



DigiCore
HOLDINGS LIMITED



ANNUAL REPORT 2002



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Vision and mission

We provide telematic solutions for asset and business management.

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

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.

the future starts now

Profile

The business of the DigiCore Group is to provide and disseminate pertinent management information to its customers, both commercial and industrial, for the efficient and effective management of mobile assets such as vehicles and their cargo for both logistic and security purposes, utilising cutting-edge information technology.

DigiCore received the VESA award for outstanding product innovation and loss reduction in fleet management

DigiCore

Superior products

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





Customer focus

DigiCore establishes long-term relationships with clients based on business ethics and corporate culture. Strategic partners in the vehicle manufacturing, vehicle retail, financing and insurance industries further add value to our customers.

strengths

Research and development

DigiCore places great emphasis on the research and development of more competitive products in meeting market demands for value-added, flexible, feature-rich and cost-effective technology.

opportunities for growth



Global expansion

Strategically identified as key to the continued growth and expansion of DigiCore it is pleasing to report that the export of our C-Track product range now exceeds 50% of units manufactured. Our products are available in 14 countries in Europe with growth of 83% in the last year. Pakistan presents a huge export market as vehicle tracking systems have almost become mandatory when applying for vehicle insurance.

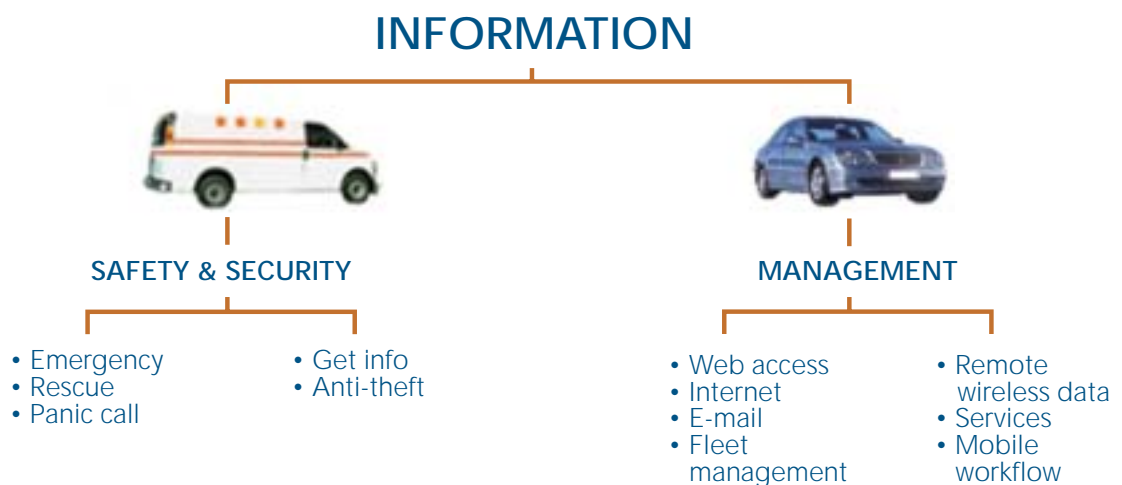


We see the continuous penetration of global markets and the exciting new field of telematics as sure opportunities for growth

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.

DigiCore as a content specialist in the telematics value chain will develop the information and services available to telematics users, such as fleet management, mobile workflow or vehicle anti-theft tracking.

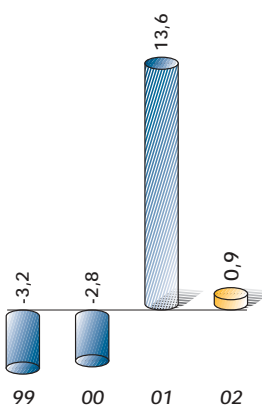


a solid financial year

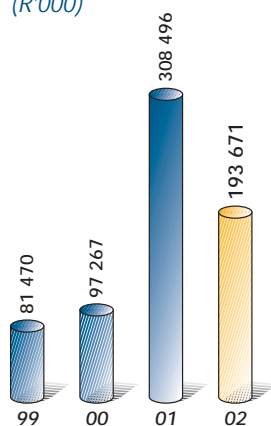
Financial highlights

- Attributable earnings R13 million
- Headline earnings per share 7,24 cents
- Cash on hand R20 million
- Net assets value increase to 44,6 cents per share

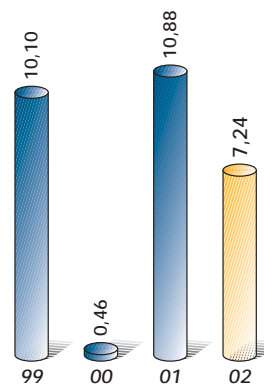
Net cash flow per share (Cents)



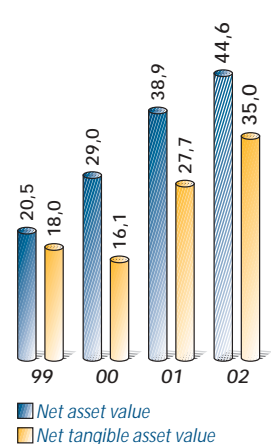
Turnover (R'000)



Headline earnings per share (Cents)



Asset value per share (Cents)



Group structure



DigiCore Technology
is the group's research and development division employing 18 staff.



DigiCore Cellular
is the GSM support and distribution centre of the DigiCore Group.



DigiCore Electronics
is a dedicated manufacturing division, employing 56 engineers and production staff.



DigiCore International
is represented in Europe, Pakistan and Australia with 19 distributors and facilitates and co-ordinates international support to current and future international markets.



DigiCore Fleet Management
is the leading supplier to fleet owners in South Africa, employing 271 people in nine branches and three service centres.

quality, depth

Directorate



B P Vundla (54)
Chairman ^o
Appointed 1 July 1999



N H Vlok (46)
Executive deputy
chairman ^o#
Appointed 8 October 1997



L E Truter (44)
Group managing
director [#]
Appointed 15 January 2001



S R Aberdein (46)
Managing director
DigiCore Electronics [#]Δ
Appointed 1 July 1998



U Khumalo (36)
Non-executive director
Appointed 18 July 2001



S A Msibi (39)
Non-executive
director ^o*
Appointed 1 July 1999



B J Richards (36)
Marketing and sales
director [#]
Appointed 2 October 2001

talent .



F W Britz (36)
Group financial
director *#Δ
Appointed 4 January 2000



J J du Plooy (35)
Non-executive
director *
Appointed 1 July 1999



D du Rand (42)
Managing director
DigiCore Technology #
Appointed 7 December
2000



N A Gasa (52)
Non-executive
director Δ
Appointed 23 November
2001



K R Stanton (41)
IT director
Appointed 8 October
1997



A N D Vilakazi (52)
Non-executive director
Appointed 23 November
2001

Management team

André Gouws (30)
Financial director

Mark Hill (43)
Regional director East Coast

Malcolm Rousseau (38)
Regional director Cape

Mark Rousseau (40) Δ
Regional director Inland

- Remuneration committee
- # Exco member
- * Audit committee
- Δ Risk committee

Chairman's review



DigiCore has made significant strides towards its strategic and commercial goals in 2002. Cash flows were directed to accelerate business development and the re-engineering of our core intellectual property.

DigiCore has substantial strengths and market advantages, even though our financial and stock market performance do not reflect the full value of these assets. Our strategy remains to invest consistently in our information technology capabilities that allow us to stay at the forefront of profitable opportunities in the fleet management market.

Over the past eight months, the company has prepared itself to comply with the new European Union regulations relating to the manufacture of automotive electronic components, and recently obtained the distinctive E4 certification to support the continued sale of our C-Track system in Europe.

C-Track has proven itself a world leader in many of the most advanced real-time management system solutions. It is recognised for its open platform adaptability, allowing for the integration of information on driver behaviour, smart card technology, barcode scanners and interaction with business automation systems. We take great pride in our uniquely South African-conceived technology; feature-rich and adaptable, and sufficiently advanced enough to compete successfully in sophisticated markets such as the United States and Europe.

To maximise DigiCore's full potential, however, technological excellence must be matched. The company

continues to expand its product portfolio and nurture its offshore distributor network, with interests in Europe, Pakistan and Australia delivering a significant increase in sales during the review period.

Considerable time and effort have been invested to apply improved financial and operational disciplines to work practices to extract greater value from each transaction. In harvesting our base of customers and business agreements to yield more profitable relationships, DigiCore has successfully derived more income from annuity business. This growing platform allows the company the financial leverage to participate in fulfilling large tenders, such as those of the Mpumalanga Health Department and several KwaZulu-Natal Provincial Government departments, with more to materialise in coming months.

In particular, DigiCore is well placed as preferred supplier to the contenders short-listed for the long-anticipated R4 billion taxi industry overhaul. The specified standards for the new electronic management system fall within DigiCore's technological capability and expertise, where requirements include vehicles to be equipped with satellite tracking systems in ensuring that they travel according to their allocated routes; safety features consisting of smart card or cashless payment facilities; and a strict maintenance plan.

With rail companies continuing to falter in delivering cost-efficient rail solutions, and a backlog in infrastructure spending, we see other sectors of the

DigiCore received Dekra's ISO 9001/2000 accreditation in August 2002 for DigiCore Holdings and DigiCore Electronics (the manufacturing operations)



transportation business growing in importance, which will underpin DigiCore's growth in the market for years to come.

The increasing importance of exports has seen government switching its attention from restructuring state transport operators and providers, to tackling the backlogs in spending on transport infrastructure. To minimise the negative impact of the swing from rail to road transport, the cabinet recently approved, in principle, a R30 billion road improvement project to upgrade the country's roads over the next five years.

As government improves its delivery capacity, and with the formulation of an official empowerment policy for the transport industry, synergies will be derived from strategic empowerment shareholders, Pamodzi Investment Holdings, and its interests in Alacrity Financial Services and First Auto.

Sound corporate governance has become a prerequisite to investment. My role is to ensure that shareholder interests are aligned with those of management; to guide the board in creating a common vision for the company; to bring the best out of its people; and to leverage my networks in supporting the company's relationships with various stakeholders.

While recognising the independence of management, the board's aim is to see that government regulations and corporate law is adhered to, and ensuring the company remains a good corporate citizen at all times. In terms of King II recommendations, the board has been strengthened further through the appointment of two independent non-executives, Nhlanhla Azariah Gasa and Albert Ndleleni

Dupree Vilakazi, who are regarded for their practical business experience and commercial knowledge.

In addition to in-house training initiatives, DigiCore also sponsored black professional golfer, Patrick Chabangu, as part of the company's support of previously disadvantaged communities and individuals.

The board believes that DigiCore, through its internal core competencies, is equipped to deliver novel technology to the global marketplace. DigiCore is sufficiently funded to reach this important goal.

It is to our talented and motivated 359 staff complement – from innovative engineers and researchers, sales professionals, technical support teams to our dedicated administrative staff – that much of the credit for our progress belongs. We share a common mission – to provide the most thorough, useful, timely and accurate information to fleet managers and, in doing so, build maximum value for our shareholders.

I thank management and staff for their hard work during the year.

A handwritten signature in black ink, appearing to read 'B Peter Vundla'.

B Peter Vundla
Chairman

Centurion
30 September 2002

Executive deputy chairman and group managing director's review



DigiCore focusing on niche markets worldwide

With slumping world markets, DigiCore has remained profitable and maintained its positive cash flow to the satisfaction of management. Our business remains to provide and disseminate pertinent management information to our customers for the effective management of mobile and fixed assets, using the most advanced information technology available in the world. With a more holistic approach during the last 12 months, our software became a fully-integrated package for a company's logistical management.

Financial performance

Revenue for the year ended 30 June 2002 was R193,7 million compared to R308,4 million during the 2001 financial year which included the R150 million order from debis Fleet Management. Despite a stagnant local market, the company broadened its revenue base organically, doubling exports to Europe and Pakistan.

A substantial margin improvement was recorded with the focus on higher-value sales, augmented by inflation-linked price increases and improved stock management. Operating costs were reduced by R5,9 million through closing non-viable branches and improved business efficiencies following staff training programmes.

A provision of R2,6 million has been raised against the loan of R6,6 million granted to the DigiCore share incentive trust. This was due to the devaluation of the market value of underlying assets.

Earnings per share declined from 9,7 cents to 5,5 cents. Headline earnings decreased from 10,9 cents to 7,2 cents on a marginal decline in the weighted average number of shares in issue to 237 010 513.

On a comparative basis, the balance sheet reflected slightly higher working capital levels. Management is confident that with most major operations now utilising the JD Edwards ERP system, a further improvement in working capital can be achieved. More than R2 million was expensed towards the purchase and implementation of the system during the year under review.

Cash and cash equivalents at the end of the year increased to R20,3 million.

Highlights of the year

Certain export opportunities were unlocked during the last few months of the financial year that we believe will continue strongly into the future. During the year, our products received E4 and FTA approval after extremely stringent tests were done by Kema in Europe, giving us great confidence and putting us well ahead of our competitors once again.

We also received Dekra's ISO 9001/2000 accreditation in August 2002 for DigiCore Electronics (the manufacturing operation) and DigiCore Holdings after months of hard work. Our clients now have the assurance that we only supply quality products.

Market overview

The downturn in the world economy has also affected the growth of the group, fortunately not to the extent of the rest of the IT industry. Although we were not able during the past 12 months to conclude sizeable tenders, we have started doing business with government departments throughout South Africa, an area we believe will grow during the coming year. Due to the economic recession and legislation, transporters around the world will continue to use our products as awareness of the benefits of our equipment increases. Transporters are forced to be more cost conscious to remain profitable and this can only be achieved by increasingly using superior fleet management solutions, such as those provided by DigiCore. Against this background, DigiCore is still extremely well placed to take advantage of pressures in the transport and logistics industry. With the rapid roll out of GSM networks worldwide, new opportunities are created for us daily in previously inaccessible markets.

Business overview

Being a customer solution and technology-driven company, we maintained our leading position in the South African market for fleet management systems solutions. The successful implementation of our enterprise resource planning system (JD Edwards) has allowed us to identify and rectify certain problem areas in our business. We expect this to most certainly result in some positive figures during the following 12 months on risk and working capital management. A great improvement was seen during the last quarter of the year from these initiatives.

A strong drive in training our technical and software support people has taken place during the year and the positive effect has already been seen and felt by our customers. Daily training for customers regarding their IT and operating staff is taking place at our training centres. Although this has generated some income, the major benefit was improved information to our customers and effective use of equipment, for maximum benefits and cost savings.

This year has also seen a major drive to establish an annuity income stream. The income derived from software licence fees will have a positive effect on our revenue.

This software will be upgraded annually at a fee to allow customers to maximise financial benefits from the latest technology and software applications.

The cellular division has signed a large number of lines (excluding debris) through our strategic partner, Nashua Mobile, to create a substantial stream of annuity income.

DigiCore's emphasis on research and development has not changed and great emphasis was again placed on utilising the latest, smaller and faster components available in our hardware.

DigiCore Fuel Solutions has not performed as expected and we are currently forging new partnerships with other players in the industry to enable us to provide an efficient solution in the near future.

Intellectual property

Research and development will remain an important part of our strategy. We have redesigned our software platform during the last six months, using operating systems that will allow us to expand our software more effectively and quicker in future. We were able to make these changes due to the fact that our organisation has a good understanding of current market requirements. The work done during the period will allow us to enter into niche markets previously not open to us. With the internet solutions developed by our research and development division, we are confident that during the new financial year, we will be able to penetrate some markets, at relatively low prices, that were not possible in the past.

We are thus looking forward to launching innovative products and increase our growth substantially during the next year.



Nick Vlok
Executive deputy chairman

Centurion
30 September 2002



Dr Leonardus Truter
Group managing director

Centurion
30 September 2002

Review of operations



International

Strategically identified as key to the continued growth and expansion of DigiCore it is pleasing to report that the export of our C-Track product range now exceeds 50% of units manufactured. Our distributors in Australia and Pakistan are also starting to expand to the Middle East and Asia, after establishing their local markets during the past three years giving even greater international market potential in the next year.

Europe

DigiCore Europe is on track with turnover growth of 83% year on year. We have strengthened resources since January 2002 to ensure that future growth will accelerate strongly. Although we are represented in 14 countries, the focus will remain in Benelux, Germany and the UK. In the next financial year, the implementation of the RAM Mobitex communication modem in C-Track will create more business opportunities with this cost-effective method of data transfer.

A solid customer base has now been established, creating excellent reference sites for further sales. The strengthening of resources and the associated expansion have resulted in the small loss made during the last year in DigiCore Europe that should not be repeated next year.

The additional system application requirements of the European markets will be addressed with the features in

the new generation C-Track range of products, which should also have a positive effect on growth.

Pakistan

This operation has excelled since October 2001. The agreement with Honda changed from fitting C-Track as an optional extra to an original equipment factory fitment in certain models. C-Track has become the accepted standard in Pakistan to safeguard fuel transfers and an intrinsically safe version of C-Track is used by Pakistan State Oil (PSO) and various multinationals, such as Shell. A number of embassies and intelligence agencies selected C-Track's stand-alone configuration for improved personnel security during transit. Sales to Pakistan have grown by nearly 144% in the last quarter and we trust this will be sustained, given political tensions in the region.

Australia and Asia

Australia has seen a turnaround in the last few months. Two product offerings have been added to the Australian product range, ie C-Track using Mobitex networks and StarTrack, a satellite location and communication device. These will open market segments in which we could not previously compete.

The first order was received from Asia (Malaysia) and we believe the potential from this area is significant. After an in-depth investigation, Caltex elected to use our products in Australian and Asian markets, giving us the

The export of our C-Track product range now exceeds 50% of units manufactured

critical key customer to open new areas of business in those regions.

DigiCore South Africa

DigiCore Fleet Management (DFM) remains the leading supplier of fleet management systems in South Africa. Utilising an infrastructure of nine branches, three service centres, five distributors and 271 people we have successfully acquired several significant national fleets requiring installation, training and ongoing support throughout the country.

Our relationship with debis Fleet Management has been strengthened with improved service levels and ongoing technology enhancements enabling debis to provide even better information to its customer Telkom on the 19 000-strong fleet.

The devaluation of the rand and the associated vehicle price increases has led to our locally developed and produced technology becoming even more affordable. A clear indication being the successful awarding of tenders from Tshwane Metro, Umgeni Water, Department of Agriculture and Mpumalanga province. These are only a small percentage of the 190 000 units noted last year for which we had tendered. Tender processes for the remaining units have not yet been finally awarded but should influence revenue streams during the next financial year.

Our cellular division made a concerted effort to increase our annuity income stream during the year. Our close relationship with Nashua Mobile resulted in financial benefits, as well as customer satisfaction, coming through in June.

The year was characterised by review and implementation of new systems and processes in our continued drive to provide excellent customer service. We implemented the JD Edwards system throughout our branch network thereby centralising all customer-related data to offer improved call logging, account management and product

availability. Internally the improved control functions and customer satisfaction should all result in higher profits next year. The establishment of three regional training centres has played an important role in customers being trained to use our products more effectively, thereby achieving even greater cost savings and return on their fleet management investment.

Although fuel prices increased, our fuel solutions division performed below expectations and we are currently investigating product developments and strategic partners to turn this into a profitable entity.

The release of new products throughout the next financial year will enable this division to offer our extensive customer base even better solutions and boost our business into a new growth phase.

DigiCore Technology

The group continues its strategy to aggressively drive technology investment through DigiCore Technology whose primary objective is the research and development of new intellectual property. All developments are based on extensive local and international market research to enhance our existing products and develop new hardware and software solutions supporting industry trends and new market requirements.

Reacting to the market trend towards even more comprehensive management information, DigiCore Technology has increased the number of software developers during the last year. This team develops advanced server and desktop management information systems to deliver the client's fleet, asset and business information to their decision-makers. This has resulted in the redevelopment of the C-Track desktop solution into an advanced management information system supporting open standards. These developments enhanced debis Fleet Management's ability to effectively manage 19 000 vehicles in one control room, and will lay the foundation for DigiCore's future service offerings.

Review of operations continued

DigiCore Technology's team continuously develops advanced telematics units, providing not only for the traditional tracking and fleet management, but supports also logistic, supply chain and workforce management. The year was characterised by the developing of a new generation of the C-Track range of products. The first product based on this technology has already received the EU certification and full GSM type approval (FTA) for its internal GSM modem. Both the new E and e marks have been issued which replace the CE mark for automotive products in Europe and are mandatory from 1 October 2002 to sell products in Europe. The new generation products are ready to use the GSM GPRS system and the first CDMA tests have already been completed in Australia. The next year will see a progressive roll out of the new products.

With the continuous development in wireless communications technologies, DigiCore Technology will increasingly focus on utilising these to enable cost-effective and efficient remote management of resources and assets through its telematic solutions. This development enabled us to establish a Data Communications Centre in Centurion accepting information from disparate communication networks, such as those of GSM suppliers MTN and Vodacom, and satellite networks StarTrack and Inmarsat D+. DigiCore's clients now enjoy a single C-Track 2000 operating and information environment, irrespective of the telematics unit installed in the vehicle. The savings in training and having to consolidate and manage information from different systems, far exceed the cost of this unique service offer from DigiCore and is aligned with the concerted effort to increase our annuity income stream.

DigiCore Electronics

DigiCore Electronics is the manufacturing and distribution centre of the DigiCore Group. All in-house products are manufactured at our factory in Westmead, near Durban, and distributed to our local branches as well as to our export customers. Extensive use is made of outsourcing on high volume product lines but we retain the ability to fully manufacture smaller volume products. More than 47% of the production of DigiCore Electronics is currently exported and it is expected that this will increase during the next financial year.

During the second half of the financial year the installation of JD Edwards ERP software greatly improved our planning systems, cost and stock control as well as overall production efficiency. Further improvements are expected as full use is made of the system during the 2002/3 financial year.

DigiCore Electronics, together with DigiCore Holdings, have now been certified by Dekra for ISO 9001/2000. This certification will help us to retain our existing OEM business in Pakistan and gain better access to OEM markets in other parts of the world. The systems installed as part of the ISO process will also assist us in maintaining our record of producing world-class products.

Automated testing and production control systems for the new generation C-Track range of products will ensure our goal of zero-defect production and also improve efficiency.

Corporate governance



The company is fully committed to the principles of openness, accountability and integrity as advocated in the King Code of Corporate Practices and Conduct. The directors recognise the need to conduct the business of the enterprise with integrity and in accordance with generally accepted corporate governance practices.

Board of directors

The board currently comprises the non-executive chairman, seven executive directors and five non-executive directors. The role of chairman, executive deputy chairman and group managing director are distinct from each other and do not vest with the same person.

The non-executive directors provide independent judgement on issues of strategy, performance and standards of conduct. The non-executive directors are independent and have business acumen and experience that add meaningful value to DigiCore's strategy and vision.

The entire board is involved in the process of the nomination, selection and appointment of directors. All directors are subject to election by shareholders and will retire by rotation and stand for re-election at least every three years in accordance with the articles of association.

The board meets quarterly with additional meetings called when considered necessary. The board is responsible for the proper management, control, compliance and ethical behaviour of the group. The board determines and monitors matters relating to the implementation and/or modification of policies and strategic plans, group investments and disposals, major capital expenditure decisions, review of the results of the group and ensure that the board or an appropriate subcommittee thereof considers all matters having a material effect on the group.

All directors have access to management, including the company secretary, and such information as is required to carry out their duties and responsibilities fully and effectively.

The board delegates certain responsibilities to a number of committees that operate within defined terms of reference.

Audit committee

The audit committee, chaired by a non-executive director, consists of two non-executive directors and one executive director. The external auditors have unrestricted access to the audit committee and its chairman.

Corporate governance continued

The audit committee convenes at least twice a year with the appropriate management and the external auditors to discuss issues of accounting, auditing, internal control, financial reporting as well as the auditors' findings and recommendations. It further reviews the financial statements and appropriateness of the accounting policies adopted by the group.

Remuneration committee

The committee's main responsibility is to consider, review and make recommendations to the board concerning the remuneration policies and principles of the group and to review and approve the remuneration and terms of employment of the executive directors and senior management of the group.

The remuneration committee, chaired by a non-executive director, consists of two non-executive directors and one executive director.

Risk management committee

A risk management committee was established during the year. The committee will focus on identifying, assessing, managing and monitoring all known forms of risks across the group.

Internal controls

The board of directors is responsible for the group's systems of internal control. In order to fulfil its responsibilities, management maintains accounting records and has developed, and continues to maintain, appropriate systems of internal control. The directors report that the group's internal controls and systems are designed to provide reasonable, not absolute, assurance as to the integrity and reliability of the annual financial statements; to safeguard, verify and maintain account-

ability of its assets; and to detect and minimise significant fraud, potential liability, loss and material misstatement, while complying with applicable laws and regulations.

Employees are required to maintain the highest ethical standards in ensuring that business practices are conducted in a manner, which in all reasonable circumstances, is above reproach.

The external auditors review and test appropriate aspects of internal financial control systems during the course of their statutory examinations of the group. An internal audit function reviews controls and the effectiveness thereof on an ongoing basis. Any major issues arising during this process are referred to the audit committee.

No material loss, exposure or misstatement arising from the material breakdown in the functioning of the control systems has been reported to the directors in respect of the year under review.

Going concern

The directors confirm that they are satisfied that the group has adequate resources to continue in business for the foreseeable future and will be a going concern for the year ahead. For this reason, they continue to adopt the going-concern basis in preparing the financial statements.

Employee participation

The group places great emphasis on the development and training of its people and improving communication and appropriate participation in decision-making processes. Through its share incentive scheme, employees have ownership in the company and are incentivised in their performance.

The environment, health and safety

The group's direct activities do not pose any threat to the environment in which it operates. The health and safety of all employees and the well being of the communities in which we operate is recognised as an important component and endorsed by the group. The manufacturing division also adheres to the ISO 9001/2000 standards in assuring that the work environment is healthy, safe and conducive to quality and productivity.

Employment equity

The group has employment policies in place that it believes are appropriate to the business and the market in which it trades. They are designed to attract, motivate and retain quality staff at all levels. Equal employment opportunities are offered to all employees without discrimination.

Shareholder communication

The company holds regular meetings with analysts and institutional shareholders, primarily following the announcement of financial results. Communication with

other investors and shareholders is conducted via the annual and interim reports, as well as the annual general meeting.

Code of ethics

The group subscribes to a code of ethics and endeavours to act with honesty, responsibility and integrity towards all stakeholders.

Insider trading

The board has determined certain embargo periods during which directors and other senior management officials of the group may not deal, directly or indirectly, in the company's shares. These include the periods between the interim and year-end dates and the announcement of the interim and annual results.

Value added statement

For the year ended 30 June 2002

| | 2002 | | 2001 | |
|---|---------------|------------|---------|------|
| | R'000 | % | R'000 | % |
| Revenue | 193 671 | | 308 496 | |
| Paid to suppliers for materials and services | 122 161 | | 233 635 | |
| Value added | 71 510 | | 74 861 | |
| Interest received | 5 854 | | 3 316 | |
| | 77 364 | 100 | 78 177 | 100 |
| Distributed as follows: | | | | |
| To compensate employees | | | | |
| Salaries, wages and other benefits | 37 912 | 49,0 | 30 064 | 38,5 |
| To compensate providers of capital | 7 983 | 10,3 | 3 741 | 4,8 |
| Interest on borrowings | 7 983 | | 3 741 | |
| Dividends paid to ordinary shareholders | – | | – | |
| To pay government taxes | 11 915 | 15,4 | 12 066 | 15,4 |
| Normal company taxes | 11 591 | | 11 381 | |
| Secondary tax on companies | – | | – | |
| Regional Services Council levies | 324 | | 685 | |
| Retained in group for expansion and development | 19 554 | 25,3 | 32 306 | 41,3 |
| Depreciation | 7 042 | | 9 554 | |
| Retained profit | 13 250 | | 23 116 | |
| Deferred taxation | (738) | | (364) | |
| | 77 364 | 100 | 78 177 | 100 |

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Directors' responsibility for financial reporting

The directors are responsible for the preparation, integrity and objectivity of the financial statements that fairly present the state of affairs of the company and of the group at the end of their financial years and the income and cash flow for these years, as well as for other information contained in the annual report.

The financial statements have been prepared in accordance with the South African Statements of Generally Accepted Accounting Practice, and include amounts based on reasonable and prudent judgements and estimates made by management.

The going-concern basis has been adopted in preparing the financial statements. The directors have no reason to believe that the group or any company within the group will not be going concerns in the foreseeable future based on forecasts and available cash resources.

The financial statements have been audited by the independent accounting firm Fisher Hoffman PKF (PTA) Inc, which was given unrestricted access to all financial records and related data, including minutes of the meetings of shareholders, the board of directors and committees of the board. The unqualified audit report appears on page 25.

The financial statements which appear on pages 22 to 43 were approved by the board of directors and are signed on its behalf by:



N H Vlok
Executive deputy chairman



L E Truter
Group managing director

Centurion
30 September 2002

Centurion
30 September 2002

Directors' report

The directors have pleasure in presenting their report on the activities of the group for the year ended 30 June 2002.

Nature of business

DigiCore provide and disseminate pertinent management information to its customers, both commercial and industrial for the efficient and effective management of mobile assets, such as vehicles and their cargo, for both logistic and security purposes utilising leading information technology.

Financial results

The consolidated net earnings attributable to ordinary shareholders amounted to R13 250 157 (2001: R23 115 557). Detailed reports on the results are contained in the financial statements on pages 26 to 43.

Dividends

No dividends have been declared or are recommended for the financial year under review.

Share capital

The authorised share capital of the company comprises 1 000 000 000 ordinary shares of 0,1 cents. The authorised share capital remained unchanged throughout the financial year under review. The issued share capital of the company remained unchanged at 239 256 113 ordinary shares of 0,1 cents.

The unissued shares are under the control of the directors in terms of a resolution of members passed at the annual general meeting of shareholders on 27 November 2001. The authority is valid until the next annual general meeting.

Share buyback – treasury shares

The 2 245 700 (2001: 1 151 700) shares bought by a wholly owned subsidiary of DigiCore Holdings Limited have been retained and are treated as treasury shares. These shares, that represents 0,9% of the issued share capital of DigiCore Holdings Limited and which were acquired at an average price of 31 cents per share, remain listed on the JSE Securities Exchange South Africa, have no voting rights and are excluded in calculating earnings and net asset value per share.

Share option scheme

The company operates a share incentive scheme through the DigiCore Holdings Limited Share Trust. In terms of the scheme, the aggregate number of ordinary shares in the capital of the company which may be made available for the purpose of the scheme shall not, without prior authority of the members in general meeting, exceed 8,3% of the company's issued share capital.

A summary of the shares granted to employees is given below:

Group share incentive scheme reconciliation

| | 2002 |
|--|-------------|
| | R'000 |
| Share options outstanding at beginning of year | 15 005 000 |
| Granted during year | - |
| Delivered during year | - |
| Lapsed during year (resigned) | (2 375 000) |
| Share options outstanding at 30 June 2002 | 12 630 000 |

Options entitlements outstanding at 30 June 2002

| Expiry date | Number of shares | Strike price (R) |
|---|------------------|------------------|
| 30 May 2010 | 355 000 | R0,25 |
| 15 January 2011 | 12 275 000 | R0,25 |
| Share options outstanding at 30 June 2002 | 12 630 000 | |

Directors

Details of the directors are given on pages 8 to 9 of this report.

Messrs N A Gasa, A N D Vilakazi and H R Lemmer were appointed as non-executive directors on 23 November 2001. B J Richards was appointed as executive director on 2 October 2001.

H R Lemmer resigned as director on 25 February 2002.

In terms of the Articles of Association of the company, Messrs S R Aberdein, D du Rand, K R Stanton and N H Vlok retire by rotation at the forthcoming annual general meeting and, being eligible, offer themselves for re-election.

Directors' interest

At 30 June 2002 the directors' interest in shares of the company were:

| | Directly | Beneficial | Indirectly Non-beneficial |
|--------------|-----------|------------|------------------------------|
| S R Aberdein | | 17 312 700 | 4 552 550 |
| D du Rand | | 2 000 400 | |
| K R Stanton | | 10 292 857 | |
| B J Richards | 403 100 | | |
| L E Truter | | 100 000 | |
| N H Vlok | 5 413 531 | 41 092 823 | |

The following shares were acquired by directors after 30 June 2002:

| | Indirect | Beneficial |
|--------------|----------|------------|
| S R Aberdein | 428 660 | |
| L E Truter | 100 000 | |

Directors' shareholding

At 30 June 2001, the following directors held shares in the company:

| | Directly | Indirectly |
|--------------|-----------|------------|
| N H Vlok | 3 213 931 | 41 092 823 |
| S R Aberdein | – | 22 165 250 |
| K R Stanton | – | 13 499 050 |
| D du Rand | 50 000 | 2 050 000 |

Directors' report *continued*

The following options are issued to directors:

| | Date granted | Expiry date | Issue price (R) | Exercised | Number of options issued and not exercised (000) |
|--------------|--------------|-------------|-----------------|-----------|--|
| N H Vlok | 15/01/2001 | 15/01/2011 | 0,25 | Nil | 800 |
| L E Truter | 15/01/2001 | 15/01/2011 | 0,25 | Nil | 1 000 |
| S R Aberdein | 15/01/2001 | 15/01/2011 | 0,25 | Nil | 700 |
| F W Britz | 15/01/2001 | 15/01/2011 | 0,25 | Nil | 800 |
| D du Rand | 30/05/2000 | 30/05/2010 | 0,25 | Nil | 100 |
| | 15/01/2001 | 15/01/2011 | 0,25 | Nil | 800 |
| K R Stanton | 30/05/2000 | 30/05/2010 | 0,25 | Nil | 50 |
| | 15/01/2001 | 15/01/2011 | 0,25 | Nil | 500 |
| B J Richards | 15/01/2001 | 15/01/2011 | 0,25 | Nil | 800 |

Contracts

No contracts in which directors and officers of the company had an interest and that significantly affected the affairs or business of the company or any of its subsidiaries were entered into during the year.

Subsidiary companies

No special resolutions were passed by any of the subsidiary companies during the year.

Events subsequent to balance sheet date

The directors are not aware of any matter or circumstance arising since the end of the financial year, not otherwise dealt with in this report or the group financial statements that would significantly affect the operations of the group or the results of those operations.



Auditors' report

Report of the independent auditors

We have audited the annual financial statements of DigiCore Holdings Limited and subsidiaries set out on pages 22 to 43 for the year ended 30 June 2002. These financial statements are the responsibility of the company's directors. Our responsibility is to express an opinion on these 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 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 statements presentation.

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

Audit opinion

In our opinion, the financial statements fairly present, in all material respects, the financial position of the company at 30 June 2002 and the results of its operations and cash flow information for the year then ended in accordance with Statements of Generally Accepted Accounting Practice, and in the manner required by the Companies Act.



Registered Accountants and Auditors
Chartered Accountants (SA)

Pretoria
30 September 2002

Certificate by company secretary

In terms of section 268g(d) of the Companies Act, 1973 ("the Act"), as amended, we certify that, to the best of our 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.



F W Britz
Company secretary

Centurion
30 September 2002

Group income statement

For the year ended 30 June 2002

| | Note | 2002 R'000 | 2001 R'000 |
|--|------|----------------|---------------|
| Revenue | | 193 671 | 308 496 |
| Operating profit | 1 | 16 593 | 35 043 |
| Net interest paid | 3 | 2 127 | 479 |
| Equity loss in associate company | | 212 | - |
| Profit before taxation | | 14 254 | 34 564 |
| Taxation | 4 | 1 051 | 11 381 |
| Profit after taxation | | 13 203 | 23 183 |
| Attributable to outside shareholders | | 47 | (67) |
| Earnings attributable to ordinary shareholders | | 13 250 | 23 116 |
| Earnings per ordinary share (cents) | | | |
| Number of shares in issues (million) | | | |
| - Period end | | 239 256 | 239 256 |
| - Weighted average | | 237 010 | 238 104 |
| Attributable earnings | 5 | 5,5 | 9,7 |
| Headline earnings | 5 | 7,2 | 10,9 |
| Dividends per share (cents) | | - | - |

Group balance sheet

As at 30 June 2002

| | Note | 2002 R'000 | 2001 R'000 |
|--|------|----------------|----------------|
| Assets | | | |
| Non-current assets | | | |
| Property, plant and equipment | 6 | 10 150 | 10 155 |
| Intangible assets | 7 | 23 015 | 26 785 |
| Deferred tax | 15 | 574 | – |
| Investment in associates | 8 | 3 708 | – |
| Investments | 9 | 706 | 706 |
| Loans receivable | 10 | 3 908 | 6 600 |
| Current assets | | 93 749 | 84 738 |
| Inventories | 11 | 27 591 | 23 233 |
| Trade receivables | 12 | 43 543 | 43 373 |
| Taxation | | 2 331 | – |
| Cash and cash equivalents | | 20 284 | 18 132 |
| Total assets | | 135 810 | 128 984 |
| Equity and liabilities | | | |
| Capital and reserves | | | |
| Issued capital | 13 | 36 131 | 36 450 |
| Distributable reserve | | 69 022 | 55 772 |
| Minority interest in subsidiaries | | 18 | 65 |
| Non-current liabilities | | 309 | 2 227 |
| Borrowings | 14 | 309 | 2 063 |
| Deferred tax | 15 | – | 164 |
| Current liabilities | | 30 330 | 34 470 |
| Taxation | | | 7 472 |
| Trade payables | | 30 012 | 25 911 |
| Current portion of interest-bearing borrowings | 14 | 318 | 1 087 |
| Total equity and liabilities | | 135 810 | 128 984 |

Group statement of changes in equity

For the year ended 30 June 2002

| | Share capital | Share premium | Minority interest | Distributable reserve | Total |
|----------------------------|---------------|---------------|-------------------|-----------------------|----------------|
| Balance as at 1 July 2000 | 239 | 36 587 | – | 32 656 | 69 482 |
| Attributable earnings | | | | 23 116 | 23 116 |
| Minority interest | | | 65 | | 65 |
| Treasury shares | (1) | (375) | | | (376) |
| Balance as at 1 July 2001 | 238 | 36 212 | 65 | 55 772 | 92 287 |
| Attributable earnings | | | (47) | 13 250 | 13 203 |
| Treasury shares | (1) | (318) | | | (319) |
| Balance as at 30 June 2002 | 237 | 35 894 | 18 | 69 022 | 105 171 |

Group cash flow statement

For the year ended 30 June 2002

| | Note | 2002 R'000 | 2001 R'000 |
|---|------|------------------|---------------|
| Operating activities | | 7 371 | 42 969 |
| Cash received from customers | | 193 503 | 301 307 |
| Cash paid to suppliers and employees | | (172 412) | (251 879) |
| Cash generated by operating activities | A | 21 091 | 49 428 |
| Interest received | | 5 854 | 3 316 |
| Interest paid | | (7 983) | (3 795) |
| Taxation paid | B | (11 591) | (5 980) |
| Investing activities | | (5 388) | (8 190) |
| Investments to maintain operating capacity | | | |
| – Proceeds on disposal of property, plant and equipment | | 5 354 | 429 |
| – Additions to fixed assets | | (6 503) | (6 495) |
| – Intangible assets acquired | | | (1 923) |
| Investments to expand operating capacity | | | |
| – Subsidiaries acquired | | (212) | – |
| – Investment in associates and joint ventures | | (3 708) | – |
| – Investment and loans | | (319) | (201) |
| Financing activities | | 169 | (2 244) |
| Loans repaid | | (2 522) | (2 831) |
| Loans raised | | 2 691 | 587 |
| Net movement in cash resources | | 2 152 | 32 535 |
| Cash resources at the beginning of the period | | 18 132 | (14 403) |
| Cash resources at the end of the period | C | 20 284 | 18 132 |

Notes to the group cash flow statement

For the year ended 30 June 2002

| | 2002 | 2001 |
|--|---------------|---------------|
| | R'000 | R'000 |
| A. Cash generated by operating activities | | |
| Net profit before taxation | 14 254 | 34 564 |
| Adjustments for: | | |
| Depreciation and amortisation | 7 042 | 9 554 |
| Finance costs | 2 127 | 479 |
| Loss on disposals of fixed assets | 167 | 49 |
| Equity loss of associates | 212 | – |
| Other non-cash items | (2 285) | (509) |
| | 21 517 | 44 137 |
| Movements in working capital | | |
| Increase in inventories | (4 358) | (1 065) |
| Increase in accounts receivable | (169) | (6 639) |
| Increase in accounts payable | 4 100 | 12 995 |
| | 21 090 | 49 428 |
| B. Taxation paid during the year | 11 591 | 5 980 |
| Charged to the income statement | 1 051 | 11 381 |
| Deferred taxation | 738 | 364 |
| Movement in taxation balance | 9 802 | (5 765) |
| C. Cash and cash equivalents | 20 284 | 18 132 |
| Cash on hand and balances at bank | 20 284 | 18 132 |

Accounting policies

For the year ended 30 June 2002

Basis of accounting

The group's principal accounting policies are set out below. The financial statements have been prepared on the historical cost basis. The policies have been consistently applied in all material respects in accordance with South African Statements of Generally Accepted Accounting Practice.

Basis of consolidation

The consolidated financial statements incorporate the results and financial position of the company and its subsidiaries. The results of subsidiaries are included from the effective dates of acquisition and up to the effective dates of disposal. All significant intercompany transactions and balances between group companies are eliminated on consolidation.

Associates

Investments in operations that the group does not control but in which it owns a long-term interest and over which it exercises significant influence and which are neither subsidiaries nor joint ventures are classified as associates.

The group's share of earnings of associates is included in the income statement as "income/(loss) from associates". The attributable retained income of associates is transferred to non-distributable reserves.

Goodwill

Goodwill arising on consolidation represents the excess of the cost of acquisition over the group's interest in the fair value of the net identified assets of a subsidiary, associate or jointly controlled entity at the date of acquisition. Goodwill is recognised as an asset and amortised on a systematic basis over its estimated useful life subject to a maximum of 20 years. The carrying amount of goodwill is reviewed annually and written down for impairment where considered necessary.

Foreign transactions

Transactions in foreign currencies are recorded at the rates ruling on the transaction date. Assets and liabilities in foreign currencies are converted to South African rand at rates ruling at the end of the financial year. Surpluses and deficits arising on the translations are dealt with in the income statement.

Exchange differences arising from on a monetary item that forms part of the net investment in a foreign entity are classified as equity in the financial statements until the disposal of the net investment, at which time it is recognised in the income statement.

Revenue recognition

Revenue represents net invoiced sales excluding value added tax. Group revenue excludes intercompany transactions. Interest income is accrued on a time basis, by reference to the principle outstanding and the interest rate applicable. Dividend income from investments in associates is recognised when the right to receive payment has been established.

Inventory

Inventory, which consist of goods for resale, work in progress and raw materials, is stated at the lower of cost and net realisable value. Cost is determined on the average cost basis. Redundant and slow moving inventories, are identified and written down to its estimated net realisable value.

Taxation

Income tax on the profit and loss for the year comprises current and deferred tax. Current income tax is the expected tax payable on the taxable income for the year, using tax rates enacted at the balance sheet date, and any adjustments to tax payable in respect of previous years.

Deferred tax is provided for on the comprehensive basis, using the liability method, for all temporary differences arising between the tax bases of assets and liabilities and their carrying values for financial reporting purposes, using tax rates enacted at the balance sheet date.

Deferred tax assets are recognised to the extent that it is probable that the future taxable profit will be available against which the unused tax losses can be utilised.

Fixed assets

Fixed assets are stated at historic cost less accumulated depreciation. Depreciation is provided on the straight-line basis at rates considered appropriate to reduce the book values to estimated residual values over the expected useful lives of the assets as follows:

| | |
|------------------------|----------------|
| Plant and equipment | 15 – 20% |
| Motor vehicles | 20 – 25% |
| Furniture and fittings | 16,67% |
| Leasehold improvements | 20% |
| Office equipment | 16,67 – 33,33% |
| Computer equipment | 33,33% |
| Computer software | 50% |

Land and buildings are not depreciated.

Capitalised development costs

Research costs are written off as incurred. Development costs incurred in the internal design and production of new or substantially improved software and hardware is capitalised, provided that:

- Economic feasibility can be demonstrated
- Technical feasibility can be demonstrated
- There is board approval for the activity
- The cost to develop has been determined, and
- The time frame for development has been clearly defined.

Where development costs are deferred, it is written off over a three-year period. It is realised that the estimated product life cycle for the software may change as a result of technological obsolescence or actions by competitors. Therefore, the amortisation period is reviewed at each financial year-end. If the expected useful life of a product is significantly different from previous estimates, the amortisation period will be changed accordingly. Such changes would be accounted for as a change in accounting estimates, by adjusting the amortisation charge in the current and future periods. The amortisation of deferred costs begins from the commencement of the commercial sale of the product to which the development costs relate.

Development costs incurred in routine effort to refine, enrich, or otherwise generally improve upon the quality of the existing products shall be expensed as incurred.

Subsequent development cost on new or substantially improved software, after its completion, will be recognised as an expense when it is incurred, unless:

- It is probable that this expenditure will enable the asset to generate future economic benefits in excess of its originally assessed standard of performance;
- This expenditure can be measured and attributed to the software reliably.

Provisions

Provisions are recognised when the group has a present obligation as a result of a past event, which it is probable, will result in an outflow of economic benefits that can be reasonably estimated.

Retirement benefit cost

Payments to defined contribution retirement benefit plans are charged as an expense as they fall due.

Accounting policies *continued*

For the year ended 30 June 2002

Impairment of assets

At each balance sheet date, the group reviews the carrying amounts of its tangible and intangible assets to determine whether there is an indication that those assets have suffered an impairment loss. If such an indication exists, the recoverable amount of the asset is estimated in order to determine the extent of any impairment. Where it is not possible to estimate the recoverable amount of an individual asset, the group estimates the recoverable amount of the cash-generating unit to which the asset belongs.

If the recoverable amount of an asset is less than its carrying amount, the carrying amount is reduced to its recoverable amount. Impairment losses are recognised as an expense immediately.

Where an impairment loss subsequently reverses, the carrying amount of the asset or cash-generating unit is increased to the revised estimate of its recoverable amount. This is done so that the increased carrying amount does not exceed the carrying amount that would have been determined had no impairment loss been recognised previously. A reversal of an impairment loss is recognised as income immediately.

Leased assets

Assets acquired in terms of finance lease agreements are capitalised at their cash cost equivalent and the corresponding liabilities are raised. The assets are depreciated on the same basis as the fixed assets owned by the group. Lease finance charges are charged to operating income over the term of the lease at effective interest rates.

Investments

Investments in financial assets 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.

Marketable securities are carried at market value. Market value is calculated by reference to stock exchange quoted selling prices at the close of business at the balance sheet date.

Financial instruments

Financial instruments carried on the balance sheet include bank balances, investments, receivables, trade payables, leases and borrowings. These instruments are carried at their estimated fair value.



Notes to the annual financial statements

For the year ended 30 June 2002

| | 2002 | 2001 |
|---|---------|---------|
| | R'000 | R'000 |
| 1. Net operating profit | | |
| Net operating profit is stated after taking into account the following: | | |
| Cost of sales | 102 719 | 195 263 |
| Directors' remuneration | | |
| For services as directors | 630 | 380 |
| For management services | 4 166 | 2 772 |
| | 4 796 | 3 152 |
| Refer to note 2 for details on directors' remuneration | | |
| Operating lease payments | | |
| Land and buildings | 1 665 | 1 913 |
| Office furniture and equipment | 308 | 337 |
| Motor vehicles | 1 085 | 166 |
| | 3 058 | 2 416 |
| Auditors' remuneration | | |
| Audit fees | 325 | 400 |
| Other services and expenses | 25 | 85 |
| | 350 | 485 |
| Depreciation and amortisation | | |
| Property, plant and equipment | 3 272 | 2 887 |
| Trademarks and development cost | 2 553 | 5 449 |
| Goodwill | 1 217 | 1 218 |
| | 7 042 | 9 554 |
| Loss on disposal of property, plant and equipment | 167 | 49 |
| Profit on foreign exchange | 2 493 | 275 |
| Impairment loss on loan receivable | 2 691 | - |

Notes to the annual financial statements *continued*

For the year ended 30 June 2002

| | Fees | Salary | Bonuses | Other benefits | Profit on share options exercised | Total |
|---|------|--------|---------|----------------|-----------------------------------|---------|
| 2. Directors' emoluments | | | | | | |
| Executives | | | | | | |
| N H Vlok | - | 761 | - | 68 | - | 829 |
| L E Truter | - | 764 | - | 16 | - | 780 |
| S R Aberdein | - | 519 | - | 48 | - | 567 |
| F W Britz | - | 477 | - | 39 | - | 516 |
| D du Rand | - | 527 | - | 49 | - | 576 |
| B J Richards | - | 467 | - | 59 | - | 526 |
| K R Stanton | - | 372 | - | - | - | 372 |
| | - | 3 887 | - | 279 | - | 4 166 |
| Non-executives | | | | | | |
| N A Gasa | 15 | - | - | - | - | 15 |
| J J du Plooy | N1 | - | - | - | - | - |
| U Khumalo | - | - | - | - | - | - |
| S A Msibi | N1 | - | - | - | - | - |
| A N D Vilakazi | 15 | - | - | - | - | 15 |
| B P Vundla | N1 | - | - | - | - | - |
| | 30 | - | - | - | - | 30 |
| | 30 | 3 887 | - | 279 | - | 4 196 |
| N1 – DigiCore paid a management fee of R600 000 for the year to Pamodzi Investment Holdings Limited for services rendered by these directors. | | | | | | |
| | | | | | 2002 | 2001 |
| | | | | | R'000 | R'000 |
| 3. Net interest paid | | | | | | |
| Interest received | | | | 5 854 | | 3 316 |
| Interest paid | | | | (7 983) | | (3 795) |
| | | | | (2 127) | | (479) |
| 4. Taxation | | | | | | |
| South African taxation | | | | | | |
| Normal taxation | | | | 2 178 | | 11 745 |
| Deferred taxation | | | | (738) | | (364) |
| Prior year adjustments | | | | (389) | | - |
| | | | | 1 051 | | 11 381 |
| Reconciliation of rate of taxation | | | | % | | % |
| Taxation as percentage of income before taxation | | | | 15,3 | | 32,9 |
| Adjusted for: | | | | | | |
| - Disallowable expenditure (exempt income) | | | | 35,7 | | (3,3) |
| - Tax losses utilised | | | | - | | 0,4 |
| - Prior year adjustments | | | | (21,0) | | - |
| Normal rate of company taxation | | | | 30,0 | | 30,0 |

5. Earnings per ordinary share

The calculation of earnings per ordinary share is based on net profit attributable to ordinary shareholders of R13 250 157 (2001: R23 115 556) before extraordinary items, and a weighted average of 237 010 413 ordinary shares in issue throughout the year. The calculation of headline earnings per share is based on earnings of R17 159 195 (2001: R25 895 011) and a weighted average of 237 010 413 ordinary shares in issue throughout the year.

Reconciliation between earnings and headline earnings:

| R'000 | Profit on ordinary activities | Taxation | Share of retained earnings of associates | Net profit | |
|------------------------------------|-------------------------------|----------|--|---------------|--------|
| | | | | 2002 | 2001 |
| Per the financial statements | 14 254 | (1 051) | 47 | 13 250 | 23 115 |
| Impairment loss on loan receivable | 2 691 | - | | 2 691 | 1 562 |
| Goodwill amortisation | 1 218 | - | | 1 218 | 1 218 |
| | 18 163 | (1 051) | 47 | 17 159 | 25 895 |

| R'000 | 2002 | | | 2001 | | |
|---|-----------------|--------------------------|----------------|-----------------|--------------------------|----------------|
| | Cost/ valuation | Accumulated depreciation | Carrying value | Cost/ valuation | Accumulated depreciation | Carrying value |
| 6. Property, plant and equipment | | | | | | |
| Owned assets | | | | | | |
| Land and buildings | 4 204 | | 4 204 | 115 | | 115 |
| Plant and equipment | 1 865 | 785 | 1 080 | 1 187 | 274 | 913 |
| Motor vehicles | 2 479 | 1 926 | 553 | 4 053 | 2 247 | 1 806 |
| Furniture and fittings | 1 756 | 676 | 1 080 | 1 688 | 405 | 1 283 |
| Office equipment | 1 425 | 728 | 697 | 1 544 | 470 | 1 074 |
| Computer equipment | 4 009 | 2 440 | 1 569 | 2 612 | 1 237 | 1 375 |
| Computer software | 1 813 | 1 136 | 677 | 1 621 | 410 | 1 211 |
| | 17 551 | 7 691 | 9 860 | 12 820 | 5 043 | 7 777 |
| Capitalised leased assets | | | | | | |
| Plant and equipment | - | - | - | 209 | 73 | 136 |
| Motor vehicles | 12 | - | 12 | 3 373 | 1 536 | 1 837 |
| Leasehold improvements | 395 | 117 | 278 | 315 | 54 | 261 |
| Office equipment | - | - | - | 205 | 80 | 125 |
| Computer equipment | - | - | - | 54 | 35 | 19 |
| | 407 | 117 | 290 | 4 156 | 1 778 | 2 378 |
| | 17 958 | 7 808 | 10 150 | 16 976 | 6 821 | 10 155 |

Notes to the annual financial statements *continued*

For the year ended 30 June 2002

| 2002 | Carrying value at beginning of year R'000 | Additions R'000 | Revaluations/transfers R'000 | Disposals R'000 | Depreciation R'000 | Carrying value at end of year R'000 |
|---|---|-----------------|------------------------------|-----------------|--------------------|-------------------------------------|
| 6. Property, plant and equipment (continued) | | | | | | |
| The carrying amounts of property, plant and equipment can be reconciled as follows: | | | | | | |
| Owned assets | | | | | | |
| Land and buildings | 115 | 4 089 | - | - | - | 4 204 |
| Plant and equipment | 913 | 678 | (115) | - | (396) | 1 080 |
| Motor vehicles | 1 806 | - | 795 | (1 574) | (474) | 553 |
| Furniture and fittings | 1 283 | 68 | 1 | - | (272) | 1 080 |
| Office equipment | 1 074 | - | 157 | (118) | (416) | 697 |
| Computer equipment | 1 375 | 1 397 | (365) | - | (838) | 1 569 |
| Computer software | 1 211 | 191 | 69 | - | (794) | 677 |
| | 7 777 | 6 423 | 542 | (1 692) | (3 190) | 9 860 |
| Capitalised leased assets | | | | | | |
| Plant and equipment | 136 | - | 73 | (209) | - | - |
| Motor vehicles | 1 837 | - | 1 553 | (3 361) | (17) | 12 |
| Leasehold improvements | 261 | 80 | 2 | - | (65) | 278 |
| Office equipment | 125 | - | 80 | (205) | - | - |
| Computer equipment | 19 | - | 35 | (54) | - | - |
| | 2 378 | 80 | 1 743 | (3 829) | (82) | 290 |
| | 10 155 | 6 503 | 2 285 | (5 521) | (3 272) | 10 150 |

A register of land and buildings is available for inspection at the registered office of the company.

| | 2002 | 2001 | | 2001 | | |
|---------------------------------|------------------|----------------------------|------------------|------------------|----------------------------|------------------|
| | Cost/valuation R | Accumulated amortisation R | Carrying value R | Cost/valuation R | Accumulated amortisation R | Carrying value R |
| 7. Intangible assets | | | | | | |
| Goodwill | 24 582 | 2 435 | 22 147 | 24 582 | 1 218 | 23 364 |
| Trademarks and development cost | 9 471 | 8 603 | 868 | 11 537 | 8 116 | 3 421 |
| | 34 053 | 11 038 | 23 015 | 36 119 | 9 334 | 26 785 |

The carrying amounts of intangible assets can be reconciled as follows:

| 2002 | Carrying value at beginning of year R | Amortisation R | Carrying value at end of year R |
|---------------------------------|---------------------------------------|----------------|---------------------------------|
| Goodwill | 23 364 | (1 217) | 22 147 |
| Trademarks and development cost | 3 421 | (2 553) | 868 |
| | 26 785 | (3 770) | 23 015 |

| | 2002 | 2001 |
|---|---------|-------|
| | R'000 | R'000 |
| 8. Investment in associates | | |
| DigiCore Europe BV | 3 708 | - |
| Fair value | | |
| DigiCore Europe BV | 3 708 | - |
| Associate company | | |
| DigiCore Europe BV | | |
| 50% interest in unlisted shares of DigiCore Europe BV, a company involved in distribution of DigiCore products in Europe. | | |
| Carrying value of investment: | | |
| Shares at cost | 38 | - |
| - Net asset value | (341) | - |
| - Goodwill | 379 | - |
| Retained earnings since acquisition | (212) | - |
| Amortisation of goodwill | (19) | - |
| | (193) | - |
| Loans to associate | 4 064 | - |
| | 3 871 | - |
| Directors' valuation | 3 708 | - |
| Summary financial information of DigiCore Europe BV | | |
| Assets | | |
| Non-current | 238 | - |
| Current | 10 564 | - |
| | 10 802 | - |
| Equity and liabilities | | |
| Equity and reserves | (1 655) | - |
| Non-current liabilities | 4 618 | - |
| Current liabilities | 7 839 | - |
| | 10 802 | - |
| Net loss | (639) | - |

Notes to the annual financial statements *continued*

For the year ended 30 June 2002

| | 2002 | 2001 |
|--|---------------|--------|
| | R'000 | R'000 |
| 9. Investments | | |
| Unlisted shares at cost | 706 | 706 |
| | 706 | 706 |
| Directors' valuation of unlisted shares | 706 | 706 |
| Unlisted shares consist of the following: | | |
| – Trakker Pakistan (Pvt) Limited | | |
| 10. Loans receivable | | |
| DigiCore Holdings Share Incentive Trust | 3 908 | 6 600 |
| The loan is unsecured, bears no interest and has no fixed terms of repayment. | | |
| During the year the loan was impaired by R2 691 396 to be in line with the net realisable value of the loan. | | |
| The realisable value decreased due to the market price of the shares held by the trust reducing to 25 cents per share at year-end. | | |
| 11. Inventory | | |
| Raw materials | 11 312 | 8 151 |
| Work in progress | 3 918 | 3 221 |
| Finished goods | 12 347 | 11 433 |
| Consumables stores | 14 | 428 |
| | 27 591 | 23 233 |
| 12. Trade receivables | | |
| Current amounts receivable | 44 459 | 44 289 |
| Provision for doubtful debts | (916) | (916) |
| | 43 543 | 43 373 |
| Trade receivables have been ceded to ABSA Bank as security for any bank overdraft facility utilised. | | |
| 13. Ordinary share capital | | |
| Authorised | | |
| – 1 000 000 000 ordinary shares of 0,1 cents each | | |
| Issued | | |
| – 239 256 113 ordinary shares of 0,1 cents each | 239 | 239 |
| Share premium | 36 587 | 36 587 |
| | 36 826 | 36 826 |
| Treasury shares | | |
| 2 245 700 (2001: 1 151 700) ordinary shares | (695) | (376) |
| | 36 131 | 36 450 |

| | 2002 | 2001 |
|---|--------------|---------|
| | R'000 | R'000 |
| 14. Borrowings | | |
| Interest-bearing | | |
| – Secured loan. Secured by land and buildings with a book value of R113 970 (2001: R115 247) | 13 | 83 |
| – Liabilities under instalment sale agreements and capitalised finance lease agreements payable over periods from one to four years at normal instalment sale rates | 202 | 2 771 |
| – Loan bearing interest at 13% per annum secured by mortgage on the company's freehold land and buildings and repayable in annual instalments of R67 752 | 116 | – |
| | 331 | 2 854 |
| Less: Current portion included in current liabilities | (318) | (1 087) |
| | 13 | 1 767 |
| Interest-free borrowings | | |
| – DigiCore Nominees (Pty) Limited | 296 | 296 |
| The loan is unsecured and no repayment terms have been agreed upon. | | |
| | 309 | 2 063 |
| 15. Deferred tax | | |
| Balance at beginning of year | 164 | 529 |
| Movements during year attributable to: | | |
| – Timing differences | (738) | (365) |
| Balance at end of year | (574) | 164 |
| The balance comprises: | | |
| – Timing differences in respect of capitalised technology | (124) | 48 |
| – Development costs capitalised for accounting purposes | – | 416 |
| – Unrealised profits | (450) | (300) |
| | (574) | 164 |

16. Segment report

Business segments

The company is organised in four business segments for management purposes, namely South African distribution division, manufacturing division, research and development and group services division.

The divisions are the basis on which the company reports its primary segment information:

- The South African distribution division performs the installation, deinstallation, reinstallation and maintenance on units sold. It also includes GSM services provided in conjunction with the units sold.
- The manufacturing division manufactures all in-house developed products.
- Group services include the intellectual property, treasury, human resources and property divisions.
- The research and development segment is mainly responsible for new product development.

Notes to the annual financial statements *continued*

For the year ended 30 June 2002

| | SA distri- bution | Manu- facturing | Group services | Research and devel- opment | Elimination | Consoli- dated |
|--|-------------------------|--------------------|-------------------|-------------------------------------|-----------------|-------------------|
| 16. Segment report (continued) | | | | | | |
| All intergroup transactions are eliminated as indicated below. | | | | | | |
| Business segment information | | | | | | |
| Revenue R'000 | | | | | | |
| External sales | 170 720 | 21 448 | – | 1 503 | | 193 671 |
| Intersegment sales | 1 077 | 33 235 | 10 344 | 9 061 | (53 717) | – |
| Total | 171 797 | 54 683 | 10 344 | 10 564 | (53 717) | 193 671 |
| Segment result | | | | | | |
| Net profit before tax | 2 448 | 247 | 13 983 | (2 259) | – | 14 419 |
| Equity loss in associate company | | | | | | (212) |
| Attributable to outside shareholders | | | | | | 47 |
| Net profit before tax for the period | | | | | | 14 254 |
| Other information | | | | | | |
| Segment assets | 46 337 | 29 667 | 16 963 | 1 347 | | 94 314 |
| Segment liabilities | 19 537 | 6 503 | 1 872 | 3 216 | | 31 128 |
| Capital expenditure | 1 732 | 203 | 4 144 | 424 | | 6 503 |
| Depreciation and amortisation | 2 082 | 676 | 1 900 | 2 744 | | 7 402 |

Segment assets and liabilities exclude intangible assets and cash on hand.

17. Retirement benefits

The policy of the group is to provide retirement benefits through independent funds governed by the Pension Funds Act. The pension and provident funds are defined contribution funds which do not require an actuarial valuation. The group has no obligations to fund post-retirement medical benefits.

18. Lease commitments

Property

The company has entered into leases over fixed property for varying periods at an aggregated charge of R1 665 000 (2001: R1 913 000) per year. This charge will increase in future at an escalation of 10% – 12% per annum.

Equipment and motor vehicles

The company has entered into leases over equipment and motor vehicles for varying periods at an aggregated charge of R1 392 000 (2001: R503 000) per year. The charge will increase in future at an escalation of 10% – 15% per annum.

19. Contingent liabilities

Limited guarantee – a surety for DigiCore Cellular (Pty) Limited for R500 000.

20. Capital commitments

No capital commitments have been contracted or provided for at 30 June 2002.

21. Employee incentive scheme

The following information is provided in accordance with the provisions of the company's share incentive scheme:

Options have been granted and are still outstanding to directors, management and key staff members in respect of 12 630 000 shares.

The strike price of the shares is 25 cents. The options are exercisable over a period of five years in trenches of 20% per year.

For options granted to executive directors in terms of the offer, please refer to page 24.

22. Comparative figures

Where necessary, comparative figures have been adjusted to conform with changes in presentation in the current year.

23. Related party transactions

Related party transactions exist between the group, associate and subsidiary companies. All purchasing and selling transactions are concluded at arm's length. Property leases were and have been entered into with related parties. These leases are not significant and were entered into on arm's length basis at market-related rates that prevailed at the time of the transactions.

24. Financial instruments

24.1 Credit risk management

Financial assets that potentially subject the group to credit risk consist principally of cash, short-term deposits and trade receivables. Trade receivables are presented net of the provision for bad debts. The large customer base of the group and their dispersion across geographical areas limit the credit risk relating to trade receivables. Credit controls are in place; new customers are first vetted by a credit-checking agency and periodically thereafter.

The group's cash equivalents and short-term deposits are placed with high credit quality financial institutions.

24.2 Liquidity risk management

The group manages liquidity risk by monitoring forecast cash flows and ensuring that adequate unutilised borrowing facilities are maintained.

24.3 Interest rate risk management

Exposure to interest rate risk on borrowings and cash investments is monitored on a proactive basis. The benefits of fixing or capping interest rates are evaluated according to expected movements in interest rates. The interest rate profile of the group's borrowings is provided in note 14.

24.4 Fair value

At 30 June 2002 the carrying amounts of cash and cash equivalents and short-term deposits, accounts receivable, accounts payable, accrued expenses and short-term borrowings approximated their fair values due to the short-term maturities of these assets and liabilities.

The fair values of marketable securities, other long-term borrowings and long-term investments are not materially different from the carrying amounts.

24.5 Derivative instruments

The group does not speculate in the trading of derivative instruments.

25. Company results

These financial statements represent the consolidated results of the DigiCore Group. No trade or significant transactions took place in DigiCore Holdings Limited (the company) not disclosed in the consolidated results. A summarised income statement, balance sheet and notes to the financial statements for DigiCore Holdings Limited are attached for information purposes.

Company financial statements

Income statement

For the year ended 30 June 2002

| | Note | 2002 R'000 | 2001 R'000 |
|---------------------------------------|------|---------------|---------------|
| Gross revenue | | 10 000 | 15 770 |
| Operating loss | | (8 912) | (797) |
| Interest received | | – | 6 155 |
| Finance costs | | (2 305) | (1 940) |
| Dividends received | 4 | 181 000 | – |
| Profit before taxation | | 178 269 | 3 418 |
| Taxation | | 352 | 2 373 |
| Profit after taxation | | 177 917 | 1 045 |
| Retained profits at beginning of year | | 5 919 | 4 874 |
| Retained profits at end of year | | 183 836 | 5 919 |

Company financial statements

Balance sheet

As at 30 June 2002

| | Note | 2002 R'000 | 2001 R'000 |
|--|------|---------------|---------------|
| Assets | | | |
| Non-current assets | | | |
| Property, plant and equipment | | 694 | 961 |
| Investments in subsidiaries | | 22 081 | 23 295 |
| Investments | | 708 | 708 |
| Loans receivable | | 3 908 | 6 600 |
| Amounts owing by group companies | | 201 844 | 28 598 |
| Current assets | | 2 881 | 397 |
| Trade receivables | | 953 | 397 |
| Taxation | | 1 928 | – |
| Total assets | | 235 964 | 60 559 |
| Equity and liabilities | | | |
| Capital and reserves | | | |
| Issued capital | | 42 488 | 42 488 |
| Distributable reserve | | 2 836 | 5 919 |
| NDR | 4 | 181 000 | – |
| Non-current liabilities | | 4 653 | 1 768 |
| Other loans payable | | 4 653 | 1 768 |
| Current liabilities | | 4 987 | 10 383 |
| Taxation | | – | 1 439 |
| Trade payables | | 1 098 | 3 158 |
| Current portion of long-term liabilities | | – | 120 |
| Bank overdraft | | 3 889 | 5 666 |
| Total equity and liabilities | | 235 964 | 60 559 |

Company financial statements

Notes to the annual financial statements

For the year ended 30 June 2002

1. Cash flow statement

The operations of DigiCore Holdings Limited mainly consisted of the holding of investments and the receipt of interest and management fees from its subsidiaries. Consequently, a cash flow statement for the company is not presented as it would not provide meaningful information.

2. Accounting policies

The company's accounting policies are consistent with those disclosed on pages 30 to 32.

3. Subsidiary companies

| | Effective holding % | Interest of holding company Shares R'000 | Indebtedness R'000 |
|---|---------------------|--|--------------------|
| DigiCore Electronics (Pty) Limited | 100 | 18 944 | – |
| DigiCore Cellular (Pty) Limited | 100 | | – |
| DigiCore Technology (Pty) Limited | 100 | | – |
| DigiCore International (Pty) Limited | 100 | | 867 |
| DigiCore Fleet Management (Pty) Limited | 100 | 3 037 | 21 843 |
| DigiCore Fuel Solutions (Pty) Limited | 100 | 100 | – |
| DigiCore Properties (Pty) Limited | 100 | | 4 010 |
| DigiCore Brands (Pty) Limited | 100 | | 12 626 |
| DigiCore Investments (Pty) Limited | 100 | | 162 498 |

4. The trademarks and intellectual property of the group was revalued at R181 million during the year.

As part of the transaction it was moved to a separate subsidiary company to protect the trademarks and intellectual property of the group. At revaluation, a non-distributable dividend was declared by a 100% subsidiary to DigiCore Holdings Limited. As it was a pure intergroup transaction, it is eliminated on consolidation of the group results.

| | 2002 R'000 | 2001 R'000 |
|------------------------------------|--------------|------------|
| DigiCore Cellular (Pty) Limited | – | 1 473 |
| DigiCore Electronics (Pty) Limited | 1 630 | – |
| DigiCore Technology (Pty) Limited | 2 728 | – |
| | 4 358 | 1 473 |

5. Amounts owing to subsidiary companies

Analysis of shareholders

| | Number of shareholders | % | Number of shares | % |
|---------------------|------------------------|-------|------------------|------|
| 1 – 100 000 | 819 | 86,5 | 11 592 511 | 4,8 |
| 100 000 – 500 000 | 88 | 9,3 | 16 584 312 | 6,9 |
| 500 000 – 1 000 000 | 13 | 1,4 | 8 519 134 | 3,6 |
| > 1 000 000 | 27 | 2,8 | 202 560 156 | 84,7 |
| | 947 | 100,0 | 239 256 113 | 100 |

Analysis by category of shareholders

| | Number of shareholders | Number of shares |
|-------------------------------------|------------------------|------------------|
| Public | 931 | 78 953 995 |
| Non-public | | |
| Directors | 12 | 80 174 154 |
| DigiCore Holdings Share Trust | 1 | 15 675 675 |
| Pamodzi Investment Holdings Limited | 2 | 62 206 589 |
| Treasury shares | 1 | 2 245 700 |
| | 947 | 239 256 113 |

Major shareholders

The following major shareholders are directly and indirectly beneficially interested in 5% or more of DigiCore's share capital:

| | Number of shares held | % |
|-----------------------------------|-----------------------|------|
| Digodzi Investments (Pty) Limited | 44 715 000 | 18,7 |
| DigiCore Nominees (Pty) Limited | 35 635 570 | 14,9 |
| Clidet 288 (Pty) Limited | 34 148 078 | 14,3 |
| DigiCore Holdings Share Trust | 15 675 675 | 6,6 |

Notice of annual general meeting

Notice is hereby given that the annual general meeting of shareholders of DigiCore Holdings Limited will be held in the boardroom of the company, at 20 Eddington Crescent, Highveld Technopark, Centurion on 5 December 2002 at 11:00.

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 2002, and to receive and adopt the reports of the directors and of the auditors for the year then ended.
2. To re-elect directors, Messrs S R Aberdein, D du Rand, K R Stanton and N H Vlok, who retire in terms of the Articles of Association, and being eligible, offer themselves for re-election.
3. To confirm the remuneration of the directors for the year under review.
4. To authorise the directors to determine the auditors' remuneration.
5. To confirm the re-appointment of the auditors.
6. To place the unissued shares under the control of the directors, granting general authority to the directors to allot and issue the unissued ordinary shares of the company upon such terms and conditions as they in their sole discretion may determine, subject to the provisions of the Companies Act 1973, as amended, and the requirements of the JSE Securities Exchange.
7. To transact any other business as may be transacted at an ordinary general meeting.

As special resolution number 1

"Resolved as a special resolution that the company be and is hereby authorised, as a general approval, to repurchase any of the shares issued by the company, upon such terms and conditions and in such amounts as the directors may from time to time decide, but subject to the provisions of section 85 to section 88 of the Companies Act 1973, (Act 61 of 1973) and the Listing Requirements of the JSE Securities Exchange South Africa ("JSE") and the requirements of any stock exchange upon which the shares of the company may be quoted or listed namely that:

- the general repurchase of the shares may only be implemented on the open market of the JSE;
- this general authority shall only be valid until the next annual general meeting of the company, provided that it shall not extend beyond fifteen months from the date of this resolution;
- an announcement must be published as soon as the company has acquired shares consisting, on a cumulative basis of 3% of the number of shares in issue, prior to the acquisition, pursuant to which the aforesaid 3% threshold is reached, containing full details thereof;
- the general authority to purchase is limited to a maximum of 20% of the company's issued share capital at the time the authority is granted;
- repurchases must not be made at a price more than 10% above the weighted average of the market value of the shares for five business days immediately preceding the date of repurchase."

As special resolution number 2

"Resolved as a special resolution that the company, insofar as it may be necessary to do so, hereby approves of, as a general approval and authorises the acquisition by any subsidiary of the company of shares issued by such subsidiary and/or by the company, upon such terms and conditions and in such amounts as the directors of such subsidiary/ies may from time to time decide, but subject to the provisions of section 85 to section 88 of the Act, and (if listed) the Listings Requirements of the JSE Securities Exchange South Africa ("JSE") and the requirements of any stock exchange upon which the shares of the acquiree company may be quoted or listed, namely that:

- the general purchase of shares may only be implemented on the open market of the JSE;
- this general authority shall only be valid until the next annual general meeting of the company, provided that it shall not extend beyond 15 months from the date of this resolution;
- an announcement must be published as soon as the subsidiary has acquired shares consisting, on a cumulative basis, of 3% of the number of shares of the acquiree company in issue, prior to the acquisition, pursuant to which the aforesaid 3% threshold is reached, containing full details thereof;
- this general authority to purchase is limited to a maximum of 20% in the aggregate of the acquiree company's issued share capital at the time the authority is granted, subject to a maximum of 10% in the event that it is the company's share capital that is repurchased by a subsidiary; and
- purchases must not be made at a price more than 10% above the weighted average of the market value of the shares for the five business days immediately preceding the date of purchase."

Notice of annual general meeting *continued*

Reasons for and effects of the special resolutions

1. The reason for and effect of special resolution number 1 is to grant the directors a general authority in terms of the Act for the acquisition by the company of shares issued by it on the basis reflected in the special resolution.

In terms of the Listings Requirements of the JSE any general repurchase by the company must, inter alia, be limited to a maximum of 20% of the company's issued share capital in any one financial year of that class at the time the authority is granted.

2. The reason for and effect of special resolution number 2 is to approve that the board of directors of any subsidiary of the company could acquire shares issued by such subsidiary and/or by the company on the basis reflected in the special resolution.

In terms of the Listings Requirements of the JSE any general purchase by a subsidiary of listed shares must, inter alia, be limited to a maximum of 20% of the issued share capital of the acquiree company in any one financial year of that class at the time the authority is granted, subject to a maximum of 10% in the event that it is the company's share capital that is repurchased by a subsidiary.

3. The directors of the company or its subsidiaries will only utilise the general authority to purchase shares of the company and/or the subsidiary as set out in special resolutions number 1 and 2 to the extent that the directors, after considering the maximum shares to be purchased, are of the opinion that DigiCore and its subsidiaries ("DigiCore Group") position would not be compromised as to the following:

- the DigiCore Group's ability 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;
- the consolidated assets of the DigiCore Group will be in excess of the consolidated liabilities of the DigiCore Group. The assets and liabilities should be recognised and measured in accordance with the accounting policies used in the latest audited annual financial statements of the DigiCore Group;
- the ordinary capital and reserves of the DigiCore Group after the purchase will remain adequate for the purpose of the business of the DigiCore Group for a period of 12 months after the date of the notice of the annual general meeting; and
- the working capital available to the DigiCore Group after the purchase will be sufficient for the DigiCore Group's requirements for a period of 12 months after the date of the notice of the annual general meeting.

Voting and proxies

Shareholders who have not dematerialised their shares or who have dematerialised their shares and registered them in their own name are entitled to attend and to vote at the meeting. Any such shareholder is entitled to appoint a proxy or proxies to attend and speak and vote (on a poll) at the meeting.

All proxy forms must be lodged with the transfer secretaries, Computershare Investor Services Limited, 11 Diagonal Street, Johannesburg, or posted to the transfer secretaries at PO Box 1053, Johannesburg, 2000 South Africa, or posted to the company's registered office (marked for the attention of the company secretary) to be received by them not later than 48 (forty-eight) hours before the scheduled time of the meeting.

A form of proxy, which sets out the relevant instructions for its completion, is enclosed for the use of a shareholder who wishes to be represented at the annual general meeting.

Shareholders who have dematerialised their shares and registered them in the name of a CSDP or broker should contact their CSDP or broker to make the relevant arrangements to attend/vote at the meeting.

By order of the board



F W Britz
Company secretary

30 September 2002

Registered office
20 Eddington Crescent
Highveld Technopark
Centurion

Proxy form

DigiCore Holdings Limited
 (Incorporated in the Republic of South Africa)
 Registration number 1998/012601/06

Only for use by shareholders who have not dematerialised their shares or who have dematerialised their shares and registered them in their own name.

Annual general meeting

I/We (name(s) in capital letters)

of

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 5 December 2002, at 11:00 and at any adjournment thereof, at the company's registered office, 20 Eddington Crescent, Highveld Technopark, Centurion, and the vote for me/us on my/our behalf in respect of the undermentioned resolutions in accordance with the following instructions:

| | Number of votes (one vote per share) | | |
|--|---|---------|---------|
| | For | Against | Abstain |
| 1. Approval of the annual financial statements | | | |
| 2. Election of directors: S R Aberdein | | | |
| D du Rand | | | |
| K R Stanton | | | |
| N H Vlok | | | |
| 3. Confirm the remuneration of directors | | | |
| 4. Determine auditors' remuneration | | | |
| 5. Re-appointment of auditors | | | |
| 6. Unissued shares under control of directors | | | |
| Special resolution 1: Repurchase own shares | | | |
| Special resolution 2: Acquisition of shares by subsidiary | | | |

Signed at _____ on _____ 2002

Signature _____ assisted by me (where applicable)

Notes to the proxy

1. A member may insert the name of a proxy of the member's choice 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. A proxy need not be a member of the company.
2. 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.
3. 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 members votes exercisable thereat.
4. 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.
5. Any alteration or correction made to this form of proxy must be initialled by the signatory.
6. 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.
7. The form of proxy must be lodged with the transfer secretaries or the company's registered office to be received by them not later than 48 hours before the meeting.
8. The chairman of the annual general meeting may reject or accept any proxy form which is completed and/or received other than in compliance with these instructions, provided that he/she is satisfied as to the manner in which a member wishes to vote.
9. 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.
10. **Dematerialised shareholders who wish to attend the general meeting must contact their CSDP or broker who will furnish them with the necessary authority to attend the general meeting, alternatively they must instruct their CSDP or broker as to how they wish to vote in this regard.** This must be done in terms of the agreement entered into between them and their CSDP or broker.



Administration

Registered offices

20 Eddington Crescent
Highveld Technopark
Centurion

Tel (012) 665-7300 Fax (012) 665-5376

Company secretary

F W Britz
20 Eddington Crescent
Highveld Technopark
Centurion
(PO Box 68270, Highveld Park, 0169)

Transfer secretaries

Computershare Investor Services Limited
11 Diagonal Street
Johannesburg, 2001
(PO Box 1053, Johannesburg, 2000)

Independent auditors

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

Sponsor

PSG Capital
35 Kerk Street
Stellenbosch, 7599

Banker

ABSA Bank Limited

Registration number

1998/012601/06

JSE name and code

Issuer code: Digicor
Share code: DGC
ISIN code: ZAE000016945

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