 224
Equity and liabilities					
Equity					
Equity attributable to equity holders of parent		257 361	188 633	151 756	172 297
Share capital	11	13 368	11 630	24 527	24 299
Reserves		2 533	1 427	711	277
Retained income		241 460	175 576	126 518	147 721
Minority interest		6 164	9 845	–	–
		263 525	198 478	151 756	172 297
Liabilities					
Non-current liabilities					
Other financial liabilities	13	17 232	15 746	17 232	5 051
Finance lease obligation	14	2 444	–	–	–
Deferred tax	7	512	–	–	–
		20 188	15 746	17 232	5 051
Current liabilities					
Other financial liabilities	13	55 428	2 730	48 486	2 730
Current tax payable	22	16 726	30 590	177	661
Finance lease obligation	14	1 376	–	–	–
Loans from group companies	6	–	–	71 495	84 801
Provisions	15	14 213	8 294	604	1 179
Trade and other payables	16	59 318	29 833	2 994	4 505
		147 061	71 447	123 756	93 876
Total liabilities		167 249	87 193	140 988	98 927
Total equity and liabilities		430 774	285 671	292 744	271 224

INCOME STATEMENTS

for the year ended 30 June 2007

		GROUP		COMPANY	
Figures in R'000	Notes	2007	2006	2007	2006
Revenue	17	440 667	323 239	6 000	4 800
Cost of sales and operating expenses		(306 088)	(229 549)	(2 345)	(738)
Operating profit	18	134 579	93 690	3 655	4 062
Investment revenue		3 708	4 525	2 964	3 706
Income from equity accounted investments		766	(112)	–	–
Finance costs		(2 266)	(1 550)	(903)	(212)
Profit before taxation		136 787	96 553	5 716	7 556
Taxation	19	(40 986)	(28 970)	(4 660)	(2 751)
Profit for the year		95 801	67 583	1 056	4 805
Attributable to:					
Equity holders of the parent		88 130	64 130	1 056	4 805
Minority interest		7 671	3 453	–	–
Basic earnings per share (cents)	28	44,4	32,3		
Basic headline earnings per share (cents)	28	44,1	31,9		
Fully diluted earnings per share (cents)	28	42,2	31,7		
Interim dividend per share (cents)		5,0	4,0		
Final dividend per share declared (cents)		8,0	6,0		
Total dividend per share (cents)		13,0	10,0		

STATEMENT OF CHANGES IN EQUITY

for the year ended 30 June 2007

Figures in R'000	Share capital	Share premium	Total share capital	Foreign currency translation reserve
Group				
Balance at 01 July 2005	202	19 062	19 264	–
Currency translation differences			–	1 150
Share-based payments			–	
Profit for the year			–	
Total recognised income and expenses for the period	–	–	–	1 150
Purchase of own/treasury shares	(4)	(7 834)	(7 838)	
Employees share option scheme: Proceeds of shares issued		204	204	
Revaluation reserve reversed			–	
Dividends paid			–	
Business combinations			–	
Total changes	(4)	(7 630)	(7 634)	1 150
Balance at 01 July 2006	198	11 432	11 630	1 150
Currency translation differences			–	672
Profit for the year			–	
Total recognised income and expenses for the period	–	–	–	672
Issue of shares	1	1 509	1 510	
Share-based payments			–	
Employees share option scheme: Proceeds of shares issued		228	228	
Dividends paid			–	
Business combinations			–	
Total changes	1	1 737	1 738	672
Balance at 30 June 2007	199	13 169	13 368	1 822
Note	11	11	11	
Company				
Balance at 01 July 2005	202	23 893	24 095	–
Profit for the year			–	
Purchase of own/treasury shares			–	
Employees share option scheme: Proceeds of shares issued		204	204	
Dividends paid			–	
Total changes	–	204	204	–
Balance at 01 July 2006	202	24 097	24 299	–
Profit for the year			–	
Purchase of own/treasury shares			–	
Employees share option scheme: Proceeds of shares issued		228	228	
Dividends paid			–	
Total changes	–	228	228	–
Balance at 30 June 2007	202	24 325	24 527	–
Note	11	11	11	

	Revaluation reserve	Other NDR	Total reserves	Retained income	Total attributable to equity holders of the group/ company	Minority interest	Total equity
	6 449	141	6 590	126 516	152 370	2 113	154 483
			1 150		1 150		1 150
		340	340		340		340
			–	64 130	64 130	3 453	67 583
	–	340	1 490	64 130	65 620	3 453	69 073
			–		(7 838)		(7 838)
		(204)	(204)		–		–
	(6 449)		(6 449)		(6 449)		(6 449)
			–	(15 070)	(15 070)		(15 070)
			–			4 279	4 279
	(6 449)	136	(5 163)	49 060	36 263	7 732	43 995
	–	277	1 427	175 576	188 633	9 845	198 478
			672		672		672
			–	88 130	88 130	7 671	95 801
	–	–	672	88 130	88 802	7 671	96 473
			–	–	1 510		1 510
		662	662	–	662		662
		(228)	(228)		–		–
			–	(22 246)	(22 246)		(22 246)
			–			(11 352)	(11 352)
	–	434	1 106	65 884	68 728	(3 681)	65 047
	–	711	2 533	241 460	257 361	6 164	263 525
	–	141	141	159 104	183 340		183 340
			–	4 805	4 805		4 805
		340	340		340		340
		(204)	(204)		–		–
			–	(16 188)	(16 188)		(16 188)
	–	136	136	(11 383)	(11 043)		(11 043)
	–	277	277	147 721	172 297		172 297
			–	1 056	1 056		1 056
		662	662	–	662		662
		(228)	(228)	–	–		–
			–	(22 259)	(22 259)		(22 259)
	–	434	434	(21 203)	(20 541)		(20 541)
	–	711	711	126 518	151 756		151 756

CASH FLOW STATEMENTS

for the year ended 30 June 2007

Figures in R'000	Notes	GROUP 2007	GROUP 2006	COMPANY 2007	COMPANY 2006
Cash flows from operating activities					
Cash receipts from customers		390 905	293 467	5 437	3 778
Cash paid to suppliers and employees		(288 024)	(219 564)	(4 432)	2 856
Cash generated from operations	21	102 881	73 903	1 005	6 634
Interest income		3 708	4 525	2 964	3 706
Finance costs		(2 266)	(1 550)	(903)	(212)
Tax paid	22	(54 137)	(18 655)	(4 977)	(1 227)
Equity profit from associate		766	(112)	–	–
Net cash from operating activities		50 952	58 111	(1 911)	8 901
Cash flows from investing activities					
Purchase of property, plant and equipment	2	(30 469)	(11 858)	–	–
Sale of property, plant and equipment		1 652	875	–	–
Loans to group companies repaid		–	–	(13 305)	–
Proceeds from loans from group companies		–	–	–	26 418
Loans advanced to group companies		–	–	(46 146)	–
Sale of financial assets		382	5 768	–	–
Other non-cash item		(1 552)	–	–	–
Acquisition of businesses		–	(5 870)	–	(8 700)
Net cash from investing activities		(29 987)	(11 085)	(59 451)	17 718
Cash flows from financing activities					
Reduction of share capital or buy-back of shares		1 510	(7 839)	–	–
Movement in interest bearing borrowings		(7 702)	(6 337)	57 937	(6 352)
Finance lease payments		3 820	–	–	–
Share options exercised		228	204	228	204
Dividends paid	23	(22 246)	(15 070)	(22 259)	(16 188)
Other non-cash item		1 246	(5 163)	434	136
Net cash from financing activities		(23 144)	(34 205)	36 340	(22 200)
Total cash movement for the period		(2 179)	12 821	(25 022)	4 419
Cash at the beginning of the period		61 422	48 601	37 474	33 055
Total cash at end of the period	10	59 243	61 422	(12 453)	37 474

NOTES TO THE ANNUAL FINANCIAL STATEMENTS

for the year ended 30 June 2007

1. Accounting policies

Presentation of Financial Statements

The financial statements have been prepared in accordance with International Financial Reporting Standards, and the Companies Act of South Africa. The financial statements have been prepared on the historical cost basis, except for the measurement of certain financial instruments at fair value, and incorporate the principal accounting policies set out below.

These accounting policies are consistent with the previous period.

The group has adopted the South African Rand as its reporting currency.

1.1 Significant judgements

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

Trade receivables/held to maturity investments and/or loans and receivables

The group assesses its trade receivables/held to maturity investments and/or loans and receivables for impairment at each balance sheet date. In determining whether an impairment loss should be recorded in the income statement, the group makes judgements 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/held to maturity investments and/or loans and receivables is calculated on a portfolio 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 on the portfolio. These annual loss ratios are applied to loan balances in the portfolio and scaled to the estimated loss emergence period.

Allowance for slow moving, damaged and obsolete stock

A projection for stock was performed to take into account stock which would take more than two years to sell. Stock which exceeds this timeframe is provided for in full. Any stock that is physically identified as damaged is written off when discovered.

Options granted

Management used the Black-Scholes-Merton formula to determine the value of the options at issue date. Additional details regarding the estimates are included in note 12.

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 15 – Provisions.

Taxation

Judgement 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.

Allowance for doubtful debts

All debtors outstanding for more than 120 days are reviewed and, where necessary, provided for. Accounts are written off when they are delinquent.

NOTES TO THE ANNUAL FINANCIAL STATEMENTS
continued
for the year ended 30 June 2007

1.2 Basis of consolidation

The consolidated financial statements include those of the holding company and of its subsidiaries and associates. The investment in such foreign subsidiaries is included at cost less provisions and amounts written off, and results are accounted for only to the extent that dividends are received. The results of all subsidiaries are included from the dates effective control was acquired and up to the date effective control ceased. Intragroup sales and profits are eliminated fully on consolidation.

1.3 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.

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.

The initial estimate of the costs of dismantling and removing the item and restoring the site on which it is located is also included in the cost of property, plant and equipment.

Property, plant and equipment is carried at cost less accumulated depreciation and any impairment losses. As the residual value of land and buildings exceeds its carrying amount, no depreciation is provided on the asset.

Item	Average useful life
Plant and equipment	3 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

The residual value and the useful life of each asset are reviewed at each financial period end.

Each component part of property, plant and equipment with a cost that is significant in relation to the total cost of the item is depreciated separately.

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.

1.4 Goodwill

Goodwill is initially measured at cost, being the excess of the business combination over the company's interest of the net fair value of the identifiable assets, liabilities and contingent liabilities.

Subsequently goodwill is carried at cost less any accumulated impairment.

The excess of the company's interest in the net fair value of the identifiable assets, liabilities and contingent liabilities over the cost of the business combination is immediately recognised in profit or loss.

Internally generated goodwill is not recognised as an asset.

1.5 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.

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. For all other intangible assets amortisation is provided on a straight-line basis over their useful life.

1.6 Investments in subsidiaries

Group financial statements

The group financial statements include those of the holding company and its subsidiaries. The results of the subsidiaries are included from the effective date of acquisition.

On acquisition the group recognises the subsidiary's identifiable assets, liabilities and contingent liabilities at fair value, except for assets classified as held-for-sale, which are recognised at fair value less costs to sell.

Company financial statements

In the company's separate 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; plus
- any costs directly attributable to the purchase of the subsidiary.

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.

1.7 Investments in associates

Group financial statements

An investment in an associate is accounted for using the equity method, except when the asset is classified as held-for-sale. Under the equity method, the investment is initially recognised at cost and the carrying amount is increased or decreased to recognise the group's share of the profits or losses of the investee after acquisition date. The use of the equity method is discontinued from the date the group ceases to have significant influence over an associate.

Any impairment losses are deducted from the carrying amount of the investment in associate.

Distributions received from the associate reduce the carrying amount of the investment.

Profits and losses resulting from transactions with associates are recognised only to the extent of unrelated investors' interests in the associate.

The excess of the group's interest of the net fair value of an associate's identifiable assets, liabilities and contingent liabilities over the cost is accounted for as goodwill, and is included in the carrying amount of the associate.

The excess of the group's share of the net fair value of an associate's identifiable assets, liabilities and contingent liabilities over the cost is excluded from the carrying amount of the investment and is instead included as income in the period in which the investment is acquired.

NOTES TO THE ANNUAL FINANCIAL STATEMENTS
continued

for the year ended 30 June 2007

Company financial statements

An associate is an entity in which the group has significant influence, but which it does not control. Investments in associates are accounted for using the equity method, less impairment losses.

Under the equity method of accounting the group's share of the associate's profit or loss for the year is recognised in the income statement.

The group's interest in the associate is carried in the balance sheet at an amount that reflects its share of the net assets of the associate and includes goodwill on acquisition.

Where the group's share of losses of an associate exceeds the carrying value amount of the associate, the associate is carried at nil value. Additional losses are only recognised to the extent that the group has incurred obligations in respect of the associate.

1.8 Financial instruments

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.

Financial assets and financial liabilities are recognised on the group's balance sheet when the group becomes party to the contractual provisions of the instrument.

Loans to (from) group companies

Loans to or from group companies are included in the carrying amount of subsidiaries and associates and are recognised initially at fair value plus direct transaction costs.

Subsequently these loans are measured at amortised cost using the effective interest rate method, less any impairment loss recognised to reflect irrecoverable amounts.

On loans receivable an impairment loss is recognised in profit or loss when there is objective evidence that it is impaired. The impairment is measured as the difference between the investment's carrying amount and the present value of estimated future cash flows discounted at the effective interest rate computed at initial recognition.

Impairment losses are reversed in subsequent periods when an increase in the investment's recoverable amount can be related objectively to an event occurring after the impairment was recognised, subject to the restriction that the carrying amount of the investment at the date the impairment is reversed shall not exceed what the amortised cost would have been had the impairment not been recognised.

Investments

All investments are initially recognised at cost, being the fair value of the consideration given and including acquisition charges associated with the investment.

Other long-term investments that are intended to be held to maturity, such as bonds, are subsequently measured at amortised cost using the effective interest rate method. Amortised cost is calculated by taking into account any discount or premium on acquisition, over the period to maturity. For investments carried at amortised cost, gains and losses are recognised in income when the investments are derecognised or impaired, as well as through the amortisation process.

For investments that are actively traded in the carrying amount of organised financial markets, fair value is determined by reference to Stock Exchange quoted market bid prices at the close of business on the balance sheet date. For investments where there is quoted market price, fair value is determined by reference to the current market value of another instrument which is substantially the same or is calculated based on the expected cash flows of the underlying net asset base of the investment.

Investments that do not have a quoted market price in an active market and whose fair value cannot be reliably measured, are stated at cost, except where in the opinion of the directors there is a permanent diminution in value, in which case they are written down to director's valuation. Where an investment has been impaired, it is recognised as an expense in the period in which the impairment is identified.

Trade and other receivables

Trade receivables are measured at initial recognition at fair value, 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. The allowance is based on trade receivables outstanding for more than 120 days.

Trade and other payables

Trade payables are initially measured at fair value, and are subsequently measured at amortised cost, using the effective interest rate method.

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 overdrafts and borrowings

Bank overdrafts and borrowings are initially measured at fair value, 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.

Held for trading financial assets

Investments are recognised and derecognised on a trade date basis where the purchase or sale of an investment is under a contract whose terms require delivery of the investment within the timeframe established by the market concerned.

Investments are measured initially and subsequently at fair value, gains and losses arising from changes in fair value are included in profit or loss for the period.

Held to maturity and loans and receivables

These financial assets are initially measured at fair value plus direct transaction costs.

At subsequent reporting dates these are measured at amortised cost using the effective interest rate method, less any impairment loss recognised to reflect irrecoverable amounts.

Financial assets that the group has the positive intention and ability to hold to maturity are classified as held to maturity.

1.9 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.

NOTES TO THE ANNUAL FINANCIAL STATEMENTS
continued
for the year ended 30 June 2007

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 balance sheet date.

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 goodwill; or
- the initial recognition of an asset or liability in a transaction which:
  - is not a business combination; and
  - at the time of the transaction, affects neither accounting profit nor taxable profit (tax loss).

A deferred tax liability is recognised for all taxable temporary differences associated with investments in subsidiaries, branches and associates, and interests in joint ventures, except to the extent that both of the following conditions are satisfied:

- the parent, investor or venturer is able to control the timing of the reversal of the temporary difference; and
- it is probable that the temporary difference will not reverse in the foreseeable future.

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, unless the deferred tax asset arises from the initial recognition of an asset or liability in a transaction that:

- is not a business combination; and
- at the time of the transaction, affects neither accounting profit nor taxable profit (tax loss).

A deferred tax asset is recognised for all deductible temporary differences arising from investments in subsidiaries, branches and associates, and interests in joint ventures, to the extent that it is probable that:

- the temporary difference will reverse in the foreseeable future; and
- taxable profit will be available against which the temporary difference can be utilised.

A deferred tax asset is recognised for the carry forward of unused tax losses and unused STC credits to the extent that it is probable that future taxable profit will be available against which the unused tax losses and unused STC credits can be utilised.

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 balance sheet date.

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, directly in equity; or
- a business combination.

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 to equity.

1.10 Leases

A lease is classified as a finance lease if it transfers substantially all the risks and rewards incidental to ownership to the lessee. All other leases are classified as operating leases.

Finance leases – lessee

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

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 of 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 the income statement.

Operating leases – lessee

Operating lease payments are recognised as an expense on a straight-line basis over the lease term.

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

1.11 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 weighted average cost formula. The same cost formula is used for all inventories having a similar nature and use to the entity.

When inventories are sold, the carrying amount of those inventories are 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, are recognised as a reduction in the amount of inventories recognised as an expense in the period in which the reversal occurs.

NOTES TO THE ANNUAL FINANCIAL STATEMENTS
continued

for the year ended 30 June 2007

1.12 Impairment of assets

The group assesses at each balance sheet date 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 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; and
- tests goodwill acquired in a business combination for impairment 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:

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

An entity 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.

1.13 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.

If the group reacquires its own equity instruments, those instruments are deducted from equity. No gain or loss is recognised in profit or loss on the purchase, sale, issue or cancellation of the group's own equity instruments. Consideration paid or received shall be recognised directly in equity.

1.14 Share-based payments

Goods or services received or acquired in a share-based payment transaction are recognised when the goods or as 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 are measured, and the corresponding increase in equity, directly, at the fair value of the goods or services received, unless that fair value cannot be estimated 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, the 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.

1.15 Employee benefits

Short-term employee benefits

The cost of short-term employee benefits is 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.

Employee share incentive plan and share trust

The group has an employee share incentive plan and an employee share trust for the granting of non-transferable options to executives and senior employees.

For both schemes, the group recognises the cost of awarding share options in earnings over the related vesting period for employee stock option awards and the dilutive effect of outstanding options is reflected as additional share dilution in the computation of earnings per share. Shares held by the employee share trust are treated as treasury shares, recorded at cost, and presented in the balance sheet as a deduction from equity.

NOTES TO THE ANNUAL FINANCIAL STATEMENTS
continued
for the year ended 30 June 2007

1.16 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.

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.

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.

1.17 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.

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.

Interest is recognised, in profit or loss, using the effective interest rate method.

Dividends are recognised, in profit or loss, when the company's right to receive payment has been established.

1.18 Turnover

Turnover comprises sales to customers and service rendered to customers. Turnover is stated at the invoice amount and is exclusive of value added taxation.

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.

1.20 Borrowing costs

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

1.21 Translation of foreign currencies

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 each balance sheet date:

- 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 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 directly in equity, any exchange component of that gain or loss is recognised directly 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, joint ventures 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 balance sheet presented are translated at the closing rate at the date of that balance sheet;
- income and expenses for each income statement item are translated at exchange rates at the dates of the transactions; and
- all resulting exchange differences are recognised 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 in the translation reserve and recognised in profit or loss on disposal of the 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.

NOTES TO THE ANNUAL FINANCIAL STATEMENTS
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for the year ended 30 June 2007

2. Property, plant and equipment

Figures in R'000	2007 Cost/ valuation	2007 Accumulated depreciation	2007 Carrying value	2006 Cost/ Valuation	2006 Accumulated depreciation	2006 Carrying value
Group						
Land and buildings	8 096	–	8 096	5 638	–	5 638
Plant and equipment	26 652	(11 556)	15 096	12 504	(7 065)	5 439
Furniture and fixtures	2 607	(1 884)	723	2 352	(1 693)	659
Motor vehicles	13 602	(6 284)	7 318	9 342	(4 669)	4 673
Office equipment	5 963	(3 283)	2 680	5 191	(3 067)	2 124
IT equipment	9 627	(6 497)	3 130	7 588	(5 102)	2 486
Computer software	4 695	(3 438)	1 257	3 735	(2 832)	903
Leasehold improvements	1 193	(636)	557	1 109	(465)	644
	72 435	(33 578)	38 857	47 459	(24 893)	22 566

Reconciliation of property, plant and equipment – Group – 2007

Figures in R'000	Opening balance	Additions	Disposals	Depreciation	Total
Land and buildings	5 638	2 458	–	–	8 096
Plant and equipment	5 439	17 334	–	(7 677)	15 096
Furniture and fixtures	659	254	–	(190)	723
Motor vehicles	4 673	5 779	(1 001)	(2 133)	7 318
Office equipment	2 124	1 559	(1)	(1 002)	2 680
IT equipment	2 486	2 044	–	(1 400)	3 130
Computer software	903	960	–	(606)	1 257
Leasehold improvements	644	81	–	(168)	557
	22 566	30 469	(1 002)	(13 176)	38 857

Reconciliation of property, plant and equipment – Group – 2006

Figures in R'000	Opening balance	Additions	Depreciation	Total
Land and buildings	4 540	1 098	–	5 638
Plant and equipment	5 681	3 281	(3 523)	5 439
Furniture and fixtures	477	370	(188)	659
Motor vehicles	4 736	1 882	(1 945)	4 673
Office equipment	784	1 849	(509)	2 124
IT equipment	1 705	1 851	(1 070)	2 486
Computer software	228	957	(282)	903
Leasehold improvements	196	570	(122)	644
	18 347	11 858	(7 639)	22 566

Figures in R'000	GROUP 2007	GROUP 2006	COMPANY 2007	COMPANY 2006
Pledged as security				
Carrying value of assets pledged as security:				
Motor vehicles Motor vehicles are pledged as security for finance lease liabilities. Refer to note 14.	3 721	–	–	–
Assets subject to finance lease (Net carrying amount)				
Motor vehicles	3 721	–	–	–
Leasehold improvements	557	644	–	–
	4 278	644	–	–
Details of properties				
Land and buildings situated on portion 10, erf number 1 at Highveld Park, Centurion				
Purchase price: 2004	4 090	4 090	–	–
Land situated on portion 21, erf number 1 at Highveld Park, Centurion				
Purchase price: 2004	450	450	–	–
Land and buildings situated on portion 35, of the farm Merlish 205, Cape Regional District, Atlas Gardens				
Purchase price: 2006	3 556	1 098	–	–

A register containing the information required by paragraph 22(3) of Schedule 4 of the Companies Act is available for inspection at the registered office of the company.

3. Goodwill

Figures in R'000	2007 Cost/ valuation	2007 Accumulated amortisation	2007 Carrying value	2006 Cost/ Valuation	2006 Accumulated depreciation	2006 Carrying value
Group						
Goodwill	112 237	(4 873)	107 364	61 047	(4 873)	56 174
Company						
Goodwill	24 509	(4 873)	19 636	24 509	(4 873)	19 636

Reconciliation of goodwill – Group – 2007

Figures in R'000	Opening balance	Additions through business combinations	Foreign exchange movements	Total
Goodwill	56 174	49 646	1 544	107 364

Reconciliation of goodwill – Group – 2006

Figures in R'000	Opening balance	Additions through business combinations	Other changes	Total
Goodwill	45 951	10 111	112	56 174

The company has not had any changes in the carrying amounts and therefore no figures have been shown. The directors have reviewed the carrying amounts of goodwill and believe that no impairment is needed at this time due to the fact that all the businesses that created the goodwill are profitable at this time and that growth is still expected in the future years.

NOTES TO THE ANNUAL FINANCIAL STATEMENTS continued

for the year ended 30 June 2007

4. Investments in subsidiaries

Figures in R'000 Name of company	Held by	% holding 2007	% holding 2006	Carrying amount 2007	Carrying amount 2006
DigiCore (UK) Limited	DigiCore Holdings Limited	100,00	100,00	1	1
DigiCore Limited	DigiCore Holdings Limited	50,10	50,10	8 700	8 700
DigiCore Europe BV	DigiCore Holdings Limited	100,00	51,00	–	–
DigiCore Investments (Pty) Limited	DigiCore Holdings Limited	100,00	100,00	–	–
C-track (SA) (Pty) Limited	DigiCore Holdings Limited	100,00	100,00	1	1
DigiCore Brands (Pty) Limited	DigiCore Holdings Limited	100,00	100,00	–	–
DigiCore Properties (Pty) Limited	DigiCore Holdings Limited	100,00	100,00	–	–
DigiCore Financial Services (Pty) Limited	DigiCore Holdings Limited	100,00	100,00	–	–
DigiCore Technology (Pty) Limited	DigiCore Holdings Limited	100,00	100,00	–	–
DigiCore Electronics (Pty) Limited	DigiCore Holdings Limited	100,00	100,00	–	–
DigiCore International (Pty) Limited	DigiCore Holdings Limited	100,00	100,00	–	–
DigiCore Cellular (Pty) Limited	DigiCore Holdings Limited	100,00	100,00	–	–
DigiCore Fleet Management (SA) (Pty) Limited	DigiCore Holdings Limited	70,00	100,00	–	–
				8 702	8 702

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

From 1 July 2006, DigiCore Fleet Management (SA) (Pty) Limited was only 70% owned as part of a BEE deal. The 30% in DigiCore Fleet Management (SA) (Pty) Limited not held by DigiCore Holdings Limited was obtained by the following two entities:

- Amabubesi Investments (Pty) Limited holds 17,4% and
- Western Breeze Trading 135 (Pty) Limited holds 12,6%.

Subsequent to year end, DigiCore International (Pty) Limited purchased the remaining 49% from the minority shareholders of DigiCore Europe BV. The transaction was effective 1 January 2007.

5. Investments in associates

Figures in R'000 Name of company	Listed/ unlisted	% holding 2007	% holding 2006	GROUP 2007	GROUP 2006	COMPANY 2007	COMPANY 2006
Trakker (Pvt) Limited	Unlisted	30,00	30,00	1 061	708	708	708
Digicore Deutschland	Unlisted	50,00	50,00	1 757	1 271	–	–
				2 818	1 979	708	708

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

The shareholding in DigiCore Deutschland is held through DigiCore Europe BV.

Figures in R'000	GROUP 2007	GROUP 2006	COMPANY 2007	COMPANY 2006
6. Loans to/from group companies				
Subsidiaries				
DigiCore Europe BV	–	–	7 540	12 138
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 banking facilities granted.				
Staff Share Trust	–	–	6 294	5 422
DigiCore (UK) (Pty) Limited	–	–	6 202	5 850
DigiCore Fleet Management (SA) (Pty) Limited	–	–	16 864	–
DigiCore Electronics (Pty) Limited	–	–	(61 655)	2 736
DigiCore International (Pty) Limited	–	–	61 242	726
DigiCore Technologies (Pty) Limited	–	–	4 361	(8 562)
DigiCore Financial Services (Pty) Limited	–	–	3 936	1 600
C-track (SA) (Pty) Limited	–	–	12 190	(76 239)
DigiCore Properties (Pty) Limited	–	–	6 488	925
DigiCore Brands (Pty) Limited	–	–	(9 540)	11 313
DigiCore Investments (Pty) Limited	–	–	123 936	162 498
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.				
	–	–	177 858	118 407
Current assets	–	–	249 353	203 208
Non-current liabilities	–	–	(71 495)	(84 801)
	–	–	177 858	118 407
7. Deferred tax				
Deferred tax asset/(liability)				
Accelerated capital allowances for tax purposes	5 127	6 093	175	342
Reconciliation of deferred tax asset/(liability)				
At beginning of the year	6 093	8 344	342	473
(Reversing)/originating temporary difference provisions	(966)	(2 251)	(167)	(131)
	5 127	6 093	175	342
Non-current assets	5 639	6 093	175	342
Non-current liabilities	(512)	–	–	–
	5 127	6 093	175	342

NOTES TO THE ANNUAL FINANCIAL STATEMENTS
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for the year ended 30 June 2007

Figures in R'000	GROUP 2007	GROUP 2006	COMPANY 2007	COMPANY 2006
8. Inventories				
Raw materials, components	21 391	8 345	–	–
Work in progress	–	5 724	–	–
Finished goods	53 453	38 852	–	–
	74 844	52 921	–	–
Provision for stock write-downs	(3 771)	(4 666)	–	–
	71 073	48 255	–	–
9. Trade and other receivables				
Trade receivables	122 059	86 752	13	13
Employee costs in advance	–	9	–	–
Deposits and prepayments	963	231	212	231
Deposits	3 919	1 165	–	–
VAT	6 643	–	–	–
Other receivables	12 196	643	1 492	910
	145 780	88 800	1 717	1 154

Accounts receivable have been ceded to the company's bankers as security for banking facilities granted. Facilities requiring cession of accounts receivable amount to Rnil (2006: Rnil) at year end, as there were no overdraft facilities being used.

10. Cash and cash equivalents

Cash and cash equivalents consist of:

Figures in R'000	GROUP 2007	GROUP 2006	COMPANY 2007	COMPANY 2006
Cash on hand	117	79	–	–
Bank balances	59 126	61 343	12 453	37 474
	59 243	61 422	12 453	37 474

Local cash is kept in current and investment accounts with the company's bankers.
An investment account of R3 million (2006: R5 million) was ceded to the bankers as security for banking facilities granted.
Cash held in the foreign subsidiaries is managed with the subsidiaries' own bankers.

Figures in R'000	GROUP 2007	GROUP 2006	COMPANY 2007	COMPANY 2006
11. Share capital				
Authorised				
1 000 000 000 ordinary shares of R0,001 each	1 000	1 000	1 000	1 000
Issued				
202 355 477 ordinary shares of R0,001 each	202	202	202	202
Share premium	13 169	11 432	24 325	24 097
Treasury shares	(3)	(4)	–	–
	13 368	11 630	24 527	24 299

797 644 523 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.

12. Share-based payments

Share Option Group	Number	Weighted exercise price (R)	Total value
Outstanding at the beginning of the period	4 089 000	1,63	6 665 000
Issued during the period	1 050 000	4,86	5 103 000
Exercised during the period	(1 769 000)	0,97	(1 716 000)
Outstanding at the end of the period	3 370 000	2,98	10 052 000

Weighted average share price at exercise date of options was R2,87 (2006: R2,69).

Outstanding options	Exercise date within one year	Exercise date from two to four years	Total
Options with exercise price R0,60	172 000	–	172 000
Options with exercise price R1,42	300 000	300 000	600 000
Options with exercise price R2,47	287 000	861 000	1 148 000
Options with exercise price R2,79	100 000	300 000	400 000
Options with exercise price R4,09	120 000	480 000	600 000
Options with exercise price R5,89	90 000	360 000	450 000
	1 069 000	2 301 000	3 370 000

Information on options granted during the year

Weighted fair value per option granted during the year was R1,37.

Fair value was determined by using the Black Scholes Merton model. The following inputs were used:
- Weighted average share price
- Exercise price
- Expected volatility
- Option life
- Expected dividends
- The risk-free interest rate
- Yield rate.

Method and the assumptions used in calculating the fair value of options were as follows:
- Expected volatility was based on historical volatility;
- Yield rate was determined based on 2,5% to 3% dividend yield; and
- Risk-free interest rate based on prime rate minus 2,5%.

NOTES TO THE ANNUAL FINANCIAL STATEMENTS
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for the year ended 30 June 2007

Figures in R'000	GROUP 2007	GROUP 2006	COMPANY 2007	COMPANY 2006
13. Other financial liabilities				
At fair value through profit or loss				
Bank loan	2 782	7 781	2 782	7 781
A loan of Euro 1 725 000 from Absa Bank London was obtained in 2005 to fund the C-track Benelux BV acquisition. In 2006, this loan was taken over by Barclays Bank London with the closure of Absa Bank London. The term of the loan is five years with yearly repayments of capital in equal instalments. Interest is payable based on the LIBOR rate plus 1,5% per annum margin. The balance at year end was Euro 291 000 (2006: Euro 855 000).				
The loan is secured by the cession of the shareholder's loan accounts in DigiCore Europe BV, amounting to Euro 725 000 at year end.				
Shareholder loan	6 942	10 695	–	–
A further loan of Euro 1 325 000 with the minority shareholders of DigiCore Europe BV was obtained during 2005 to fund the C-track Benelux BV acquisition. The balance at year end was Euro 725 000 (2006: Euro 1 175 000).				
The loan is unsecured and has no fixed terms of repayment.				
Vendor liabilities	62 936	–	62 936	–
Subsequent to year end the vendor liabilities were reduced due to Euro 2,458 million an equivalent of R23,6 million, that was paid in cash and due to the issue of 6 509 874 ordinary DigiCore Holdings Limited shares being allotted, amounting to R38,7 million. The loan with Barclays Bank London increased by a further Euro 1 735 000 with the balance of the cash portion being settled with available cash. The terms of the loan are the same as above. Refer to note 31.				
	72 660	18 476	65 718	7 781
Non-current liabilities				
At fair value	17 232	15 746	17 232	5 051
Current liabilities				
At fair value	55 428	2 730	48 486	2 730
	72 660	18 476	65 718	7 781

Figures in R'000	GROUP 2007	GROUP 2006	COMPANY 2007	COMPANY 2006
14. Finance lease obligation				
Minimum lease payments due				
– within one year	1 705	–	–	–
– in second to fifth year inclusive	2 783	–	–	–
	4 488	–	–	–
Less: future finance charges	(668)	–	–	–
Present value of minimum lease payments	3 820	–	–	–
Present value of minimum lease payments due				
– within one year	1 376	–	–	–
– in second to fifth year inclusive	2 444	–	–	–
	3 820	–	–	–
Non-current liabilities	2 444	–	–	–
Current liabilities	1 376	–	–	–
	3 820	–	–	–

The average lease term was 3-5 years and the average effective borrowing rate was 11%.

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 note 2.

15. Provisions

Reconciliation of provisions – Group – 2007

Figures in R'000	Opening balance	Additions	Utilised during the year	Reversed during the year	Total
Product warranties	2 700	–	–	(700)	2 000
General provision	2 632	7 963	(2 282)	–	8 313
Provision – Leave pay	1 829	2 227	(1 289)	–	2 767
Employee benefits	1 133	–	–	–	1 133
	8 294	10 190	(3 571)	(700)	14 213

Reconciliation of provisions – Group – 2006

Figures in R'000	Opening balance	Additions	Utilised during the year	Total
Product warranties	3 220	–	(520)	2 700
General provision	4 480	1 752	(3 600)	2 632
Provision – Leave pay	1 864	400	(435)	1 829
Employee benefits	1 133	–	–	1 133
	10 697	2 152	(4 555)	8 294

NOTES TO THE ANNUAL FINANCIAL STATEMENTS continued

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15. Provisions (continued)

Provision for product warranties

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

Leave pay provision

The leave pay provision is calculated according to the number of outstanding leave days multiplied by the employee's rate of pay.

General provision

The general provision relates to provisions for consulting fees and professional fees and other small items.

	GROUP		COMPANY	
Figures in R'000	2007	2006	2007	2006
16. Trade and other payables				
Trade payables	34 554	9 263	(47)	(101)
VAT	6 626	1 702	3 702	4 593
Sundry payables	4 921	4 734	(644)	73
Other payables	9 295	6 632	(17)	(60)
Accrued expense	1 532	7 502	–	–
Deposits received	2 390	–	–	–
	59 318	29 833	2 994	4 505
17. Revenue				
Sale of goods	435 345	315 711	–	–
Rental income	5 322	7 528	–	–
Management fees	–	–	6 000	4 800
	440 667	323 239	6 000	4 800
18. Operating profit				
Operating profit for the year is stated after accounting for the following:				
Operating lease charges				
Premises				
• Contractual amounts	5 305	3 715	–	–
Motor vehicles				
• Contractual amounts	516	68	–	–
Equipment				
• Contractual amounts	1 019	744	–	–
	6 840	4 527	–	–
Profit on sale of property, plant and equipment	650	875	–	–
Profit/(loss) on exchange differences	1 133	(6 433)	600	(1 223)
Depreciation on property, plant and equipment	13 176	7 638	–	–
Employee costs	112 719	84 978	922	502
Research and development	370	343	–	–
Impairment of intangible assets	–	244	–	–

Figures in R'000	GROUP 2007	GROUP 2006	COMPANY 2007	COMPANY 2006
19. Taxation				
Major components of the tax expense/(income)				
Current				
Local income tax current period	32 100	21 782	1 711	2 060
STC	2 782	560	2 782	560
CGT	–	113	–	–
Foreign income tax or withholding tax – current period	5 391	4 194	–	–
	40 273	26 649	4 493	2 620
Deferred				
Originating and reversing temporary differences	1 047	2 321	167	131
Other deferred tax	(334)	–	–	–
	713	2 321	167	131
	40 986	28 970	4 660	2 751
Due to the different tax rates of the various countries in which DigiCore operates from, a sensible tax rate recalculation has not been performed.				
20. Auditors' remuneration				
Fees	235	829	25	120
21. Cash generated from operations				
Profit before taxation	136 787	96 553	5 716	7 556
Adjustments for:				
Depreciation and amortisation	13 176	7 638	–	–
Profit on sale of assets	(650)	(875)	–	–
Income from equity accounted investments	(766)	112	–	–
Interest received	(3 538)	(4 525)	(2 964)	(3 706)
Finance costs	2 266	1 550	903	212
Impairment reversals	–	(112)	–	–
Movements in provisions	5 919	(2 402)	(575)	(453)
Changes in working capital:				
Inventories	(22 818)	(1 745)	–	–
Trade and other receivables	(56 980)	(25 983)	(563)	(1 022)
Trade and other payables	29 485	3 692	(1 512)	4 047
	102 881	73 903	1 005	6 634

NOTES TO THE ANNUAL FINANCIAL STATEMENTS
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for the year ended 30 June 2007

Figures in R'000	GROUP 2007	GROUP 2006	COMPANY 2007	COMPANY 2006
22. Tax paid				
Current tax payable at beginning of the period	(30 590)	(22 527)	(661)	732
Current tax for the period recognised in income statement	(40 273)	(26 649)	(4 493)	(2 620)
Deferred tax not recognised through the income statement and exchange differences	–	(69)	–	–
Current tax payable at end of the period	16 726	30 590	177	661
	(54 137)	(18 655)	(4 977)	(1 227)
23. Dividends paid				
Dividends	(22 246)	(15 070)	(22 259)	(16 188)
24. Acquisition of businesses				
Fair value of assets acquired				
Property, plant and equipment	815	–	–	–
Deferred tax assets/liabilities	776	–	–	–
Other non-current assets	1 729	–	–	–
Goodwill	30 236	–	–	–
Inventories	3 428	–	–	–
Trade and other receivables	12 702	–	–	–
Trade and other payables	(14 750)	–	–	–
Tax assets/liabilities	(3 606)	–	–	–
Borrowings	(18 958)	–	–	–
Cash	–	2 830	–	–
Net assets excluding cash	–	1 762	–	4 592
Cash	11 153	–	–	–
Outside shareholders	–	(2 291)	–	(2 291)
Total net assets acquired	23 525	2 301	–	2 301
Less: Existing share of net assets before acquisition	(12 035)	–	–	–
Net assets acquired	11 490	2 301	–	2 301
Goodwill	49 646	6 399	–	6 399
	61 136	8 700	–	8 700
Consideration paid:				
Cash	–	(8 700)	–	(8 700)
Deferred payments (Fair value)	(61 136)	–	–	–
Net cash outflow on acquisition				
Cash consideration paid	–	(8 700)	–	(8 700)
Cash acquired	–	2 830	–	–
	–	(5 870)	–	(8 700)

25. Commitments

Operating leases – as lessee

The group has entered into rental agreements for certain hardware used in the organisation. The rental period is for three years.

The group is renting property but no material contracts longer than one year have been signed at this time.

Operating leases – as lessor

The group has entered into rental agreements on its devices purchased from C-track (SA) (Pty) Limited. These non-cancellable leases have remaining non-cancellable lease terms of between one and three years. All leases include a clause to enable upward revision of the rental charge on an annual basis based on prevailing market conditions.

26. Related parties

Subsidiaries	Refer to note 4
Associates	Refer to note 5
Entity of which the directors are also directors of that company	Western Breeze Trading 135 (Pty) Limited

	GROUP		COMPANY	
Figures in R'000	2007	2006	2007	2006
Related party transactions				
Sale of shares to related parties				
Western Breeze Trading 135 (Pty) Limited			1	–

27. Details of directors' emoluments and share options

Figures in R'000	Fees	Salary	Bonus	Other benefits	Total 2007	Total 2006
Non-executive						
BC Esterhuyzen	60	–	–	–	60	40
NA Gasa	90	198	17	–	305	83
BS Khuzwayo	60	–	–	–	60	–
SS Ntsaluba	50	–	–	–	50	–
DV Simelane	–	–	–	–	–	40
Pamodzi Investment Holdings	–	–	–	–	–	55
Executive						
SR Aberdein	–	881	512	84	1 477	1 335
D du Rand	–	916	534	81	1 531	1 334
DA Nieuwoudt	–	771	257	62	1 090	1 183
BR Richards	–	924	539	92	1 555	1 343
MD Rousseau	–	877	512	91	1 480	1 309
NH Vlok	–	1 443	842	108	2 393	2 074
	260	6 010	3 213	518	10 001	8 796

NOTES TO THE ANNUAL FINANCIAL STATEMENTS
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27. Details of directors' emoluments and share options (continued)

	Date granted	Expiry date	Strike price (R)	Number of options issued but not exercised 1 July 2006	Awarded during the year	Exercised during the year	Date exercised	Gain R'000	Number of options issued but not exercised 30 June 2007
SR Aberdein	15-Dec-2002	15-Dec-2012	0,25	90 000		(90 000)	15-Dec-06	23	0
	14-Dec-2005	14-Dec-2015	2,47	200 000		(40 000)	15-Dec-06	99	160 000
	28-Jun-2006	28-Jun-2016	2,79	100 000		(20 000)	28-Jun-07	56	80 000
	12-Dec-2006	12-Dec-2016	4,09		100 000				100 000
D du Rand	15-Dec-2002	15-Dec-2012	0,25	0					0
	14-Dec-2005	14-Dec-2015	2,47	200 000		(40 000)	15-Dec-06	99	160 000
	28-Jun-2006	28-Jun-2016	2,79	100 000		(20 000)	28-Jun-07	56	80 000
	12-Dec-2006	12-Dec-2016	4,09		100 000				100 000
DA Nieuwoudt	26-Jun-2005	26-Jun-2015	1,42	400 000		(100 000)	27-Jun-07	142	300 000
	12-Dec-2006	12-Dec-2016	4,09		100 000				100 000
BR Richards	15-Dec-2002	15-Dec-2012	0,25	30 000		(30 000)	15-Dec-06	8	0
	26-Jun-2005	26-Jun-2015	1,42	160 000		(40 000)	27-Jun-07	56	120 000
	14-Dec-2005	14-Dec-2015	2,47	200 000		(40 000)	15-Dec-06	99	160 000
	28-Jun-2006	28-Jun-2016	2,79	100 000		(20 000)	28-Jun-07	56	80 000
	12-Dec-2006	12-Dec-2016	4,09		100 000				100 000
MD Rousseau	15-Dec-2002	15-Dec-2012	0,25	120 000		(120 000)	15-Dec-06	30	0
	26-Jun-2005	26-Jun-2015	1,42	160 000		(40 000)	27-Jun-07	56	120 000
	14-Dec-2005	14-Dec-2015	2,47	200 000		(40 000)	15-Dec-06	99	160 000
	28-Jun-2006	28-Jun-22016	2,79	100 000		(20 000)	28-Jun-07	56	80 000
	12-Dec-2006	12-Dec-2016	4,09		100 000				100 000
NH Vlok	31-May-2004	31-May-2014	0,60	253 000		(126 840)	31-May-07	76	126 160
	14-Dec-2005	14-Dec-2015	2,47	200 000		(40 000)	15-Dec-06	99	160 000
	28-Jun-2006	28-Jun-2016	2,79	100 000		(20 000)	28-Jun-07	56	80 000
	12-Dec-2006	12-Dec-2016	4,09		100 000				100 000
				2 713 000	600 000	(846 840)		1 166	2 466 160

Figures in R'000	GROUP 2007	2006
28. Earnings per share		
Basis for calculation of basic earnings per share:		
Attributable earnings to equity holders of parent	88 130	64 130
Weighted average number of ordinary shares in issue ('000)	198 585	198 572
Basis for calculation of basic headline earnings per share: Headline earnings per share has been calculated in terms of circular 7/2002 and excludes profits and losses of a capital nature.		
Determination of headline earnings:		
Attributable earnings to equity holders of parent	88 130	64 130
Profit on disposal of fixed assets	(650)	(875)
Headline earnings for the year	87 480	63 255
Basis for calculation of fully diluted earnings per share:		
Attributable earnings to equity holders of parent	88 130	64 130
Fully diluted number of ordinary shares in issue ('000)	208 865	202 355

The difference between the weighted average number of ordinary shares in issue and the total number of ordinary shares in issue is as a result of shares held as treasury shares in the share trust. Sales into the share trust took place in the current year.

The number of fully diluted shares in issue is after the allotment of the 6 509 874 ordinary shares for the settlement of the purchase of the 49% in DigiCore Europe BV. Refer to note 31.

29. Risk management

Liquidity risk

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.

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

Interest rate risk

Deposit and other investment accounts attract interest at rates that vary with prime. The group policy is to manage interest rate risk so that fluctuations in variable rates do not have a material impact on profit or (loss).

Cash flow interest rate risk

Figures in R'000 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
Cash in current banking institutions	variable %	59 243	–	–	–	–
Loan from minority shareholders of DigiCore Europe BV	fixed %	(6 942)	–	–	–	–
Barclays loan	variable %	(2 782)	–	–	–	–

NOTES TO THE ANNUAL FINANCIAL STATEMENTS continued

for the year ended 30 June 2007

29. Risk management (continued)

Credit risk

Credit risk consists mainly of cash deposits, cash equivalents and trade debtors. The group only deposits cash with major banks with high quality credit standing and limits exposure to any one counterparty.

Trade receivables comprise a widespread customer base from various industry sectors and geographical areas. Management evaluates credit risk relating to customers at the opening of a new credit line and on an ongoing basis through a credit vetting process with a credit-checking agency.

At year end the group did not consider there to be any significant concentration of credit risks which have not been adequately provided for.

Foreign exchange risk

Foreign currency exposure at balance sheet date

The company does not hedge foreign exchange fluctuations.

Exchange rates used for conversion of foreign items were:

	2007	2006
US Dollars	7,22	7,27
Great British Pound	14,26	13,20
Euro	9,58	9,15

The group reviews its foreign currency exposure, including commitments on an ongoing basis. Due to the geographical dispersion of foreign debtors and creditors, the group has to some extent naturally hedged its foreign exchange risk.

30. Going concern

The 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.

31. Post balance sheet events

Subsequent to year end, the purchase price of R61,136 million for the purchase of the 49% shareholding in DigiCore Europe BV from Stramco BV was settled partly in cash of Euro 2,458 million and partly through the issue of 6 509 874 DigiCore shares after fulfilment of the suspensive conditions. The allotment of the 6 509 874 ordinary DigiCore Holdings Limited shares came into effect on 10 September 2007, bringing the total issued share capital to 208 865 351 shares. The purchase price is recorded in the balance sheet under long-term borrowings, and vendor liabilities.

32. Segmental report

Business segments

The group is organised into four business segments for management purposes, namely SA distribution, foreign distribution, product development and manufacturing and group services divisions.

These divisions are the basis on which the group reports its primary segment information:

- The South African distribution arm performs the sales and marketing, installation, deinstallation and reinstallation and maintenance of all units sold. It also provides related value added services and GSM services in conjunction with the units sold.
- The foreign distribution arm performs sales, installation, deinstallation and reinstallation and maintenance of units sold outside the South African borders.

32. Segmental report (continued)

- The product development and manufacturing arm manufactures all in-house developed products and is responsible for new product development and customisation for customers.
- The group services arm includes the intellectual property, treasury and financial, human resources and property divisions.

Primary segment report for the year ended 30 June 2007

Figures in R'000	SA distribution	Foreign distribution	Product development and manufacturing	Group services	Elimination	Consolidated
Income						
External sales	253 636	110 897	73 424	2 710		440 667
Intersegment sales			120 129	6 000	(126 129)	–
Total	253 636	110 897	193 553	8 710	(126 129)	440 667
Segment result						
Segment income less cost	34 700	24 661	71 635	3 583	–	134 579
Equity profit from associate						766
Net finance income						1 442
Taxation						(40 986)
Profit after taxation						95 801
Minority shareholders						(7 671)
Attributable earnings to equity holders of the parent						88 130
Other information						
Segment assets	140 610	68 053	161 289	60 792		430 744
Segment liabilities	55 178	43 691	36 394	31 986		167 249
Capital expenditure	24 226	551	1 372	4 320		30 469
Depreciation and amortisation	5 210	5 346	1 223	1 397		13 176

Secondary segment report for the year ended 30 June 2007

Geographical segment information

Figures in R'000	Gauteng, Mpumalanga and Limpopo	KwaZulu-Natal, Free State and North West	Eastern, Northern and Western Cape	Other	Foreign	Consolidated
Income						
Sales	97 922	117 267	26 333	88 248	110 897	440 667
Other information						
Carrying value of segment fixed assets	30 410	1 989	4 348		2 110	38 857
Capital expenditure by location of assets	26 198	998	2 722		551	30 469

ANALYSIS OF SHARE OWNERSHIP

	Number of shareholdings	%	Number of shares	%
Shareholder spread				
1 – 1 000 shares	285	14,68	190 706	0,09
1 001 – 10 000 shares	983	50,61	4 749 414	2,35
10 001 – 100 000 shares	513	26,42	16 806 826	8,31
100 001 – 1 000 000 shares	123	6,33	38 460 035	19,01
1 000 001 shares and over	38	1,96	142 148 496	70,24
	1 942	100,00	202 355 477	100,00
Distribution of shareholders				
Banks	6	0,31	104 780	0,05
Close corporations	35	1,80	735 854	0,36
Endowment funds	23	1,18	648 497	0,32
Individuals	1 540	79,31	46 110 567	22,79
Insurance companies	8	0,41	1 032 819	0,51
Investment companies	14	0,72	12 609 819	6,23
Medical schemes	1	0,05	77 789	0,04
Mutual funds	55	2,83	30 534 978	15,09
Nominees and trusts	154	7,93	87 599 374	43,29
Other corporations	19	0,98	1 448 950	0,72
Pension funds	37	1,91	14 247 856	7,04
Private companies	47	2,42	4 165 077	2,06
Public companies	2	0,10	10 000	0,00
Share trust	1	0,05	3 029 117	1,50
	1 942	100,00	202 355 477	100,00
Public/non-public shareholders				
Non-public shareholders	39	2,01	99 309 116	49,08
Directors and Associates	16	0,82	66 503 299	32,86
Strategic holdings (more than 10%)	2	0,10	29 725 000	14,69
Own holdings	20	1,03	51 700	0,03
Share Trust	1	0,05	3 029 117	1,50
Public shareholders	1 903	97,99	103 046 361	50,92
	1 942	100,00	202 355 477	100,00

Beneficial shareholders holding 5% or more	Number of shares	%
Vlok, NH	35 611 691	17,60
Titan Nominees (Pty) Limited	29 725 000	14,69
Aberdein, SR	19 100 208	9,44
	84 436 899	41,73

NOTICE OF ANNUAL GENERAL MEETING

Notice is hereby given that the annual general meeting of shareholders of DigiCore Holdings Limited (the company) in respect of the year ended 30 June 2007 will be held in the boardroom of the company, at 20 Eddington Crescent, Highveld Park, Centurion, on Tuesday, 4 December 2007 at 10:00.

The following business will be dealt with at the annual general meeting of shareholders:

1. To receive and adopt the annual financial statements of the company and the group for the year ended 30 June 2007, and to receive and adopt the reports of the directors and of the auditors for the year then ended.
2. To re-elect FJ Schindehütte and BJ Richards as directors who retire in terms of the articles of association, and being eligible, offer themselves for re-election.

   2.1 Summary of *curriculum vitae* of FJ Schindehütte BCom (RAU), Hon B Compt (Unisa), CA(SA)

   Francois has gained extensive experience in commerce as a finance executive over the past eighteen years with his most recent employment being with Standard Bank and Electronic Media Network (MNet). He was appointed by DigiCore to the board of directors as Group Financial Director in June 2007.

   2.2 Summary of curriculum vitae of BJ Richards

   DigiCore's Sales and Marketing Director Bruce James Richards has been employed in the Electronics and Information Technology industries for the last 20 years. The last twelve years have been exclusively within the Fleet Management and Telematics sector. On a very solid South Africa foundation Bruce has expanded DigiCore's technology internationally into 32 countries worldwide and now focuses on rolling out DigiCore's international strategy.

3. To confirm the remuneration paid to executive and non-executive directors, as disclosed in the annual financial statements for the year under review.
4. To authorise the directors to determine the auditors' remuneration.
5. To re-appoint PKF (Pretoria) Inc. as auditors for the ensuing year.
6. To consider and, if deemed fit, pass with or without modification, the following resolutions:

   6.1 As ordinary resolution 1

   "Resolved that the authorised, but unissued ordinary shares in the capital of the company be and are hereby placed under the control of the directors until the next annual general meeting and that they be and are hereby authorised to issue any such shares as they may deem fit in accordance with the provisions of the Companies Act, 1973 (Act 61 of 1973) (the Companies Act), as amended, the articles of association of the company, and the Listings Requirements of the JSE Limited (the Listings Requirements)."

   As ordinary resolution 2

   "Resolved that, subject to not less than 75% of those shareholders of the company present in person or represented by proxy and entitled to vote at the annual general meeting at which this resolution is proposed, voting in favour of this resolution, the directors of the company be and are hereby authorised and empowered, by way of a general authority, to allot and issue for cash, without restriction, all or any of the unissued shares in the share capital of the company placed under their control as they in their discretion may deem fit, subject to the provisions of the Listings Requirements:

   – the authority shall be valid until the date of the next annual general meeting of the company or for 15 months from the date of this resolution, whichever period is shorter;
   – a paid press announcement giving full details, including the impact on the net asset value and earnings per share, will be published after any issue representing, on a cumulative basis within any one financial year, 5% or more of the number of shares in issue prior to such issue;
   – the general issues of shares for cash in the aggregate in any one financial year shall not exceed 15% of the company's issued share capital of that class. The securities of a particular class will be aggregated with the securities that are compulsorily convertible into securities of

NOTICE OF ANNUAL GENERAL MEETING continued

that class and, in the case of the issue of compulsorily convertible securities aggregated with the securities of that class into which they are compulsory convertible. The number of securities of a class which may be issued shall be based on the number of securities of that class in issue at the date of such application, less any securities of the class issued during the current financial year, provided that any securities of that class to be issued pursuant to a rights issue (announced and irrevocable and underwritten) or acquisition (concluded up to the date of application) may be included as though they were securities in issue at the date of the application;

– in determining the price at which the issue will be made in terms of this authority the maximum discount permitted will be 10% of the weighted average traded price of such shares, as determined over the 30 business days prior to the date that the price of the issue is determined or agreed by the directors. The JSE Limited (JSE) will be consulted for a ruling if the company's securities have not traded in such 30 business day period;

– any such issue will only be made to public shareholders as defined in paragraphs 4.25 to 4.27 of the Listings Requirements and not to related parties; and

– any such issue will only be securities of a class already in issue, or limited to such securities that are convertible into a class already in issue."

6.2 As special resolution 1

"Resolved that the board of directors of the company be hereby authorised, by way of a renewable general authority, to approve the purchase of its own shares by the company, or to approve the purchase of ordinary shares in the company by any subsidiary of the company, provided that:

– this general authority shall be valid until the company's next annual general meeting or for 15 months from the date of this resolution, whichever period is shorter;

– the ordinary shares be purchased through the order book of the JSE trading system and done without any prior understanding or arrangement between the company and/or the relevant subsidiary and the counterparty;

– an announcement complying with 11.27 of the Listings Requirements be published by the company (i) when the company and/or its subsidiaries cumulatively repurchased 3% of the ordinary shares in issue as at the time when the general authority was given (the initial number) and (ii) for each 3% in the aggregate of the initial number of the ordinary shares acquired thereafter by the company and/or its subsidiaries;

– the repurchase by the company and its subsidiaries of its own ordinary shares shall not in the aggregate in any one financial year exceed 20% of the company's issued share capital of that class, provided that the acquisition of ordinary shares as treasury stock by a subsidiary of the company shall not exceed 10% in the aggregate of the number of issued shares of the company;

– repurchases must not be made at a price more than 10% above the weighted average of the market value of the ordinary shares for the five business days immediately preceding the date on which the transaction is effected;

– at any point in time the company may only appoint one agent to effect any repurchase on the company's behalf or on behalf of any subsidiary of the company;

– the company will after a repurchase of shares still comply with the provisions of the Listings Requirements regarding shareholder spread;

– the company and the subsidiary will not repurchase ordinary shares during a prohibited period (as defined in the Listings Requirements);

– such repurchases will be subject to the Companies Act, the company's Articles of Association and the Listings Requirements; and

– if the company purchases its own shares from any wholly owned subsidiary of the company for the purposes of cancelling such treasury shares pursuant to this general authority, the provisions above will not be applicable to such purchase transaction."

The company's directors undertake that they will not implement any such repurchases while this general authority is valid, unless:

- the company and its subsidiaries will be able, in the ordinary course of business, to pay its debts for a period of 12 months after the date of the notice of the annual general meeting at which this resolution is proposed (the annual general meeting);
- the assets of the company and its subsidiaries will exceed the liabilities of the company and its subsidiaries for a period of 12 months after the date of the notice of the annual general meeting. For this purpose, the assets and liabilities will be recognised and measured in accordance with the accounting policies used in the company's latest audited annual group financial statements;
- the company and its subsidiaries will have adequate share capital and reserves for ordinary business purposes for a period of 12 months after the date of the notice of the annual general meeting;
- the working capital of the company and its subsidiaries will be adequate for ordinary business purposes for a period of 12 months after the date of the notice of the annual general meeting; and
- upon entering the market to proceed with the repurchase, the company's sponsor has confirmed the adequacy of the company's working capital for the purposes of undertaking a repurchase of shares in writing to the JSE.

Reasons for and effect of special resolution number 1

(a) The reasons for and effect of special resolution number 1 is to grant the company's directors a general authority to approve the company's repurchase of its own shares and to permit a subsidiary of the company to purchase shares in the company.

(b) The special resolution is a renewal of the resolutions taken at the previous annual general meeting on 7 December 2006.

(c) For the purposes of considering special resolution number 1 and in compliance with 11.26 of the Listings Requirements, the following information has been included in the annual report, in which this notice of annual general meeting is included, at the places indicated: General information in respect of directors and management (pages 4 and 26), major shareholders (page 60), directors' interests in securities (page 27) and the share capital of the company (note 11).

(d) There has been no material change to the financial or trading position of the company since the end of the last period, otherwise than as disclosed in this report or in the press.

(e) The company is not involved in any legal or arbitration proceedings, nor are any proceedings pending or threatened of which the company is aware that may have or have had in the previous 12 months, a material effect on the DigiCore group's financial position.

(f) The directors, whose names are given on pages 4 and 5 of the annual report to which this notice is attached, collectively and individually accept full responsibility for the accuracy of their knowledge and belief there are no facts that have been omitted which would make any statement false or misleading, and that all reasonable enquiries to ascertain such facts have been made and that the notice contains all the information required by the Listings Requirements.

7. To transact any other business as may be transacted at any ordinary general meeting.

Any member qualified to attend and vote at the meeting is entitled to appoint a proxy or proxies to attend, speak and vote in his/her stead. The person so appointed need not be a member of the company. In order to be effective, proxy forms must reach the registered office of the company or the office of the transfer secretaries by not later than 10:00 on Friday, 30 November 2007.

Dematerialised shareholders, other than "own name" registered dematerialised shareholders, who wish to attend the annual general meeting in person will need to

NOTICE OF ANNUAL GENERAL MEETING continued

request their Central Securities Depository Participant (CSDP) or broker to provide them with the necessary authority in terms of the custody agreement entered into between such shareholders and the CSDP or broker.

On a poll, ordinary shareholders will have one vote in respect of each share held. Dematerialised shareholders other than "own name" registered dematerialised shareholders who are unable to attend the annual general meeting and who wish to be represented thereat, must provide their CSDP or broker with their voting instruction in terms of the custody agreement entered into between themselves and the CSDP or broker in the manner and time stipulated therein.

By order of the board

DA Nieuwoudt CA(SA)
Company secretary

Centurion
5 November 2007

Registered office

DigiCore Holdings Limited
20 Eddington Crescent
Highveld Park
Centurion 0156
(PO Box 68270, Highveld Park 0169)

Transfer secretaries

Computershare Investor Services 2004 (Pty) Limited
Ground Floor
70 Marshall Street
Johannesburg 2001
(PO Box 61051, Marshalltown 2107)

FORM OF PROXY

DigiCore Holdings Limited
(Incorporated in the Republic of South Africa)
Registration number 1998/012601/06
Share code: DGC
ISIN code: ZAE000016945
(DigiCore)

For use by certificated and own name dematerialised shareholders only.

Other shareholders other than certificated and own name dematerialised shareholders are required to refer to paragraphs 1 and 2 of the "notes to proxy" for further instructions.

I/We, the undersigned (name in full)

of (address)

being the holder(s) of shares in the company hereby appoint

1. or failing him/her

2. or failing him/her

the chairman of the annual general meeting, as my/our proxy to act for me/us at the annual general meeting of the shareholders of the company to be held on Tuesday, 4 December 2007 at 10:00 and at any adjournment thereof, at the company's registered office, 20 Eddington Crescent, Highveld Park, Centurion, and to vote for me/us on my/our behalf in respect of the under-mentioned resolutions in accordance with the following instructions:

	Number of votes (one vote per share)		
	For	Against	Abstain
1. Approval of the 2007 annual financial statements			
2. Election of directors:			
2.1 FJ Schindehütte			
2.2 BJ Richards			
3. Confirm the remuneration paid to executive directors			
4. Determine auditors' remuneration			
5. Re-appointment of auditors			
6.1 Ordinary resolution number 1: Placing unissued shares under control of directors			
Ordinary resolution number 2: Authority for directors to issue shares for cash			
6.2 Special resolution number 1: Repurchase of shares by DigiCore and its subsidiaries			

Signed at on 2007

Signature assisted by me (where applicable)

motiv

NOTES TO FORM OF PROXY

1. A form of proxy is only to be completed by those members who are:
   – holding shares in certified form; or
   – recorded on the sub-register in dematerialised electronic form in their own name.

2. Members who have already dematerialised their ordinary shares through a Central Securities Depository Participant (CSDP) or broker and wish to attend the annual general meeting, must request the CSDP or broker to provide them with a letter of representation or they must instruct the CSDP or broker to vote by proxy on their behalf in terms of agreement entered into between the member and the CSDP or broker.

3. A member is entitled to appoint one or more proxies to attend (the annual general meeting); speak and vote in his/her place at the annual general meeting. The name/s of choice is to be inserted in the space provided. The person whose name stands first on the form of proxy and who is present at the annual general meeting will be entitled to act as proxy to the exclusion of those whose names follow (who need not be a member of the company).

4. A member's instruction to the proxy must be indicated by the insertion of the relevant number of votes exercisable by that shareholder in the appropriate box provided.

5. If a member does not indicate on the form how his/her proxy is to vote, or gives contradictory instructions, or should any further resolution(s) or any amendment(s) which may properly be put before the annual general meeting be proposed, the proxy shall be entitled to vote as he/she deems fit, in respect of all the member's votes exercisable thereat.

6. Documentary evidence establishing the authority of a person signing the form of proxy in a representative capacity must be attached to the form of proxy, unless previously recorded by the company or its transfer secretaries or waived by the chairman of the annual general meeting.

7. Any alterations or corrections to this form of proxy must be initialled by the signatory(ies).

8. The completion and lodging of this form of proxy will not preclude the member from attending the annual general meeting and speaking and voting in person at such meeting to the exclusion of the proxy appointed in terms thereof, should he/she wish to do so.

9. The form of proxy must be lodged with the transfer secretaries or company's registered office to be received by them not later than 10:00 on Friday, 30 November 2007.

   Company's address
   DigiCore Holdings Limited
   20 Eddington Crescent
   Highveld Park
   Centurion 0156
   (PO Box 68270, Highveld Park 0169)

   Transfer secretaries
   Computershare Investor Services 2004 (Pty) Limited
   Ground Floor
   70 Marshall Street
   Johannesburg 2001
   (PO Box 61051, Marshalltown 2107)

10. Notwithstanding the aforegoing, the chairman of the annual general meeting may waive any formalities that would otherwise be a prerequisite for a valid proxy.

11. A minor must be assisted by his/her parent or guardian unless the relevant documents establishing his/her legal capacity are produced or have been registered by the transfer secretaries.

CORPORATE INFORMATION

Registered office

20 Eddington Crescent
Highveld Technopark
Centurion
Telephone +27 (0) 12 665 7300
Telefax +27 (0) 12 665 5376

Registration number

1998/012601/06

JSE name and code

Issuer code: DigiCore
Share code: DGC
ISIN code: ZAE000016945

Company secretary

DA Nieuwoudt CA(SA)
20 Eddington Crescent
Highveld Park
Centurion
(PO Box 68270, Highveld Park 0169)

Transfer secretaries

Computershare Investor Services 2004 (Pty) Limited
Ground Floor
70 Marshall Street
Johannesburg 2001
(PO Box 61051, Marshalltown 2107)

Independent auditors

PKF (Pretoria) Inc
Registered Accountants and Auditors
103 Club Avenue, Waterkloof Heights
(PO Box 98060, Waterkloof Heights 0065)

Corporate sponsor

PSG Capital Limited
35 Kerk Street
Stellenbosch 7600
(PO Box 7403, Stellenbosch 7599)

Banker

Absa Bank Limited

Shareholders' diary

Preliminary results – Half year	February 2008
Financial year end	30 June 2008
Preliminary results – Full year	September 2008
Annual report – 2008	October 2008

Designed by motiv
Printed by Ince

DigiCore
HOLDINGS LIMITED

www.digicore.com