

# Annual Report 2002 – InfoWave Holdings Limited

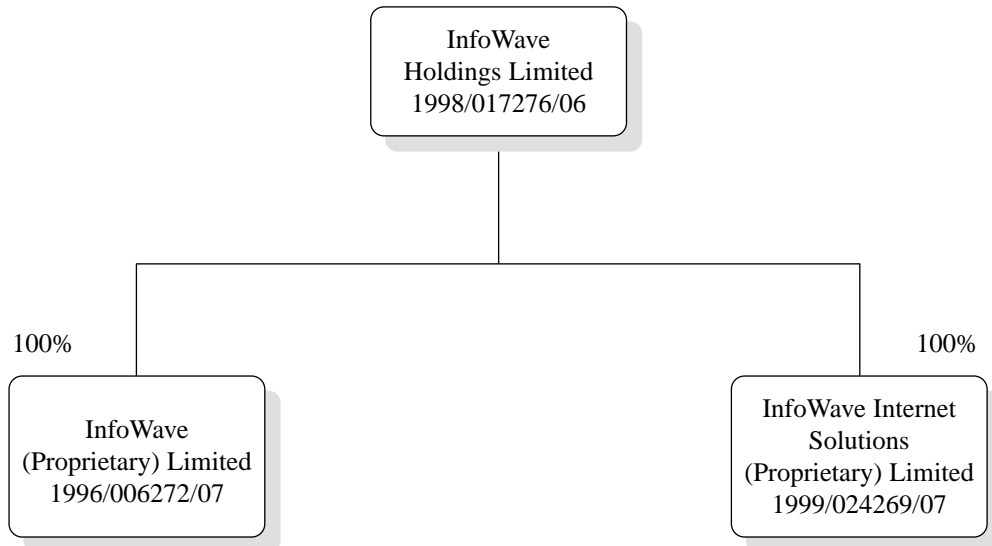


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# INFOWAVE'S GROUP STRUCTURE

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# PROFILE OF BUSINESS UNITS

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## **INFOWAVE (PROPRIETARY) LIMITED**

### **InfoWave Application Solutions**

#### **Overview**

InfoWave Application Solutions (InfoWave (Pty) Ltd) focuses on custom-built applications which provide organisations with solutions to support their business needs, through a combination of leveraging our specialist skills and working closely with partners. InfoWave Application Solutions continues to strive to attract and retain long-term relationships with its customers, and to become the customers' preferred Application Service Provider.

#### **Oracle certified application development and implementation partner**

InfoWave Application Solutions' consultants are certified, trained and skilled in the use of Oracle's system development tool-set used for analysis, design and development of custom-built applications.

#### **Systems integration**

With many organisations implementing solutions whilst retaining their legacy systems, InfoWave Application Solutions has the requisite skills to offer complex systems integration as a key component of its services. This enables customers to utilise InfoWave for implementation of package or custom-built solutions, to integrate to package and legacy systems and to provide a smooth migration to their new products.

#### **Application support**

Application support is performed remotely from InfoWave's offices in Durban, Kwa-Zulu Natal for customers throughout the African continent.

#### **Technical services**

InfoWave's Technical Services division underpins the application services and performs a combination of remote and onsite technical support for the following areas:

- operating systems management;
- database administration, performance tuning and monitoring;
- business continuity management, recovery services and capacity planning; and
- WTS/Citrix, WEB and mail server administration.

#### **Consulting**

InfoWave Application Solutions assists customers in determining and specifying business requirements and in identifying and selecting the most appropriate solutions for their needs.

## **INFOWAVE INTERNET SOLUTIONS (PROPRIETARY) LIMITED**

### **Internet/Intranet Solutions**

#### **Overview**

InfoWave Internet Solutions offers internet related products and services, which provides a strategic link to InfoWave Application Solutions. The company:

- implements and supports a suite of web-based financials;
- as a value added partner, sells and manages its customers' internet feed;
- sells and supports internet related software products; and
- implements value added business intelligence (BI) solutions using web technology.

#### **Consulting**

The company consults with customers on how the web, internet and intranet technology can be used to gain competitive advantage. These technologies can be leveraged to improve efficiency, reduce cost, and/or increase revenue through e-commerce initiatives.

# CHAIRMAN'S REVIEW

I am extremely pleased to report a good year for InfoWave. Highlights include:

- turnover up 23% from R22 million to R27 million
- profit after tax up 221% from R1,4 million to R4,5 million
- earnings per share up by 220% from 1,64 cents to 5,24 cents
- headline earnings per share up by 176% from 1,93 cents to 5,32 cents

## PERFORMANCE

The company remained focused on its objectives to grow organically and concentrate on its core business. Oracle continues to be the preferred technology used to build customised and packaged software and InfoWave continues to win, implement and support new 'turn-key' solutions. This year's performance is mainly as a result of:

- a full financial year without legacy once-off costs
- strong financial controls and corporate governance
- focusing on niche markets
- implementation of annuity contracts with customers acquired through an acquisition in the previous financial year
- focusing on developing new business within our existing customer base
- revenue derived from the sale of Oracle licences.

## STRATEGIC INTENT

As anticipated by the board, the process of identifying a global partner is lengthy, however, steady progress is being made. Our cautious approach has been in the

interest of our shareholders, our customers and our employees. Our policy of 'business as usual' throughout this process has proved to be sound, as evidenced by our results.

## FUTURE PLANS AND PROSPECTS

Our plans and prospects for the next financial year are positive and we anticipate continued growth in turnover and profit. InfoWave will be focusing on the following growth opportunities and service offerings, some of which have already commenced. We intend to:

- continue providing quality custom-built application solutions in niche markets or business areas
- focus on larger clients for outsourcing of application solutions and support
- continue to target the sugar industry in third world countries and have recently won new business in Africa. InfoWave is well placed to continue to target commercially viable business in the rest of Africa, already having a customer-base in Swaziland, Mozambique, Tanzania, Zambia and Malawi
- pro-actively pursue opportunities which will enable re-use of our intellectual property
- continue to increase annuity revenue based on our principle of long-term partnerships with our customers
- continuously improve our internet-based offerings so that they are competitive and viable as internet technology and standards become more widely adopted
- implement a major drive to further invest in the growth of our people
- continue to review our strategies for retention of our people.

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## **THANKS**

On behalf of the board, I wish to extend my appreciation to all InfoWavers for their unwavering commitment to our customers and to InfoWave. The coming year promises to be another exciting year, and we look forward to working with our customers, assisting them as they strive to meet their business goals.



**R P Collis**

*Executive Chairman*

# REPORT OF THE INDEPENDENT AUDITORS TO THE MEMBERS OF INFOWAVE HOLDINGS LIMITED

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## INTRODUCTION

We have audited the annual financial statements and group annual financial statements of InfoWave Holdings Limited set out on pages 8 to 21 for the year ended 28 February 2002. These annual financial statements are the responsibility of the company's directors. Our responsibility is to express an opinion on these annual financial statements based on our audit.

## SCOPE

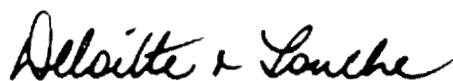
We conducted our audit in accordance with statements of South African Auditing Standards. Those standards require that we plan and perform the audit to obtain reasonable assurance that the annual financial statements are free of material misstatement. An audit includes:

- examining on a test basis, evidence supporting the amounts and disclosures in the financial statements,
- assessing the accounting principles used and significant estimates made by management, and
- evaluating the overall financial statement presentation.

We believe that our audit provides a reasonable basis for our opinion.

## AUDIT OPINION

In our opinion, these annual financial statements fairly present, in all material respects, the financial position of the group and the company at 28 February 2002 and the results of their operations and cash flow information for the year then ended in conformity with South African Statements of Generally Accepted Accounting Practice, and in the manner required by the Companies Act in South Africa.



**Deloitte & Touche**

*Registered Accountants and Auditors*

*Chartered Accountants (SA)*

Durban

12 April 2002

# COMPANY SECRETARY'S CERTIFICATE

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I, Nadine Catherine Swinford-Meyer, being the Company Secretary of InfoWave Holdings Limited and its subsidiaries, certify that, to the best of my knowledge and belief, all returns required of a public company have, in respect of the year under review, been lodged with the Registrar of Companies and that all such returns are true, correct and up-to-date.



**N C Swinford-Meyer**  
*Company Secretary*

Durban  
12 April 2002

# DIRECTORS' REPORT AND APPROVAL OF ANNUAL FINANCIAL STATEMENTS

## RESPONSIBILITY FOR ANNUAL FINANCIAL STATEMENTS

The directors are responsible for the preparation, integrity and objectivity of financial statements and other information contained in this annual report, which has been prepared in accordance with South African Statements of Generally Accepted Accounting Practice, and which has been reported on by the company's auditors whose duty this is.

In discharging this responsibility, the group maintains suitable internal control systems and adequate accounting records to provide reasonable assurance that assets are safeguarded and that transactions are executed and recorded in accordance with group policies.

To the best of their knowledge and belief, based on the above the directors are satisfied that no material breakdown in the operating of the systems of internal control has occurred during the year under review, and the directors believe that the business will be a going concern for the year ahead.

## NATURE OF BUSINESS

InfoWave Holdings Limited is an investment holding company, and operates through its wholly-owned subsidiary companies, namely InfoWave (Proprietary) Limited and InfoWave Internet Solutions (Proprietary) Limited. These two companies are primarily involved in consulting services specialising in implementation of custom-built business application solutions and internet services.

## FINANCIAL RESULTS

The financial results of the company and the group are disclosed in these financial statements.

## DIVIDENDS

No dividend was declared during the year.

## SHARE CAPITAL

1 300 000 shares were allotted at 6 cents per share to key employees for restraint of trade contracts in August 2001

increasing the issued share capital from 86 154 545 shares to 87 454 545 shares. This was the only new issue resulting in a change in the share capital of the group during the financial year under review.

## INVESTMENT IN SUBSIDIARIES

Details of the subsidiaries appear in note 9 to the financial statements.

## SHARE OPTION SCHEME

The InfoWave share option scheme gives directors and staff an opportunity to participate in the growth of the group. An analysis of this scheme follows on page 22.

## DIRECTORATE

The names of the directors appear on page 25.

The following changes to the board of directors took place during the period.

- Retiring directors – Messrs R P Collis and P Aposporis were re-appointed to the board effective 29 June 2001.
- Mr J A A Vat resigned as a non-executive director effective 21 September 2001.
- Mr P Aposporis resigned as a non-executive director effective 31 December 2001.

## COMPANY SECRETARY

The name of the Secretary appears on page 25.

## DIRECTORS' AND OFFICERS' SHARE DEALINGS

Directors and officers are not permitted to deal, directly or indirectly, in the shares of the company for a period of six weeks prior to the announcement of the interim and final results.

Directors and officers are required to notify the company secretary of their intention to deal in the shares of the company. Immediately after any transaction they are

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required to notify the secretary in writing of the nature of the transaction, the date thereof, the price and the number of shares involved. These notifications are tabled at the next board meeting.

#### **SPECIAL RESOLUTION PASSED – GENERAL RESOLUTION TO PURCHASE THE COMPANY'S SHARES**

On 29 June 2001 the members approved amendments to the company's articles of association and granted the directors authority for the repurchase of the company's shares, valid until the next annual general meeting. No repurchases were effected during the year under review.

#### **DEMATERIALISATION**

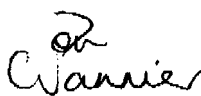
The company's shares were dematerialised in December 2001 and electronic settlement of the shares commenced on 3 January 2002.

#### **APPROVAL OF ANNUAL FINANCIAL STATEMENTS**

The annual financial statements, which appear on pages 8 to 21 were approved by the board of directors on 12 April 2002 and are signed on its behalf by:



**R P Collis**  
*Chairman*



**C L von Pannier**  
*Director*

# INCOME STATEMENTS

for the year ended 28 February 2002

	Notes	<b>GROUP</b> <b>2002</b> <b>R</b>	GROUP 2001 R	<b>COMPANY</b> <b>2002</b> <b>R</b>	COMPANY 2001 R
<b>REVENUE</b>	2	<b>26 902 750</b>	21 881 556	<b>281 790</b>	1 537 538
Operating costs		<b>(20 882 971)</b>	(19 830 598)	<b>(406 505)</b>	(1 533 276)
Profit/(loss) from operations	3	<b>6 019 779</b>	2 050 958	<b>(124 715)</b>	4 262
Interest and investment income		<b>663 560</b>	397 262	–	–
Finance costs		<b>(8 500)</b>	(6 493)	–	(4 262)
Profit/(loss) before taxation		<b>6 674 839</b>	2 441 727	<b>(124 715)</b>	–
Taxation	5	<b>2 130 417</b>	1 027 805	–	–
Profit/(loss) for the year		<b>4 544 422</b>	1 413 922	<b>(124 715)</b>	–
<b>Earnings per share</b> (cents)	6	<b>5,24</b>	1,64		
<b>Headline earnings per share</b> (cents)	6	<b>5,32</b>	1,93		
<b>Fully diluted earnings per share</b> (cents)	6	<b>5,16</b>	1,64		

# BALANCE SHEETS

as at 28 February 2002

	Notes	<b>GROUP</b> <b>2002</b> <b>R</b>	GROUP 2001 R	<b>COMPANY</b> <b>2002</b> <b>R</b>	COMPANY 2001 R
<b>ASSETS</b>					
<b>Non-current assets</b>		<b>660 445</b>	3 647 958	<b>10 661 606</b>	6 483 658
Plant and equipment	8	<b>660 445</b>	1 029 255	–	–
Interest in subsidiaries	9	–	–	<b>10 661 606</b>	6 483 658
Investments	7	–	2 443 810	–	–
Deferred taxation asset	10	–	174 893	–	–
<b>Current assets</b>		<b>14 341 615</b>	7 854 474	<b>442 000</b>	90
Accounts receivable		<b>3 163 994</b>	2 956 066	–	90
Short-term loans		<b>442 000</b>	300 035	<b>442 000</b>	–
Cash and cash equivalents		<b>10 735 621</b>	4 598 373	–	–
<b>Total assets</b>		<b>15 002 060</b>	11 502 432	<b>11 103 606</b>	6 483 748
<b>EQUITY AND LIABILITIES</b>					
<b>Capital and reserves</b>		<b>11 011 807</b>	6 389 384	<b>11 011 807</b>	6 389 384
Issued capital	11	<b>8 746</b>	8 615	<b>8 746</b>	8 615
Share premium	12	<b>9 020 479</b>	8 942 609	<b>9 020 479</b>	8 942 609
Accumulated profit/(deficit)		<b>1 982 582</b>	(2 561 840)	<b>1 982 582</b>	(2 561 840)
<b>Non-current liabilities</b>					
Long-term borrowings	13	<b>312 500</b>	562 500	–	–
<b>Current liabilities</b>		<b>3 677 753</b>	4 550 548	<b>91 799</b>	94 364
Accounts payable		<b>2 616 618</b>	4 300 548	<b>91 799</b>	94 364
Taxation		<b>811 135</b>	–	–	–
Current portion of long-term borrowings	13	<b>250 000</b>	250 000	–	–
<b>Total equity and liabilities</b>		<b>15 002 060</b>	11 502 432	<b>11 103 606</b>	6 483 748

# STATEMENTS OF CHANGES IN EQUITY

for the year ended 28 February 2002

	<b>Group</b>			Total R
	Share capital R	Share premium R	Accumulated profit/ (deficit) R	
Balance at 29 February 2000	8 615	8 942 609	(3 975 762)	4 975 462
Profit for the year	–	–	1 413 922	1 413 922
Balance at 28 February 2001	8 615	8 942 609	(2 561 840)	6 389 384
Profit for the year	–	–	4 544 422	4 544 422
Shares issued during the year	131	77 870	–	78 001
<b>Balance at 28 February 2002</b>	<b>8 746</b>	<b>9 020 479</b>	<b>1 982 582</b>	<b>11 011 807</b>

	<b>Company</b>			Total R
	Share capital R	Share premium R	Accumulated profit/ (deficit) R	
Balance at 29 February 2000	8 615	8 942 609	(3 975 762)	4 975 462
Subsidiary companies – share of after-tax profit	–	–	1 413 922	1 413 922
Balance at 29 February 2001	8 615	8 942 609	(2 561 840)	6 389 384
Subsidiary companies – share of after-tax profit	–	–	4 669 137	4 669 137
Loss for the year	–	–	(124 715)	(124 715)
Shares issued during the year	131	77 870	–	78 001
<b>Balance at 28 February 2002</b>	<b>8 746</b>	<b>9 020 479</b>	<b>1 982 582</b>	<b>11 011 807</b>

# CASH FLOW STATEMENT

for the year ended 28 February 2002

	Note	GROUP 2002 R	GROUP 2001 R
<b>CASH FLOWS FROM OPERATING ACTIVITIES</b>			
Profit from operations		6 019 779	2 050 958
Adjustment for:			
Depreciation on plant and equipment		395 643	632 184
Assets under R2 000 written off		164 483	–
Loss/(surplus) on disposal of plant and equipment		5 923	(50)
Write down of investments		27 942	49 930
Loss on disposal of business		–	201 509
Write down of share incentive trust loan		40 035	–
Restraint of trade payments settled by issue of shares		78 001	–
Operating profit before working capital changes		6 731 806	2 934 530
Working capital changes			
(Increase)/decrease in receivables		(207 928)	809 992
(Decrease)/increase in payables		(1 683 930)	262 699
Cash generated from operations		4 839 948	4 007 221
Normal taxation paid		(1 144 389)	–
Interest and investment income		663 560	303 522
Finance costs		(8 500)	(6 493)
Net cash inflow from operating activities		4 350 619	4 304 250
<b>CASH FLOW FROM INVESTING ACTIVITIES</b>			
Acquisition of plant and equipment and assets under R2 000		(368 107)	(141 642)
Proceeds on disposal of plant and equipment		170 868	50
Proceeds from/(acquisition of) investments		2 415 868	(2 400 000)
Proceeds on disposal of business	A	–	666 315
Increase in short-term loans		(182 000)	–
Net cash inflow/(outflow) from investing activities		2 036 629	(1 875 277)
<b>CASH FLOWS FROM FINANCING ACTIVITIES</b>			
Long-term loans repaid		(250 000)	(270 833)
Net increase in cash and cash equivalents		6 137 248	2 158 140
Cash and cash equivalents at beginning of year		4 598 373	2 440 233
Cash and cash equivalents at end of the year		10 735 621	4 598 373
<b>Note A</b>			
<b>Proceeds on disposal of business</b>			
Net assets sold			
– plant and equipment		–	466 507
– receivables		–	450 458
– payables		–	(49 141)
			–
Loss on disposal of business		–	867 824
			–
Proceeds on disposal of business		–	(201 509)
			–
Proceeds on disposal of business		–	666 315

# NOTES TO THE ANNUAL FINANCIAL STATEMENTS

for the year ended 28 February 2002

## 1. ACCOUNTING POLICIES

The annual financial statements have been prepared in accordance with South African Statements of Generally Accepted Accounting Practice. They have been prepared on the historic cost basis and incorporate the following principal accounting policies, which have been consistently applied in all material respects:

### 1.1 Basis of consolidation

The consolidated annual financial statements incorporate the annual financial statements of the company and its subsidiaries. The operating results of the subsidiaries are included from the effective date of acquisition. All significant inter-company transactions and balances are eliminated.

Differences between the cost of investments in the subsidiaries and the fair value of their attributable net assets at date of acquisition are treated as goodwill, which is written off over a period appropriate to each transaction.

In the company, subsidiaries are accounted for on the equity method from the date of acquisition.

### 1.2 Plant and equipment and depreciation

Plant and equipment is originally recorded at cost. Assets costing less than R2 000 are written off on purchase.

Depreciation is provided on the straight-line basis at rates considered appropriate to reduce book values over their expected useful lives to estimated residual values.

Asset category	Rates of depreciation per annum %
Computer hardware	33,3
Computer software	50,0
Telephone equipment	16,7
Furniture and fittings	16,7
Leasehold improvements	Period of lease

### 1.3 Deferred taxation

Deferred taxation is provided on the comprehensive basis using the liability method. Where the effect of temporary differences, including those arising from tax losses, gives rise to a deferred tax asset, the asset is recognised to the extent that it is probable that taxable profit will be available against which deductible temporary differences can be utilised.

### 1.4 Revenue

Revenue comprises the invoiced value of information services provided and technology product sales excluding value added taxation. The various stages of invoicing are usually formalised in a service contract or project brief, prior to commencement of any work. In terms of fixed price contracts, clients are invoiced a fixed amount monthly and revenue recognised accordingly. In terms of variable contracts, clients are invoiced according to the state of completion and revenue is recognised accordingly.

Where retention monies are withheld, pending satisfactory completion of certain stages of projects, provision against their non-recoverability is made where this is considered necessary. Where revenue is received in respect of product development on fixed price contracts and the work has not been performed, provision is made against revenue.



# NOTES TO THE ANNUAL FINANCIAL STATEMENTS

for the year ended 28 February 2002

## 1.5 Retirement and medical benefits

The group provides for pensions for all permanent employees by payment to an independent defined contribution retirement fund. All contributions to the defined contribution retirement fund and medical benefit funds are charged against income in the year in which they are incurred (refer note 15).

## 1.6 Rentals

Rentals payable under operating leases are charged to income in terms of the relevant lease.

	<b>GROUP</b> 2002 R	GROUP 2001 R	<b>COMPANY</b> 2002 R	COMPANY 2001 R
<b>2. REVENUE</b>				
An analysis of the group's revenue is as follows:				
Continuing operations	<b>26 902 750</b>	21 569 078	<b>281 790</b>	1 537 538
Discontinued operations	–	312 478	–	–
<b>Total revenue</b>	<b>26 902 750</b>	21 881 556	<b>281 790</b>	1 537 538

## 3. PROFIT FROM OPERATIONS

Profit from operations is arrived at after taking into account:

### Income

Surplus on disposal of plant and equipment	–	50	–	–
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### Expenditure

Auditors' remuneration				
– audit fees – current	<b>87 136</b>	90 000	–	30 000
– prior year underprovision	<b>1 754</b>	19 556	–	19 556
Depreciation				
– computer hardware	<b>227 117</b>	422 340	–	–
– computer software	<b>18 690</b>	21 734	–	–
– telephone equipment	<b>51 636</b>	56 528	–	–
– furniture and fittings	<b>80 310</b>	109 691	–	–
– leasehold improvements	<b>17 890</b>	21 890	–	–
Loss on disposal of business	–	201 509	–	–
Loss on disposal of plant and equipment	<b>5 923</b>	–	–	–
Operating lease charges				
– equipment	<b>59 971</b>	37 346	–	–
– properties	<b>593 970</b>	917 363	–	358 536
Pension fund contributions	<b>799 662</b>	608 516	–	16 157
Write-off of assets under R2 000	<b>164 483</b>	–	–	–
Write down of investments	<b>27 942</b>	49 930	–	–
Write down of share incentive trust loan	<b>40 035</b>	–	–	–

# NOTES TO THE ANNUAL FINANCIAL STATEMENTS

for the year ended 28 February 2002

## 4. DIRECTORS' EMOLUMENTS

The directors' remuneration for the year ended 28 February 2002 was as follows:

Name	Fees	Salary	Bonus	Retirement and medical contributions	Other benefits	Total
Executive directors:						
R P Collis	–	409 426	22 680	42 337	1 577	476 020
C L von Pannier	–	346 463	22 456	37 596	11 501	418 016
P Naicker	–	227 001	10 775	30 098	6 198	274 072
M C B Lionnet	–	319 923	20 708	37 071	49 267	426 969
Non-executive directors						
Retired/resigned:						
J A A Vat	–	–	–	–	–	–
P Aposporis	10 000	–	–	–	–	–
		<b>GROUP</b>	<b>GROUP</b>	<b>COMPANY</b>	<b>COMPANY</b>	
		<b>2002</b>	<b>2001</b>	<b>2002</b>	<b>2001</b>	
		<b>R</b>	<b>R</b>	<b>R</b>	<b>R</b>	

## 5. TAXATION

South African normal taxation

Current taxation	<b>1 920 451</b>	1 027 805	–	–
Deferred taxation	<b>174 893</b>	–	–	–
Prior year underprovision	<b>35 073</b>	–	–	–
<b>Total taxation</b>	<b>2 130 417</b>	1 027 805	–	–
<b>Tax rate reconciliation</b>	%	%	%	%
Statutory rate	30,0	30,0	(30,0)	–
Non-deductible expenses	0,6	3,3	17,5	–
Deferred taxation asset reversed	2,6	–	–	–
Deferred taxation asset not raised	0,8	8,8	12,5	–
Utilisation of assessed losses where no deferred taxation asset was raised	(2,6)	–	–	–
Prior year underprovision	0,5	–	–	–
<b>Effective rate</b>	<b>31,9</b>	<b>42,1</b>	<b>–</b>	<b>–</b>

# NOTES TO THE ANNUAL FINANCIAL STATEMENTS

for the year ended 28 February 2002

	<b>GROUP</b>	GROUP	<b>COMPANY</b>	COMPANY
	<b>2002</b>	2001	<b>2002</b>	2001
	<b>R</b>	R	<b>R</b>	R

## 6. EARNINGS PER SHARE

The calculation of earnings per share is based on the profit of R4 544 422 (2001: R1 413 922) and the weighted average number of ordinary shares in issue during the year of 86 804 545 (2001: 86 154 545).

The calculation of fully diluted earnings per share is based on the profit of R4 544 422 (2001: R1 413 922) and the weighted average number of 88 102 499 (2001: 86 154 545) shares. The dilution is a result of 2 846 485 options granted by the share incentive trust at an average exercise price of 10,88 cents per share.

Reconciliation between earnings and headline earnings:

Profit for the year	<b>4 544 422</b>	1 413 922
Loss/(surplus) on disposal of plant and equipment	<b>5 923</b>	(50)
Loss on disposal of business	–	201 509
Write down of share incentive trust loan	<b>40 035</b>	–
Write down of investments	<b>27 942</b>	49 930
<b>Headline earnings</b>	<b>4 618 322</b>	1 665 311

## 7. INVESTMENTS

At cost, less amounts written off

Sanlam unit trusts – Global	–	643 033	–	–
Sage unit trusts	–	1 800 777	–	–
<b>Net market valuation</b>	–	2 443 810	–	–

# NOTES TO THE ANNUAL FINANCIAL STATEMENTS

for the year ended 28 February 2002

## 8. PLANT AND EQUIPMENT

Group	2002			2001		
	Cost	Accumulated depreciation	Net book value	Cost	Accumulated depreciation	Net book value
Computer hardware	1 498 808	1 346 377	152 431	1 543 917	1 217 103	326 814
Computer software	201 471	134 169	67 302	138 041	131 776	6 265
Telephone equipment	309 756	173 961	135 795	329 578	134 598	194 980
Furniture and fittings	491 367	228 608	262 759	647 487	206 339	441 148
Leasehold improvements	89 451	47 293	42 158	89 451	29 403	60 048
<b>Totals</b>	<b>2 590 853</b>	<b>1 930 408</b>	<b>660 445</b>	2 748 474	1 719 219	1 029 255
	Computer hardware R	Computer software R	Telephone equipment R	Furniture and fittings R	Leasehold improvements R	<b>Total 28 February 2002 R</b>

Movements of plant and equipment:

Net book value at the beginning of the year	326 814	6 265	194 980	441 148	60 048	<b>1 029 255</b>
Additions	107 698	83 022	–	12 904	–	<b>203 624</b>
Disposals	(54 964)	(3 295)	(7 549)	(110 983)	–	<b>(176 791)</b>
Depreciation	(227 117)	(18 690)	(51 636)	(80 310)	(17 890)	<b>(395 643)</b>
Net book value at the end of the year	152 431	67 302	135 795	262 759	42 158	<b>660 445</b>

## 9. SUBSIDIARIES

Details of the company's subsidiaries at 28 February 2002 are as follows:

Name of subsidiary	Country of incorporation	Ownership interest %	Voting power %	Principal activity
InfoWave (Proprietary) Limited	RSA	100	100	Application solutions
InfoWave Internet Solutions (Proprietary) Limited	RSA	100	100	Internet solutions
			<b>COMPANY 2002 R</b>	<b>COMPANY 2001 R</b>
InfoWave (Proprietary) Limited				
Shares at cost less amounts written off			<b>3 916 100</b>	3 916 100
Indebtedness of subsidiary			<b>4 933 380</b>	5 420 164
Share of post acquisition reserves			<b>4 463 717</b>	317 763
			<b>13 313 197</b>	9 654 027
InfoWave Internet Solutions (Proprietary) Limited				
Shares at cost			<b>100</b>	100
Indebtedness to subsidiary			<b>(295 269)</b>	(290 866)
Share of post acquisition deficit			<b>(2 356 422)</b>	(2 879 603)
			<b>(2 651 591)</b>	(3 170 369)
Total interest			<b>10 661 606</b>	6 483 658



# NOTES TO THE ANNUAL FINANCIAL STATEMENTS

for the year ended 28 February 2002

	<b>GROUP</b> <b>2002</b> <b>R</b>	GROUP 2001 R	<b>COMPANY</b> <b>2002</b> <b>R</b>	COMPANY 2001 R
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## 10. DEFERRED TAXATION ASSET

The major components of the deferred taxation asset balance are analysed as follows:

Prepayments	–	(7 015)	–	–
Provisions	–	144 363	–	–
Income received in advance	–	10 731	–	–
Estimated taxation loss to be offset against future income	–	26 814	–	–
<b>Deferred taxation asset</b>	<b>–</b>	<b>174 893</b>	<b>–</b>	<b>–</b>

## 11. SHARE CAPITAL

Authorised:

200 000 000 ordinary shares of 0,01 cents each	<b>20 000</b>	20 000	<b>20 000</b>	20 000
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Issued:

87 454 545 (2001: 86 154 545) ordinary shares of 0,01 cents each	<b>8 746</b>	8 615	<b>8 746</b>	8 615
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2 846 485 shares have been reserved in respect of options granted in terms of the Share Option Scheme (refer page 22).

The remaining unissued shares are under the control of the directors subject to the provisions of sections 221 and 222 of the Companies Act and the Rules and Regulations of the JSE Securities Exchange (South Africa).

On 29 June 2001 the members approved amendments to the company's articles of association and granted the directors authority for the repurchase of the company's shares, valid until the next annual general meeting. No repurchases were effected during the year under review.

## 12. SHARE PREMIUM

Share premium at beginning of year	<b>8 942 609</b>	8 942 609	<b>8 942 609</b>	8 942 609
On shares allotted during the year	<b>77 870</b>	–	<b>77 870</b>	–
<b>Balance at year-end</b>	<b>9 020 479</b>	8 942 609	<b>9 020 479</b>	8 942 609

# NOTES TO THE ANNUAL FINANCIAL STATEMENTS

for the year ended 28 February 2002

	<b>GROUP</b>	GROUP	<b>COMPANY</b>	COMPANY
	<b>2002</b>	2001	<b>2002</b>	2001
	<b>R</b>	R	<b>R</b>	R
<b>13. LONG-TERM BORROWINGS</b>				
Unsecured:				
Illovo Sugar Limited	<b>562 500</b>	812 500	–	–
Less: current portion included under current liabilities	<b>250 000</b>	250 000	–	–
	<b>312 500</b>	562 500	–	–

This interest free loan is repayable in monthly instalments of R20 833 terminating on 31 May 2004.

#### **Borrowing limits**

The directors may from time to time at their discretion raise or borrow monies for the purpose of the group as they deem fit.

There are no borrowing limits in the articles of association of the company or its subsidiaries.

#### **14. COMMITMENTS**

Operating lease commitments

Due within one year	<b>682 472</b>	609 826	–	–
Due from two to three years	<b>692 453</b>	1 346 337	–	–
	<b>1 374 925</b>	1 956 163	–	–

Capital commitments – computer hardware and software

Authorised but not contracted for	<b>600 000</b>	467 000	–	–
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These will be funded from the group's internal resources.

#### **15. RETIREMENT BENEFIT INFORMATION**

The group established the InfoWave Pension Fund with effect from 1 July 1996 in terms of the Pension Funds Act, 1956. The Fund is a defined contribution plan and all of the permanent salaried employees are members. The assets of the scheme are held separately from those of the group in funds under the control of Trustees. No post retirement medical funding is provided by the group to employees.

# NOTES TO THE ANNUAL FINANCIAL STATEMENTS

for the year ended 28 February 2002

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## 16. FINANCIAL RISK MANAGEMENT

### 16.1 Interest rate risk

The group is not subject to interest rate risk on borrowings as none is interest bearing. The group is subject to interest rate fluctuations on short-term cash investments.

### 16.2 Currency risk

The group is not subject to currency risk as all sales are denominated in local currency and the related costs are also denominated in local currency.

### 16.3 Credit risk

Trade debtors comprise a widespread customer base. The granting of credit is controlled by well-established criteria which are reviewed and updated on an ongoing basis. At 28 February 2002, the group did not consider there to be any significant concentration of credit risk which had not been adequately provided for.

### 16.4 Liquidity risk

The group is not subject to liquidity risk as it has sufficient cash resources to meet its normal operating activities.

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## 17. DEMATERIALISATION

The company's shares were successfully moved to the STRATE system during December 2001 and the electronic settlement of the sale of its shares commenced on 3 January 2002.

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# SHARE OPTION SCHEME

The aggregate number of shares available through the scheme is limited to 10% of the issued ordinary shares in the company at any one time.

Details	Date	Shares
<b>Number of shares available to the Trust for reservation</b>	<b>28.02.2002</b>	<b>8 745 454</b>
Number of shares issued to the Trust	28.02.2002	1 300 000
Number of shares otherwise acquired by the Trust	28.02.2002	1 750 000
Potential future dilution		2 846 485
Number of share options granted by the Trust to beneficiaries and is exercisable at an average price of 10,88 cents by 2006	21.09.2001	5 381 085
	11.02.2002	515 400
Number of share options available to future participants from shares already held by the Trust	28.02.2002	3 050 000
<b>Balance of future shares available to the Trust for reservation</b>		<b>2 848 969</b>

## Interest of directors of the company in share options

The interest of the directors in share options of the company are shown in the table below:

Name	Options at beginning of year	Options granted	Options exercised	Options at end of year	Average price
Executive directors:					
R P Collis	–	187 900	–	187 900	10,5 cents
C L von Pannier	–	196 900	–	196 900	10,5 cents
P Naicker	–	70 800	–	70 800	10,5 cents
M C B Lionnet	–	220 100	–	220 100	10,5 cents

# SHARES AND SHAREHOLDERS

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## Performance on the JSE Securities Exchange (South Africa)

Total number of shares traded ('000)	7 398
Total number of shares traded as a percentage of total issued shares (%)	8,5
Total value of shares traded (R'000)	819
Prices (cents)	
Closing	20
High	23
Low	5

## Shareholder distribution

Companies	14 564 438
Individuals	41 855 301
InfoWave Holdings Limited Share Incentive Trust	3 050 000
Pension funds, trusts and other institutions	27 984 806

## Spread

Number of shareholders with less than 10 000 shares	98
10 001 to 100 000 shares	113
100 001 to 200 000 shares	17
over 200 000 shares	43

## Principal shareholders

The following are the principal shareholders whose holdings in the company total more than 5% of the total issued share capital as at 28 February 2002:

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The Jan Vat Family Trust	<b>12 788 316</b>
The Collis Clan Trust	<b>8 203 257</b>
Kingfisher Investments – Investec	<b>5 404 000</b>
Jeevaruthnum Pillay	<b>4 852 101</b>

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## Directors' interest in the company

As at 28 February 2002 the directors of InfoWave Holdings Limited held in aggregate direct and indirect beneficial interests of 16 791 273 (2001: 15 249 354) of the ordinary shares of InfoWave as set out below:

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Aggregate interests (%)	19,2
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## Executive directors

R P Collis	9,4
C L von Pannier	4,9
P Naicker	4,1
M C B Lionnet	0,8

There have been no significant changes since the year-end.

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# SHAREHOLDERS' DIARY

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**Annual general meeting**

**31 May 2002**

**Reports**

Interim half year to August 2002

Published

November 2002

2003 Annual Report

Published

May 2003

**Financial year end**

28 February 2003

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**Note:**

The above are anticipated dates published as a guide for the benefit of shareholders. The company cannot accept any responsibility should it become necessary to alter the dates mentioned above.

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# DIRECTORS AND OFFICERS

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## Directors

R P Collis  
Date of birth 30 November 1955  
Title Executive Chairman  
Date of appointment 1 September 1998

C L von Pannier  
Date of birth 9 July 1963  
Title Executive Director  
Date of appointment 1 September 1998

M C B Lionnet  
Date of birth 14 October 1958  
Title Executive Director  
Date of appointment 30 June 2000

P Naicker  
Date of birth 25 June 1956  
Title Executive Director  
Date of appointment 30 June 2000

## Company Secretary

N C Swinford-Meyer  
Date of birth 11 August 1958  
Title Group Financial  
Manager and  
Company Secretary  
Date of appointment 1 March 2000

## Audit Committee members and attendees

R P Collis Chairman  
(Managing Director)

T Dunsdon Member  
(Acting Financial Director)

R Bray Attendee  
(JSE Securities Exchange  
(SA) Sponsor)

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# CORPORATE GOVERNANCE AND CODE OF ETHICS

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## **Corporate governance**

The directors endorse the aims of the King Report on Corporate Governance in conducting the affairs of the company with integrity and in accordance with the highest standards of corporate practice. The company is committed to the principles of openness, integrity and accountability in its dealings with all its stakeholders.

The primary objective of any system of corporate governance is to ensure that directors and managers carry out their responsibilities faithfully and effectively, placing the interests of the corporation ahead of their own. This process is facilitated through the establishment of appropriate reporting and control structures within the organisation.

## **Audit committee**

The company has an audit committee which comprises Mr R P Collis as chairman and Mrs T Dunsdon (CA)SA, the company's acting financial director. Mr R Bray of Benefique Capital, the company's JSE Securities Exchange (South Africa) sponsor, is invited to attend and the external auditors have unrestricted access to this committee. The audit committee reviews the effectiveness of internal control in the group with reference to the findings of the external auditors and reviews important accounting issues, including specific disclosures in the financial statements and any recommendations by the auditors.

## **Directorate and executive management**

The board of the company meets regularly and monitors the performance of executive management. It addresses a

range of key issues and ensures that debate on matters of policy, strategy and performance is critical, informed and constructive.

All directors of the company have access to the advice and services of the company secretary and, in appropriate circumstances may, at the company's expense, seek independent professional advice concerning its affairs

## **Management reporting**

There are comprehensive management reporting disciplines in place which include the preparation of annual budgets by all business units. The group budget is reviewed by the directors of the company. Monthly results and the financial status of business units are reported against approved budgets and compared to the prior year. Profit projections are updated monthly while working capital and borrowing levels are monitored on an ongoing basis.

## **Code of ethics**

The group companies adhere to a high standard of conduct and are:

- non-sectional and non-political
- protective of the group's reputation as regards integrity and credibility
- consistent in honouring their obligations
- actively promoting the development of their employees
- concerned with the quality of their product and services and customer satisfaction.

# EMPLOYMENT EQUITY

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The group remains committed to practising sound employment equity practices and providing equal opportunities for all its employees regardless of their ethnic origin or gender.

InfoWave submitted its Employment Equity Plan to the Department of Labour in November 2000 and is due to submit its first report in terms of the Plan in October 2002.

InfoWave is satisfied that the group's stated objectives are being achieved.

# GENERAL INFORMATION

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## **INFOWAVE HOLDINGS LIMITED**

(Incorporated in the Republic of South Africa)

Registration number 1998/017276/06

### **Registered office**

Gleneagles Park  
10 Flanders Drive  
Mount Edgecombe  
4300  
(PO Box 2225, Mt Edgecombe, 4300)

### **Auditors**

Deloitte & Touche  
Chartered Accountants (SA)  
2 Pencarrow Crescent, Pencarrow Park  
La Lucia Ridge Office Estate  
La Lucia  
4051  
(PO Box 243, Durban, 4000)

### **Transfer Secretaries**

Computershare Services Limited  
(Registration number 1958/003546/06)  
2nd Floor, Edura House  
41 Fox Street  
Johannesburg  
2001  
(PO Box 61051, Marshalltown, 2107)

### **Sponsor**

Benefique Capital (Proprietary) Limited  
(Registration number 1997/019324/07)  
1st Floor, Twin Towers  
Sandton City  
5th Street  
Sandton  
2196  
(PO Box 783073, Sandton, 2146)

### **Commercial banker**

Nedbank  
A division of Nedcor Limited  
(Registration number 1966/010630/06)  
303 Smith Street  
Durban  
4001  
(PO Box 1529, Durban, 4000)

### **Legal representatives**

Harty Rushmere  
Attorneys  
44 Wierda Road West  
Wierda Valley  
Sandton  
2196  
(PO Box 781272, Sandton, 2146)

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# NOTICE OF MEETING

Notice is hereby given that the annual general meeting of shareholders of the company will be held in the Deloitte & Touche boardroom, Deloitte & Touche Place, 2 Pencarrow Crescent, Pencarrow Park, La Lucia Ridge Office Estate, La Lucia on Friday, 31 May 2002 at 10:00 for the following purposes:

- To receive and consider the audited financial statements of InfoWave Holdings Limited for the year ended 28 February 2002.
- To transact such other business as may be transacted at an annual general meeting.
- To consider and, if deemed fit, to pass, with or without modification, the following resolutions –

## 1. Ordinary resolution number 1

"Resolved to receive the Annual Financial Statements for the year ended 28 February 2002, the Directors' Report and the report of the Auditors."

## 2. Ordinary resolution number 2

"Resolved to re-elect the following as directors of the company:

Messrs P Naicker and M C B Lionnet."

Each of the directors referred to above retires as a director of the company in accordance with the company's articles of association.

## 3. Ordinary resolution number 3

"Resolved to authorise the directors to determine the remuneration of the auditors."

## 4. Ordinary resolution number 4

"Resolved to re-appoint the auditors for the next financial year."

## 5. Ordinary resolution number 5

"Resolved to determine the remuneration of the directors."

## 6. Ordinary resolution number 6

"Resolved that, subject to not less than 75% of shareholders, present in person or by proxy and entitled to vote at the general meeting at which this ordinary resolution is to be considered, voting in favour thereof, the directors of the company be and are hereby authorised, by way of general authority, to issue all or any of the authorised but unissued ordinary shares in the capital of the company for cash as they in their discretion deem fit, subject to the following limitations:

**6.1** this authority will not extend beyond the later of the date of the annual general meeting of the company in respect of its financial year ending 28 February 2003 or the date of the expiry of 15 months from the date of this meeting;

**6.2** issues in terms of this authority will not exceed 15% in the aggregate number of ordinary shares in the company's issued share capital in any one financial year;

**6.3** a press announcement giving full details, including the impact on net asset value and earnings per share, will be published at the time of any issue representing 5% or more of the number of ordinary shares in issue prior to such issue;

**6.4** in determining the price at which an issue of shares will be made in terms of this authority, the maximum discount permitted will be 10% of the weighted average traded price of such shares, as determined over the 30 day period prior to the date that the price of issue is to be determined or agreed by the directors of the company; and

**6.5** any such issue will only be made to public shareholders as defined by the JSE Securities Exchange (South Africa)."

## 7. Ordinary resolution number 7

"Resolved that the unissued shares of the company be placed under the control of the directors of the company, and that they are hereby authorised subject to sections 221 and 222 of the Companies Act of 1973

# NOTICE OF MEETING

(Act 61 of 1973), as amended, and to the rules and regulations of the JSE Securities Exchange (South Africa), to allot and/or issue shares to such person or persons on such terms and conditions as they may determine, such authority to expire at the next annual general meeting of the company."

## 8. Special resolution number 1

"Resolved that, the company may, subject to the Companies Act (Act 61 of 1973) as amended and the requirements from time to time of the JSE Securities Exchange (South Africa) ("JSE"), acquire shares issued by itself or shares in its holding company, provided that this will not extend beyond the later of the date of the annual general meeting of the company in respect of its financial year ending 28 February 2003 or the date of the expiry of 15 months from the date of this meeting and be varied by special resolution by any general meeting of the company at any time prior to the next annual general meeting."

Pursuant to the above, the following additional information, required in terms of the Listings Requirements of the JSE, is submitted:

It is recorded that the company may only make a general repurchase of securities if:

- (a) the repurchase of securities is implemented on the JSE ("open market");
- (b) the company is authorised thereto by its Articles of Association;
- (c) the company is authorised by its shareholders in terms of a special resolution of the company in general meeting which authorisation shall be valid only until the next annual general meeting, provided that it shall not extend beyond 15 months from the date of the resolution;
- (d) the general repurchase is limited to a maximum of 20% of the company's issued share capital of that class at the time the authority is granted;
- (e) repurchases must not be made at a price more than 10% above the weighted average of the market

value for the securities for the five business days immediately preceding the date of repurchase;

- (f) a paid press announcement containing full details of such acquisition is published as soon as the company has acquired shares constituting, on a cumulative basis, 3% of the number of shares in issue prior to the acquisition; and
- (g) such financial information regarding InfoWave as is required by the JSE to be lodged prior to the commencement of any repurchases in terms of this general authority has been submitted to the Listings Division of the JSE.

The directors of the company are of the opinion that, after considering the effects of a repurchase of 20% of the company's issued share capital:

- the company would be able, in the ordinary course of business, to repay its debts for a period of 12 months after the date of the notice of annual general meeting;
- the consolidated assets of the company, fairly valued in accordance with generally accepted accounting practice, would be in excess of the company's consolidated liabilities; and
- the company's ordinary capital reserves and working capital would be adequate for a period of 12 months after the date of the notice of annual general meeting.

The intention of the directors of the company is to utilise the authority only if the shares issued by the company, in the opinion of the directors, are trading at a discount to their intrinsic value.

The method by which the company intends to repurchase its securities and the date on which such repurchase will take place, have not yet been determined.

In terms of the Listings Requirements of the JSE, the maximum number of shares that can be repurchased amounts to 17 490 909 shares (20% of the 87 454 545 shares currently in issue). This authority shall extend from the date of this annual general meeting to the following annual general meeting.

# NOTICE OF MEETING

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The reason for this resolution, if passed, is to enable the company to:

- effect a reduction of its share capital;
- acquire its own shares or the shares in its holding company; and
- make payments to its members as contemplated in section 90 of the Companies Act (Act 61 of 1973) as amended.

## **Voting and proxies**

All shareholders will be entitled to attend and vote at the annual general meeting.

A shareholder that is entitled to attend and vote at the annual general meeting is entitled to appoint one or more proxies to attend and speak and, on a poll, vote in his/her stead. A proxy need not be a member of the company.

In order to be effective, the proxy form must be properly completed and be received by the company's transfer secretaries at the address stated below, by not later than 10:00 on Wednesday, 29 May 2002.

By order of the board



**N C Swinford-Meyer**

*Company Secretary*

### **Registered office**

Gleneagles Park  
10 Flanders Drive  
Mt Edgecombe  
4300

### **Transfer Secretaries**

Computershare Services Limited  
P O Box 61051  
Marshalltown  
2107



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# PROXY FORM



## INFOWAVE HOLDINGS LIMITED

(Incorporated in the Republic of South Africa)

Registration number 1998/017276/06

I/We (Names in capital letters)

Being a member(s) of InfoWave Holdings Limited and entitled, on a poll, to  votes hereby appoint

\_\_\_\_\_ of \_\_\_\_\_ or failing him

\_\_\_\_\_ of \_\_\_\_\_ or failing them,

the chairman of the meeting as my/our proxy to vote for me/us and on my/our behalf at the annual general meeting of the company to be held on 31 May 2002 and at any adjournment thereof.

Please indicate with an "x" in the appropriate spaces how you wish your votes to be cast. Unless this is done the proxy will vote as he thinks fit.

	In favour of	Against	Abstain
1. To receive the annual financial statements			
2. Re-election as directors Mr P Naicker Mr M C B Lionnet			
3. To authorise the directors to determine the auditors' remuneration			
4. To re-appoint the auditors for the next financial year			
5. To determine the remuneration of the directors			
6. To grant the directors a general authority to issue shares for cash			
7. To place the unissued shares under the control of the directors			
8. To acquire shares issued by itself or shares in its holding company			

Signature

Date

A shareholder entitled to attend and vote at the annual general meeting is entitled to appoint a proxy (who need not be a member of the company) to attend and speak and to vote in his/her/their place. In the event of a poll a shareholder or his/her/their proxy shall have one vote for every share held.

**Please read the notes on the reverse side hereof.**

# PROXY FORM

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**Notes:**

1. The date must be filled in on this form of proxy when it is signed.
2. The proxy must be received at the following address no later than 48 hours before the commencement of the meeting:

Computershare Services Limited  
2nd Floor  
Edura House  
41 Fox Street  
Johannesburg  
2001  
(PO Box 61051, Marshalltown, 2107)