



Zaptronix Limited

(Registration number 1997/014928/06)

Annual group financial statements

for the year ended 31 August 2006



Client: Zaptronix Limited

W/T no: T2IB00500 Proof no: 3

Date: 19 December 2006

DTP: Liz Reader: Rachel

GENERAL INFORMATION

Country of incorporation and domicile	South Africa				
Nature of business and principal activities	To be involved in all aspects of the electronic and communications industry, specifically in regard to the energy risk management services and mobile logistics risk management services. The company also acts as a holding company				
Directors	KJ Gribnitz – <i>Non-executive</i> JP Nel – <i>Chief Executive Officer</i> A De Canio – <i>Financial Director</i> G Kgage – <i>Non-executive</i>				
Registered office	Solutions House Gazelle Close Corporate Park South Midrand				
Holding company	Strider Holdings (Proprietary) Limited (incorporated in South Africa) and Fat Fractal Trust, a trust registered in South Africa and controlled by Mr JP Nel				
Bankers	Nedbank Limited				
Auditors	Compendium (Pretoria) Incorporated Chartered Accountants (SA) Registered Accountants and Auditors				
Secretaries	The secretaries of the company are: <table><thead><tr><th>Company Secretary</th><th>Share Registrars</th></tr></thead><tbody><tr><td>M van den Berg Mirkwood Estate Farm Klipkop JR396 Gauteng</td><td>Computershare Investor Services 2004 (Proprietary) Limited 70 Marshall Street Johannesburg 2001</td></tr></tbody></table>	Company Secretary	Share Registrars	M van den Berg Mirkwood Estate Farm Klipkop JR396 Gauteng	Computershare Investor Services 2004 (Proprietary) Limited 70 Marshall Street Johannesburg 2001
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M van den Berg Mirkwood Estate Farm Klipkop JR396 Gauteng	Computershare Investor Services 2004 (Proprietary) Limited 70 Marshall Street Johannesburg 2001				
Company registration number	1997/014928/06				
JSE share code	ZPT				
ISIN	ZAE000015145				

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REPORT OF THE COMPANY SECRETARY TO THE SHARE HOLDERS OF ZAPTRONIX LIMITED

Certification

In terms of section 268G(d) of the Companies Act, 1973, as amended, I hereby certify that, to the best of my knowledge and belief and after having made the necessary enquiries, the company has lodged with the Registrar of Companies all such returns required by the Companies Act and that such returns are true, correct and up to date in all material respects.



M van den Berg
Company Secretary

30 November 2006

REPORT OF THE CHAIRMAN

Nature of business

Zaptronix currently comprise two divisions, Mobile Logistics Risk Management ("MLRM") and Energy Risk Management ("ERM"). Both divisions deliver risk management solutions to clients based on the group's technology. The group developed its own embedded computers in the form of electricity meters and vehicle tracking computers.

The services in the MLRM business is based on the vehicle tracking equipment, server side solutions and communications gateways. The basic layer of service comprises the 24/7-service bureau. Other services include the integration with third party systems such as planning tools. The logistics consulting is a further extension of the service side of the business.

The services in the ERM division are based on the group's range of electricity meters and data acquisition devices and communications gateways. The server side solutions consist of the UK-based Stark RT automated meter reading software. The services include *inter alia*; bill verification, tariff suitability analysis and load management.

The group's vision of delivering risk management solutions in a number of specialised channels by utilising its communications technology across all the channels is well progressed.

As the risk management tool offering becomes more specialised, the opportunity opens up to render a partially- or even fully-outsourced service. The service offering in the two existing business channels will be to two discrete groups, namely management services companies in the logistics and energy management sectors. The Zaptronix group therefore becomes the enablement business for these specialists by offering them the tools required. Businesses that do (or more often neglect to do) their own risk management in the areas covered by the two channels are seen as further prime opportunities for expansion. In the energy management services business, large power users are prime potential clients since the core focus of these users is often not on energy. The fully managed logistics planning service is ideal for clients that do not see this as a core function. Limited services can however be rendered to specialist logistics companies depending on their needs and profile.

Further scope is seen in taking the integrated service offering of the new combined group into the financial risk management domain by supplying services such as point-to-point load insurance of freight and insurance of debtors based on its delivery tracking and electronic proof of delivery system. The insurance of vehicles based on driver behaviour is a further opportunity to develop a low risk insurance product. The financial services based on the energy management solution include the billing of and collection from tenants in the case of a landlord. The reporting on the quality of supply in the case of a client's energy requirements puts the company in a unique position to monitor critical equipment and write insurance products for the loss of production. The fact that Zaptronix will measure a client's risk profile means the risk for an insurance company can be quantified. Monitoring gives an opportunity to avoid losses and detect fraudulent claims.

Implementation of this new vision will form the core of the board's focus over the medium term and will leave the combined entity focusing on the development and marketing of Risk Management Tools & Services ("RMT&S"), using technology-based products in combination with integrated risk management services. The ("RMT&S") offering will be packaged to clients as a "bottom-line offering" with a minimum capital outlay. This means that the monthly cost to the client associated with each modular service add-on will be small relative to the management, operational and/or financial risks being addressed by it and the immediate or potential costs being saved in other areas.

Investment in business and technology development

The group has invested in the development of a prediction technology, code named FX, based on actual traffic density information acquired through the tracking business. The product will be integrated with the existing "Scheduler" application and will refine the plan and predictions of third party planning systems. The refinement and improved planning is based on statistics of turnaround times at delivery points and actual traffic density information. The mining of collected data to extend the risk management tools of the business in line with the vision of the group.

Broad-based Black Economic Empowerment (“BBBEE”)

The transaction announced earlier in the year whereby Royal Bafokeng Capital would acquire 30% of the current shares in issue of Zaptronix Limited from the controlling shareholder Strider Holding is pending shareholders approval of the option structure forming part of the transaction. A circular containing full detail of the transaction will be posted to shareholders following JSE Limited approval thereof.

The highlights of the transaction are:

- The ultimate beneficiaries of the controlling shareholder of RBC are the Royal Bafokeng Nation comprising some 300 000 historically-disadvantaged individuals.
- The transaction is vendor facilitated and therefore has no upfront dilutionary affect through the issue of shares.
- The sustainability of the BBBEE transaction is strengthened by the option structure extended subject to shareholders approval.

Shareholders are referred to the detailed SENS announcement of the transaction for further information.

Outlook for 2007

With the completion of the new technology for the MLRM business the foundation has been secured for the growth of this business. The differentiators of integration and data mining will allow the MLRM business to be competitive in a maturing industry. The growth from exiting clients, new client and State tender business is the target for future growth in both divisions.

The implementation of low cost communication solutions for the AMR of the ERM business will further ensure that this business has a strong competitive advantage. The growth in the use of electricity and resultant expansion of infrastructure is predicted to lead to strong growth in the sales of metering hardware and AMR opportunities for ERM services.

REPORT OF THE INDEPENDENT AUDITORS TO THE SHAREHOLDERS OF ZAPTRONIX LIMITED

We have audited the annual group financial statements of Zaptronix Limited set out on pages 6 to 39 for the year ended 31 August 2006. These annual group financial statements are the responsibility of the directors. Our responsibility is to express an opinion on this annual group financial statements based on our audit.

We conducted our audit in accordance with International Standards on Auditing. Those standards require that we plan and perform the audit to obtain reasonable assurance about whether the annual group financial statements are free of material misstatement. An audit includes examining on a test basis, evidence supporting the amounts and disclosures in the annual group financial statements. An audit also includes assessing the accounting policies used and significant estimates made by management, as well as evaluating the overall financial statement presentation. We believe that our audit provides a reasonable basis for our opinion.

In our opinion, the annual group financial statements present fairly, in all material respects, the financial position of the company and the group at 31 August 2006 and the results of its operations and cash flows for the year then ended in accordance with International Financial Reporting Standards and in the manner required by the Companies Act of South Africa.

Compendium (Pretoria) Incorporated

Chartered Accountants (SA)

Registered Accountants and Auditors

Pretoria

30 November 2006

DIRECTORS' RESPONSIBILITIES AND APPROVAL

The directors are required by the South African Companies Act, 1973, to maintain adequate accounting records and are responsible for the content and integrity of the annual group financial statements and related financial information included in this report. It is their responsibility to ensure that the annual group financial statements fairly present the state of affairs of the group as at the end of the financial year and the results of its operations and cash flows for the period then ended, in conformity with International Financial Reporting Standards. The external auditors are engaged to express an independent opinion on the annual group financial statements.

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

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

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

The directors have reviewed the group's cash flow forecast for the year to 31 August 2007 and, in the light of this review and the current financial position, they are satisfied that the group has or has access to adequate resources to continue in operational existence for the foreseeable future.

The external auditors are responsible for independently reviewing and reporting on the group's annual financial statements. The annual group financial statements have been examined by the group's external auditors and their report is presented on page 5.

The annual group financial statements set out on pages 6 to 41, which have been prepared on the going concern basis, were approved by the board of directors on 30 November 2006 and were signed on their behalf by:



KJ Gribnitz
Non-executive Director



JP Nel
Chief Executive Officer

Pretoria
30 November 2006

REPORT OF THE DIRECTORS

The board of directors submits its annual report on the activities of the group for the 12-month period ended 31 August 2006. The report forms part of the audited annual financial statements of the group, which along with the notes thereto, fully detail and fairly present the financial position, changes in equity, results of operations and cash flows of the company and group.

1. GENERAL REVIEW OF BUSINESS AND OPERATIONS

Zaptronix is involved in various aspects of risk management based on its information and communications technology solutions, specifically in regards to:

1.1 Energy Risk Management Services that includes:

Technology and services that allow large power users to measure and control their cost and risks through the management of:

- quality of supply from an utility;
- correct tariff selection;
- the efficiency of their electricity installation and use; and
- the productive application of electrical energy.

These include energy metering, load management, remote monitoring and a report service on various aspects of energy utilisation.

1.2 Mobile Logistics Risk Management Services, build on Zaptronix' subsidiary, DuO's in-house developed vehicle tracking technology and Mobile Logistics Management System ("MLMS").

The services supplied include:

- implementation and integration of the MLMS into the customers' business processes;
- the supply of a modular 24/7/365 bureau support service, ranging from a fully managed service to a back-up and support service; and
- the supply of support service to customers during periods of peak demand.

The MLMS business had some delays in the roll-out of all the modules of its new tracking hardware. The technology is ready and in its implementation phase. The product is presently being marketed to new and existing customers.

The group further invested in the development of sophisticated logistics scheduling and prediction software to be integrated with its existing MLM system. The uniqueness of the system is that it takes traffic density patterns into consideration to arrive at its prediction. Management believes that the new product, still to be branded, will give the MLM business a unique competitive advantage. The development work is in line with the vision for the group.

2. FINANCIAL RESULTS

The financial results of the company and the group for the 12 months under review are detailed in the attached financial statements. Attributable loss of 0,01 cent per share ("cps") and a headline loss of 0,01 cps were recorded, compared to an attributable profit of 0,99 cps and a headline earnings of 0,26 cps in 2005. The above is based on a weighted number of ordinary shares in issue of 379 318 930 (2005: 379 318 930).

REPORT OF THE DIRECTORS (continued)

3. SHARE CAPITAL RESTRUCTURING

As reported previously, the general meeting of shareholders held for the purposes of approving the proposed changes to the share capital of the company, was only held on 6 September 2005. As International Financial Reporting Standards require that subsidiaries be consolidated from date that management control was obtained, the directors were of the opinion that the date of acquisition of DuO was 1 May 2004, the date from which effective management control was achieved over the assets and liabilities of DuO. As a result, the changes in the share capital of the company, as well as the acquisition of DuO, is reflected in the financial statements of the group prior to these changes being approved by shareholders in a general meeting, and only being reflected in the company in the current financial year.

4. PLANT AND EQUIPMENT

There have been no major changes in the plant and equipment during the year. Certain assets were revalued during the period under review. Refer to note 4 in the financial statements for detailed information.

5. SUBSEQUENT EVENTS

Zaptronix has entered into a transaction with Royal Bafokeng Capital (Proprietary) Limited ("RBC") which, after shareholders approval, will result in 30% of the existing issued ordinary share capital in the company being owned by RBC.

RBC is a black economic empowered ("BEE") company, being 50,1% owned by Royal Bafokeng Holdings (Proprietary) Limited (previously Royal Bafokeng Finance (Proprietary) Limited), an investment vehicle of the Royal Bafokeng Nation. The remaining 49,9% of the shares in RBC is held by Strider Holdings (Proprietary) Limited ("Strider"), the current controlling shareholder of Zaptronix.

RBC has appointed a non-executive director to the board of Zaptronix and another appointment will be made in the near future. RBC will assist in the development of Zaptronix in terms of its acquisition and growth strategy. The BEE transaction is being facilitated by Strider by the transfer of 113 795 700 Zaptronix ordinary shares to RBC at a price of 16 cents per share. The transaction is viewed as a crucial step in positioning the company for future organic and acquisitive growth.

6. HOLDING COMPANY

The controlling shareholder is Strider Holdings (Proprietary) Limited (incorporated in South Africa), a company that is controlled by Mr KJ Gribnitz, which controls 48,5% of the issued capital of the company. Strider Holdings (Proprietary) Limited entered into a voting pool arrangement with Fat Fractal Trust, a trust controlled by Mr JP Nel, which controls 3.4% of the issued shares of the company.

7. DIRECTORS

The directors of the company during the accounting period and up to the date of this report were as follows:

Name	Nationality	Qualification	Occupation
KJ Gribnitz	South African	B.Comm (Hons) (RAU), M.Comm (Unisa) FCIS F.Inst.D	Non-executive director
JP Nel	South African	BSc, BSc (Hons) (Applied Mathematics) (RAU)	Chief Executive officer
G Kgage	South African	B.Comm Acc (Hons), CA(SA)	Non-executive director
A De Canio	South African	BCompt (Hons), Professional Accountant (SA)	Chief Financial officer

J Stratenwerth resigned on 01 June 2006

G Kgage was appointed on 20 April 2006

8. SECRETARY

The appointment and removal of the Company Secretary is a matter for the board as a whole. The Company Secretary is Melinda van den Berg, who is required to ensure that the minutes of all shareholders' meetings, directors' meetings and meetings of any committee of the directors are properly recorded.

All directors have unlimited access to the advice and services of the Company Secretary who is responsible to the board for ensuring that proper corporate governance principles are adhered to. All directors are entitled to seek independent professional advice at the group's expense, concerning the affairs of the group, after obtaining the approval of the board.

Ms M van den Berg's business and postal addresses are:

Plot 26, Farm Klipkop JR 396
Mirkwood Estate, Gauteng,
Private Bag X010
Lynnwood Ridge 0040

9. AUDITORS

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

10. CORPORATE GOVERNANCE

Introduction

This statement sets out the key governance principles and practices of the group. The group aim to fairly and honestly inform all stakeholders through adequate and understandable disclosure.

The board is committed to the promotion of good corporate governance as set out in the King II Report on Corporate Governance in South Africa. The board of directors recognises the need for adherence to the report and is continuing to implement procedures in order to ensure that the company has an effective corporate governance policy.

10.1 Composition of the board

The group has a unitary board that is fully functional in leading and controlling the group. The board of directors comprises two non-executive directors and two executive directors chosen for their achievements, business acumen and skills. The directors bring a wide range of diverse insight and experience to the board.

The board recognises that, as currently constituted, it has no independent non-executive directors and therefore is not consistent with the recommendations of the King II Report. This situation will be rectified by the appointment of the independent non-executive directors in the new financial year.

The roles of the chairman and chief executive officer are separate. The Chairman, KJ Gribnitz, a non-executive director, leads the board and the executive management is the responsibility of the Chief Executive Officer, JP Nel.

The board meets at least quarterly, with additional meetings being convened when necessary.

The role and responsibilities of the board

The board is responsible for the effective management and control of the company and sets the strategic direction and policies of the company. In directing the company, the board exercises leadership, integrity and judgment based on fairness, accountability, responsibility and transparency directed to achieve the continued prosperity of the company. The board participates in all discussions regarding transactions and disposals, approval of major capital expenditure, delivers financial and administrative activities and any other matters that may materially impact on the business of the company. Directors are entitled to seek independent and professional advice about the affairs of the company.

All directors have unfettered access to management and to all company information, records, documents and property that they may require in the fulfilment of their duties.

REPORT OF THE DIRECTORS (continued)

All directors are subject to retirement by rotation, although a retiring director shall be eligible for re-election. There is no set retirement age for directors.

The board remains accountable for the overall success of the approved strategies, based on values, objectives and stakeholder requirements, and for the process and policy to ensure the integrity of risk management and internal controls. The board is the focal point of the company's corporate governance structure and is also responsible for ensuring that it complies with all relevant laws, regulations and codes of best business practice.

Duties of directors

The Companies Act require directors to fulfill certain duties and determine that they should apply the necessary care and skill in fulfilling their duties. To ensure that this is achieved, best practice principles, as contained in the King II Report on Corporate Governance for South Africa, are applied.

10.2 Internal, financial and operating controls

The board has ultimate responsibility for the internal, financial and operating systems of the company and for monitoring their effectiveness. These systems are designed to provide reasonable, but not absolute, assurance against material misstatement and loss.

The board has established an Audit Committee to monitor these systems and to advise it on any adaptations that may be required in order to meet the changing business circumstances. The committee is responsible for assisting the board in the implementation and monitoring of reasonable safeguards in respect of the unauthorised use or disposal of company assets, compliance with relevant legislation and regulations and the maintenance of proper accounting records, as well as for advising the board on the appointment of external auditors.

Audit Committee

The board recognises the importance of a strong Audit Committee with responsibility for ensuring the overall effectiveness of corporate governance within the company. The committee monitors proposed changes in accounting policy and all published financial information, reviews the internal audit function and discusses the accounting implications of major transactions prior to board approval. The Audit Committee comprises of G Kgage as chairman and KJ Gribnitz as a member. More appointments to the Audit Committee meeting will be made as soon as more non-executive directors are appointed. The Audit Committee met two times during the period under review.

Remuneration Committee

During the period under review no Remuneration Committee meetings were held. Subsequent to the period under review, G Kgage was appointed as chairman of the remuneration committee and KJ Gribnitz as a member. More appointments to this committee will be made after the appointment of more non-executive directors. The committee determines the remuneration, incentive arrangements, profit participation and benefits of the executive directors and executive management.

The committee is responsible for ensuring that levels of remuneration are sufficient to attract, retain and motivate executives of the calibre required for high-level management as well as key personnel positions. It is also responsible for measuring the performance of the executive directors in discharging their functions and responsibilities. Remuneration is performance-related and is designed to provide incentives for both directors and staff to perform at the highest operational levels.

10.3 Communication with stakeholders

A policy of effective communication and engagement with all stakeholders relating to the affairs of the company is adhered to and the company seeks to provide a secure, healthy and participative social and working environment for its staff.

10.4 Closed period

The company operates under a closed period prior to the publication of its financial results or any other period considered sensitive. During such closed periods, the directors, officers and other nominated employees are not permitted to deal in the shares of the company.

10.5 Code of Ethics

The board subscribes to the highest levels of professionalism and integrity in conducting its business and dealing with all its stakeholders.

In adhering to this, the board is guided by the following board principles:

- business should operate and compete in accordance with the principles of free enterprise;
- free enterprise will be constrained by the observance of relevant legislation and generally accepted principles regarding ethical behaviour in business;
- ethical behaviour is predicted on the concept of utmost good faith and characterised by integrity, reliability and a commitment to avoid harm;
- business activities will benefit all participants through a fair exchange of value or satisfaction of need; and
- equivalent standards of ethical behaviour are expected from individuals and companies with whom business is concluded.

11. CONTROLLING AND MAJOR SHAREHOLDERS

Shareholders that are, directly and indirectly, beneficially interested in 5% or more of the company's issued ordinary shares, as far as is known to the company, are as follows:

Controlling shareholder	Number of shares	%
<i>Shares as at 31 August 2006</i>		
Strider Holdings (Proprietary) Limited and Fat Fractal Trust*	196 897 921	51,9
<i>Consolidated shares held immediately after the transaction</i>		
Strider Holdings (Proprietary) Limited and Fat Fractal Trust *	196 242 821	51,7
Deon Oberholzer Family Trust	22 623 136	6,0
<i>Pre-consolidation shares held as at 08 August 2005</i>		
Strider Holdings (Proprietary) Limited*	86 937 452	60,0

Notes:

* Strider Holdings (Proprietary) Limited is the nominee/holding company of Gandalf Trust, a discretionary trust for which the Zaptronix share allocation between beneficiaries, Mr KJ Gribnitz and Mr JP Nel, has not yet been decided. Fat Fractal Trust, a trust controlled by Mr JP Nel.

REPORT OF THE DIRECTORS (continued)

Public and non-public shareholders

Shareholder	2006			2005		
	Number of shareholders	Number of shares	%	Number of shareholders	Number of shares	%
Shares as at 31 August						
<i>Non-public shareholders</i>						
Directors:						
JP Nel ¹	1	13 000 000	3,4	1	13 000 000	3,4
A De Canio ²	1	13 802 073	3,6	1	13 802 073	3,6
KJ Gribnitz ³	1	183 897 821	48,5	1	183 897 821	48,5
J Stratenwerth	-	-	-	1	17 445 493	4,6
<i>Directors of subsidiaries and key personnel:</i>						
AP Goodhart	1	8 280 788	2,2	1	2 192 975	0,6
L Smail	1	2 753 511	0,7	-	-	-
K Naicker	1	67 000	-	-	-	-
<i>Senior employees with restricted trading</i>						
	-	-	-	4	17 613 004	4,6
<i>Public shareholders</i>	1 573	157 517 737	41,6	1 086	131 367 564	34,7
Total	1 579	379 318 930	100	1 095	379 318 930	100

Notes:

* Representing his Zaptronix shares held through Fat Fractal Trust, but excluding his possible partial indirect interest in Zaptronix shares held through Gandalf Trust (and its nominee company, Strider Holdings (Proprietary) Limited) are included as part of the holding of Mr KJ Gribnitz for the purposes of this table.

‡ Held mainly through the ADC Family Trust

¥ Held through Strider Holdings (Proprietary) Limited

† Held through FTR Trust

12. DIRECTORS' INTERESTS

The direct and indirect, beneficial and non-beneficial interests of the directors in the company's securities as at balance sheet date, as far as could be determined, is as follows:

Shares held	Zaptronix as at 31 August 2006			Zaptronix immediately after consolidation		
	Beneficial		%	Beneficial		%
	Direct	Indirect		Direct	Indirect	
KJ Gribnitz ¹	-	183 897 821	48,5	-	183 897 821	48,3
JP Nel ²	-	13 000 000	3,4	-	13 000 000	3,4
A De Canio	320 000	13 482 073	3,6	320 000	13 482 073	3,6
J Stratenwerth	-	-	-	-	17 445 493	4,6
Total	320 000	210 379 894	55,5	320 000	227 825 387	60,1

There were no non-beneficial, either direct or indirect, interests of the directors in the company's securities for the period under review

Notes:

¹Reflects their combined interests in pre-consolidation Zaptronix shares through Gandalf Trust, a discretionary trust, held in Strider Holdings (Proprietary) Limited (as its nominee – the Zaptronix share allocation between Messrs Gribnitz and Nel has not been decided yet).

*Representing converted DuO shares held through Fat Fractal Trust, but excluding his possible partial indirect interest in pre-consolidation Zaptronix shares, including Mr Nel's possible partial indirect interest in pre-consolidated Zaptronix shares held through Gandalf Trust (and its nominee company, Strider Holdings (Proprietary) Limited) and included as part of the holding of Mr KJ Gribnitz for the purposes of this table – the Zaptronix share allocation between Messrs Gribnitz and Nel has not been decided yet.

13. SHAREHOLDER SPREAD

Total	As at 31 August 2006				Immediately after consolidation			
	Number of shares	%	Number of shareholders	%	Number of shares	%	Number of shareholders	%
0 – 1 000	117 857	–	213	13.5	54 396	–	111	18.2
1 001 – 10 000	2 378 257	0.6	495	31.3	374 123	0.1	121	19.9
10 001 – 100 000	27 567 460	7.3	618	39.1	543 398	0.1	65	10.7
100 001 – 1 000 000	67 017 478	17.7	217	13.8	8 280 761	2.2	214	35.1
1 000 001 +	282 237 882	74.4	36	2.3	370 066 256	97.6	98	16.1
Total	379 318 934	100	1 579	100	379 318 934	100	609	100

14. DIVIDENDS

No dividend has been recommended or declared for the period, since the group is on an aggressive growth path and requires the resources to achieve its targets.

15. BORROWINGS

An analysis of the group and company's borrowings for the period is detailed in note 14 to the attached financial statements.

16. SUBSIDIARIES AND ASSOCIATES

The group investment in subsidiaries and associate companies are reflected in notes 6 and 7 to the attached financial statements.

Name of company	Percentage holding 2006	Percentage holding 2005	Profit/(loss) 2006	Profit/(loss) 2005
Card Dynamics Limited (UK registered company)	–	100	Deregistered	Dormant
RMS Technology (Proprietary) Limited (previously E-Club (Proprietary) Limited)	100	100	(368 201)	Dormant
Electronic Golf Network (Proprietary) Limited	100	100	Dormant	Dormant
Zaptronix Systems (Proprietary) Limited	100	100	(164 831)	4 435
DuO Solutions Provider (Proprietary) Limited	100	100	606 331	899 093
Zaptronix Electronic Management Service (Proprietary) Limited	100	100	Dormant	Dormant

BALANCE SHEET

as at 31 August 2006

		Group		Company	
	Notes	2006 R	2005 R	2006 R	2005 R
Assets					
Non-current assets					
Plant and equipment	4	3 460 671	2 554 428	173 323	157 164
Intangible assets	5	6 258 057	4 548 973	650 840	275 233
Investments in subsidiaries	6	–	–	3 069 270	4
Investments in associates	7	469 578	294 483	404 815	404 815
Deferred tax	9	118 374	389 505	–	–
		10 306 680	7 787 389	4 298 248	837 216
Current assets					
Inventories	10	2 293 289	1 899 972	174 555	185 214
Trade and other receivables	11	2 189 722	2 408 339	870 624	447 179
Pre-payments and deposits		44 310	223 333	–	142 511
Cash and cash equivalents	12	47 374	280 848	19 029	93 245
		4 574 695	4 812 492	1 064 208	868 149
Total assets		14 881 375	12 599 881	5 362 456	1 705 365
Equity and liabilities					
Equity					
Share capital	13	29 632 341	29 651 226	29 632 341	26 749 120
Non-distributable reserve		427 235	–	27 964	–
Accumulated loss		(23 048 315)	(23 026 664)	(26 612 885)	(26 519 803)
		7 011 261	6 624 562	3 047 420	229 317
Liabilities					
Non-current liabilities					
Loans from group companies	8	–	–	315 712	753 476
Interest bearing borrowings	14	2 993 964	1 950 537	422 264	–
		2 993 964	1 950 537	737 976	753 476
Current liabilities					
Interest bearing borrowings	14	844 503	76 864	–	–
Trade and other payables	15	3 708 194	3 523 498	1 527 652	513 949
Income received in advance		–	79 560	–	79 560
Provisions	16	323 453	344 860	49 408	129 063
		4 876 150	4 024 782	1 577 060	722 572
Total liabilities		7 870 114	5 975 319	2 315 036	1 476 048
Total equity and liabilities		14 881 375	12 599 881	5 362 456	1 705 365
Net asset value per share (cents)		1,85	1,75		
Net tangible asset value per share (cents)		0,20	0,55		

INCOME STATEMENT

for the year ended 31 August 2006

	Notes	Group		Company	
		12 months ended 31 August 2006 R	16 months ended 31 August 2005 R	12 months ended 31 August 2006 R	16 months ended 31 August 2005 R
Revenue	17	20 831 077	28 291 553	3 603 133	4 470 219
Cost of sales		(7 981 829)	(11 517 504)	(2 149 035)	(2 223 523)
Gross profit		12 849 248	16 774 049	1 454 098	2 246 696
Other income		26 971	2 786 554	1 050 740	1 450
Operating expenses		(12 496 603)	(15 190 319)	(2 529 696)	(2 129 525)
Operating profit/(loss)	18	379 616	4 370 284	(24 858)	118 621
Interest income		2 754	22 922	-	22
Share in associate's loss		(1 872)	(120 124)	-	-
Finance costs		(221 818)	(298 783)	(68 222)	(3 360)
Profit/(Loss) before taxation		158 680	3 974 299	(93 080)	115 283
Taxation	19	(180 331)	(217 624)	-	-
(Loss)/Profit for the period		(21 651)	3 756 675	(93 080)	115 283
(Loss)/Earnings per share (cents)	20	(0.01)	0.99		
Headline (loss)/earnings per share (cents)	20	(0.01)	0.26		

STATEMENT OF CHANGES IN EQUITY

for the year ended 31 August 2006

	Share capital R	Share premium R	Foreign currency translation reserve R	Non-distributable reserves R	Revaluation reserve R	Accumulated loss R	Total equity R
Group							
Balance at 1 May 2004	1 448 045	25 301 075	-	167 907	-	(26 783 339)	133 688
Profit for the year	-	-	-	-	-	3 756 675	3 756 675
Issue of shares	3 069 167	(167 061)	-	-	-	-	2 902 106
Consolidation of share capital	(724 023)	724 023	-	-	-	-	-
Derecognition of subsidiary	-	-	-	(167 907)	-	-	(167 907)
Total changes	2 345 144	556 962	-	(167 907)	-	3 756 675	6 490 874
Balance at 1 September 2005	3 793 189	25 858 037	-	-	-	(23 026 664)	6 624 562
Loss for the year	-	-	-	-	-	(21 651)	(21 651)
Issue of shares:							
Costs incurred	-	(18 885)	-	-	-	-	(18 885)
Revaluation of assets	-	-	-	-	250 268	-	250 268
Foreign currency translation	-	-	176 967	-	-	-	176 967
Total changes	-	(18 885)	176 967	-	250 268	(21 651)	386 699
Balance at 31 August 2006	3 793 189	25 839 152	176 967	-	250 268	(23 048 315)	7 011 261
Note:	13	13					
Company							
Balance at 1 September 2004	1 448 045	25 301 075	-	-	-	(26 635 088)	114 032
Profit for the year	-	-	-	-	-	115 283	115 283
Total changes	-	-	-	-	-	115 283	115 283
Balance at 1 September 2005	1 448 045	25 301 075	-	-	-	(26 519 805)	229 315
Loss for the year	-	-	-	-	-	(93 080)	(93 080)
Issue of shares	3 069 167	(185 946)	-	-	-	-	2 883 221
Consolidation of share capital	(724 023)	724 023	-	-	-	-	-
Revaluation of assets	-	-	-	-	27 964	-	27 964
Total changes	2 345 144	538 077	-	-	27 964	(93 080)	2 818 105
Balance at 31 August 2006	3 793 189	25 839 152	-	-	27 964	(26 612 885)	3 047 420
Note:	13	13					

CASH FLOW STATEMENT

for the year ended 31 August 2006

	Notes	Group		Company	
		12 months ended 31 August 2006 R	16 months ended 31 August 2005 R	12 months ended 31 August 2006 R	16 months ended 31 August 2005 R
Cash flows from operating activities					
Cash receipts from customers		20 671 710	29 003 778	4 150 871	4 270 976
Cash paid to suppliers and employees		(18 822 242)	(25 784 600)	(3 653 515)	(4 665 357)
Cash generated from/ (used in) operations	22	1 849 468	3 219 178	497 356	(394 381)
Interest income		2 754	22 922	-	22
Finance costs		(221 818)	(298 783)	(68 222)	(3 360)
Net cash from operating activities		1 630 404	2 943 317	429 134	(397 719)
Cash flows from investing activities					
Purchase of property, plant and equipment	4	(1 863 525)	(1 208 041)	(51 080)	(47 100)
Acquisition of intangible assets	5	(1 811 421)	(3 126 305)	(436 770)	-
Subsidiaries acquired		-	(714 986)	-	-
Loans granted		-	-	(437 764)	-
Net cash from investing activities		(3 674 946)	(5 049 332)	(925 614)	(47 100)
Cash flows from financing activities					
Increase in loans		1 811 067	2 175 164	422 264	378 383
Net cash from financing activities		1 811 067	2 175 164	422 264	378 383
Total cash movement for the period		(233 475)	69 149	(74 216)	(66 436)
Cash at the beginning of the period		280 849	211 699	93 245	159 681
Total cash at end of the period	12	47 374	280 848	19 029	93 245

ACCOUNTING POLICIES

1. PRESENTATION OF ANNUAL GROUP FINANCIAL STATEMENTS

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

Except where indicated differently, these accounting policies are consistent with the previous year.

1.1 Significant judgments

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

Significant judgments include:

Trade receivables and loans

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

Impairment testing

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

The group reviews and tests the carrying value of assets when events or changes in circumstances suggest that the carrying amount may not be recoverable. Assets are grouped at the lowest level for which identifiable cash flows are largely independent of cash flows of other assets and liabilities. If there are indications that impairment may have occurred, estimates are prepared of expected future cash flows for each group of assets. Expected future cash flows used to determine the value in use of tangible and intangible assets are inherently uncertain and could materially change over time.

Provisions

Provisions were raised and management determined an estimate based on the information available. Additional disclosure of these estimates of provisions are included in note 16 – Provisions.

Taxation

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

The group recognises the net future tax benefit related to deferred income tax assets to the extent that it is probable that the deductible temporary differences will reverse in the foreseeable future. Assessing the recoverability of deferred income tax assets requires the group to make significant estimates related to expectations of future taxable income. Estimates of future taxable income are based on forecasted cash flows from operations and the application of existing tax laws in each jurisdiction. To the extent

that future cash flows and taxable income differ significantly from estimates, the ability of the group to realise the net deferred tax assets recorded at the balance sheet date could be impacted.

1.2 Plant and equipment

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

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

Costs include costs incurred initially to acquire or construct an item of property, plant and equipment and substantial costs incurred subsequently to add to, replace part of, or service it. If a replacement cost is recognised in the carrying amount of an item of plant and equipment, the carrying amount of the replaced part is derecognised. The initial estimate of the costs of dismantling and removing the item and restoring the site on which it is located is also included in the cost of plant and equipment.

Certain classes of plant and equipment are carried at cost less accumulated depreciation and any impairment losses. Certain classes of plant and equipment are carried at revalued amount, being the fair value at the date of revaluation less any subsequent accumulated depreciation and subsequent accumulated impairment losses. Revaluations are determined using fair value at the balance sheet date as determined by the directors on a regular interval.

Any increase in an asset's carrying amount, as a result of a revaluation, is credited directly to equity in the revaluation reserve. The increase is recognised in profit or loss to the extent that it reverses a revaluation decrease of the same asset previously recognised in profit and loss.

Any decrease in an asset's carrying amount, as a result of a revaluation, is recognised in profit or loss in the current period. The decrease is debited directly to equity in the revaluation reserve to the extent of any credit balance existing in the revaluation surplus in respect of that asset.

Depreciation is provided on all plant and equipment to write-down the cost, less residual value, on a straight-line basis over their useful lives as follows:

Item	Average useful life
Tracking units software (MCG Firmware)	Assessed annually – remaining life 18 months
Plant and equipment	4 – 6 years
Motor vehicles	4 years
Furniture and fittings	6 years
Rental units	Varying
Computer equipment	3 years
Computer software	3 years

The residual value and the useful life of each asset is reviewed at each financial year-end. Each part of an item of plant and equipment with a cost that is significant in relation to the total cost of the item shall be depreciated separately. The depreciation charge for each period is recognised in profit or loss unless it is included in the carrying amount of another asset. The gain or loss arising from the derecognition of an item of plant and equipment is included in profit or loss when the item is derecognised. The gain or loss arising from the derecognition of an item of plant and equipment is determined as the difference between the net disposal proceeds, if any and the carrying amount of the item.

1.3 Goodwill

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

ACCOUNTING POLICIES (continued)

1.4 Intangible assets

An intangible asset is recognised when:

- it is probable that the expected future economic benefits that are attributable to the asset will flow to the entity; and
- the cost of the asset can be measured reliably. Intangible assets are initially recognised at cost. Expenditure on research (or on the research phase of an internal project) is recognised as an expense when it is incurred.

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

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

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

For all other intangible assets amortisation is provided on a straight-line basis over their useful life. The amortisation period and the amortisation method for intangible assets are reviewed every year-end. Internally generated brands, mastheads, publishing titles, customer lists and items similar in substance are not recognised as intangible assets.

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

Item	Useful life
Mobile logistics hardware and server development	10 years
Energy logistics hardware development	Assessed annually 42 months remaining

1.5 Investments in subsidiaries

Group financial statements

The annual group financial statements include those of the holding company and its subsidiaries. The results of the subsidiaries are included from the effective date of acquisition. On acquisition the group recognises the subsidiary's identifiable assets, liabilities and contingent liabilities at fair value, except for assets classified as held-for-sale, which are recognised at fair value less costs to sell.

Company annual financial statements

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

The cost of an investment in a subsidiary is the aggregate of:

- the fair value, at the date of exchange, of assets given, liabilities incurred or assumed and equity instruments issued by the company; plus
- any costs directly attributable to the purchase of the subsidiary. An adjustment to the cost of a business combination contingent on future events is included in the cost of the combination if the adjustment is probable and can be measured reliably.

1.6 Investments in associates

Group annual financial statements

An investment in an associate is accounted for using the equity method, except when the asset is classified as held-for-sale. Under the equity method, the investment is initially recognised at cost and the carrying amount is increased or decreased to recognise the group's share of the profits or

losses of the investee after acquisition date. The use of the equity method is discontinued from the date the group ceases to have significant influence over an associate.

Any impairment losses are deducted from the carrying amount of the investment in associate. Distributions received from the associate reduce the carrying amount of the investment. Profits and losses resulting from transactions with associates are recognised only to the extent of unrelated investors' interests in the associate.

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

Company annual financial statements

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

1.7 Financial instruments

Initial recognition

The group classifies financial instruments, or their component parts, on initial recognition as a financial asset, a financial liability or an equity instrument in accordance with the substance of the contractual arrangement. Financial assets and financial liabilities are recognised on the group's balance sheet when the group becomes party to the contractual provisions of the instrument.

Loans to and from group companies

These included loans to holding companies, fellow subsidiaries, subsidiaries, and associates and are recognised initially at fair value plus direct transaction costs. Subsequently these loans are measured at amortised cost using the effective interest rate method, less any impairment loss recognised to reflect irrecoverable amounts. Where the loans bear no interest, and no fixed terms of repayment have been agreed upon, the loans are carried at fair value at balance sheet date.

On loans receivable an impairment loss is recognised in profit or loss when there is objective evidence that it is impaired. The impairment is measured as the difference between the investment's carrying amount and the present value of estimated future cash flows discounted at the effective interest rate computed at initial recognition. Impairment losses are reversed in subsequent periods when an increase in the investment's recoverable amount can be related objectively to an event occurring after the impairment was recognised, subject to the restriction that the carrying amount of the investment at the date the impairment is reversed shall not exceed what the amortised cost would have been had the impairment not been recognised.

Trade and other receivables

Trade receivables are measured at initial recognition at fair value and are subsequently measured at amortised cost using the effective interest rate method. Appropriate allowances for estimated irrecoverable amounts are recognised in profit or loss when there is objective evidence that the asset is impaired. The allowance recognised is measured as the difference between the asset's carrying amount and the present value of estimated future cash flows discounted at the effective interest rate computed at initial recognition.

Trade and other payables

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

Cash and cash equivalents

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

Bank overdrafts and borrowings

Bank overdrafts and borrowings are initially measured at fair value, and are subsequently measured at amortised cost, using the effective interest rate method. Any difference between the

ACCOUNTING POLICIES (continued)

proceeds (net of transaction costs) and the settlement or redemption of borrowings is recognised over the term of the borrowings in accordance with the group's accounting policy for borrowing costs.

1.8 Tax

Deferred tax assets and liabilities

A deferred tax liability is recognised for all taxable temporary differences, except to the extent that the deferred tax liability arises from the initial recognition of an asset or liability in a transaction which at the time of the transaction, affects neither accounting profit or loss nor taxable profit or loss.

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

A deferred tax asset is recognised for the carry forward of unused tax losses and unused STC credits to the extent that it is probable that future taxable profit will be available against which the unused tax losses and unused STC credits can be utilised. Deferred tax assets and liabilities are measured at the tax rates that are expected to apply to the period when the asset is realised or the liability is settled, based on tax rates (and tax laws) that have been enacted or substantively enacted by the balance sheet date.

Tax expenses

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

- a transaction or event which is recognised, in the same or a different period, directly in equity, or
- a business combination.

1.9 Leases

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

Finance leases – lessee

Finance leases are recognised as assets and liabilities in the balance sheet at amounts equal to the fair value of the leased property or, if lower, the present value on the minimum lease payments. The corresponding liability to the lessor is included in the balance sheet as a finance lease obligation. The discount rate used in calculating the present value of the minimum lease payments is the interest rate implicit in the lease. The lease payments are apportioned between the finance charge and reduction of the outstanding liability. The finance charge is allocated to each period during the lease term so as to produce a constant periodic rate of return on the remaining balance of the liability.

Operating leases – lessor

Operating lease income is recognised as an income on a straight-line basis over the lease term. Initial direct costs incurred in negotiating and arranging operating leases are added to the carrying amount of the leased asset and recognised as an expense over the lease term on the same basis as the lease income. Income for leases is disclosed under revenue in the income statement.

Operating leases – lessee

Operating lease payments are recognised as an expense on a straight-line basis over the lease term. The difference between the amounts recognised as an expense and the contractual payments are recognised as an operating lease asset where these differences are material.

1.10 Inventories

Inventories are measured at the lower of cost and net realisable value. Net realisable value is the estimated selling price in the ordinary course of business less the estimated costs of completion and the estimated costs necessary to make the sale. The cost of inventories comprises of all costs of purchase, costs of conversion and other costs incurred in bringing the inventories to their present location and condition.

The cost of inventories of items that are not ordinarily inter-changeable and goods or services produced and segregated for specific projects is assigned using specific identification of the individual costs. The cost of inventories is assigned using the weighted average cost formula. The same cost formula is used for all inventories having a similar nature and use to the entity.

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

1.11 Impairment of assets

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

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

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

If there is any indication that an asset may be impaired, the recoverable amount is estimated for the individual asset. If it is not possible to estimate the recoverable amount of the individual asset, the recoverable amount of the cash-generating unit to which the asset belongs is determined. The recoverable amount of an asset or a cash-generating unit is the higher of its fair value less costs to sell and its value in use.

If the recoverable amount of an asset is less than its carrying amount, the carrying amount of the asset is reduced to its recoverable amount. That reduction is an impairment loss. An impairment loss of assets carried at cost less any accumulated depreciation or amortisation is recognised immediately in profit or loss. Any impairment loss of a revalued asset is treated as a revaluation decrease.

1.12 Share capital and equity

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

1.13 Employee benefits

Short-term employee benefits

The cost of short-term employee benefits, (those payable within 12 months after the service is rendered, such as paid vacation leave, sick leave and bonuses), are recognised in the period in which the service is rendered and are not discounted. The expected cost of compensated absences is recognised as an expense as the employees render services that increase their entitlement or, in the case of non-accumulating absences, when the absence occurs. The expected cost bonus payments is recognised as an expense when there is a legal or constructive obligation to make such payments as a result of past performance.

ACCOUNTING POLICIES (continued)

1.14 Provisions and contingencies

Provisions are recognised when:

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

The amount of a provision is the present value of the expenditure expected to be required to settle the obligation. Where some or all of the expenditure required to settle a provision is expected to be reimbursed by another party, the reimbursement shall be recognised when, and only when, it is virtually certain that reimbursement will be received if the entity settles the obligation. The reimbursement shall be treated as a separate asset. The amount recognised for the reimbursement shall not exceed the amount of the provision. Provisions are not recognised for future operating losses. If an entity has a contract that is onerous, the present obligation under the contract shall be recognised and measured as a provision.

Contingent assets and contingent liabilities are not recognised. Contingencies are disclosed in note 23.

1.15 Revenue

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

- the group has transferred to the buyer the significant risks and rewards of ownership of the goods;
 - the group retains neither continuing managerial involvement to the degree usually associated with ownership nor effective control over the goods sold;
 - the amount of revenue can be measured reliably;
 - it is probable that the economic benefits associated with the transaction will flow to the group; and
 - the costs incurred or to be incurred in respect of the transaction can be measured reliably.
- Revenue is measured at the fair value of the consideration received or receivable and represents the amounts receivable for goods and services provided in the normal course of business, net of trade discounts and volume rebates, and value-added tax.

Interest is recognised, in profit or loss, using the effective interest rate method. Royalties are recognised on the accrual basis in accordance with the substance of the relevant agreements.

1.16 Borrowing costs

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

1.17 Translation of foreign currencies

Foreign currency transactions

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

At each balance sheet date:

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

Exchange differences arising on the settlement of monetary items or on translating monetary items at rates different from those at which they were translated on initial recognition during the period or

in previous annual group financial statements are recognised in profit or loss in the period in which they arise.

When a gain or loss on a non-monetary item is recognised directly in equity, any exchange component of that gain or loss is recognised directly in equity. When a gain or loss on a non-monetary item is recognised in profit or loss, any exchange component of that gain or loss is recognised in profit or loss. Cash flows arising from transactions in a foreign currency are recorded in Rand by applying to the foreign currency amount the exchange rate between the Rand and the foreign currency at the date of the cash flow.

Investments in subsidiaries and associates

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

- assets and liabilities for each balance sheet presented are translated at the closing rate at the date of that balance sheet;
- income and expenses for each income statement item are translated at exchange rates at the dates of the transactions; and
- all resulting exchange differences are recognised as a separate component of equity. Exchange differences arising on a monetary item that forms part of a net investment in a foreign operation are recognised initially in the translation reserve and recognised in profit or loss on disposal of the net investment. Any goodwill arising on the acquisition of a foreign operation and any fair value adjustments to the carrying amounts of assets and liabilities arising on the acquisition of that foreign operation are treated as assets and liabilities of the foreign operation. The cash flows of a foreign subsidiary are translated at the exchange rates between the functional currency and the foreign currency at the dates of the cash flows.

NOTES TO THE GROUP ANNUAL FINANCIAL STATEMENT

2. CHANGES IN ACCOUNTING POLICY AND FIRST TIME ADOPTION OF INTERNATIONAL FINANCIAL REPORTING STANDARDS

The annual group financial statements have been prepared in accordance with International Financial Reporting Standards on a basis consistent with the prior year except for the adoption of the following new or revised standards:

- IAS1: Presentation of Financial Statements
- IAS21: The Effects of Changes in Foreign Exchange Rates Due to the implementation of IFRS, the company has changed its accounting policy relating to foreign associates. The effect of this change is that the assets and liabilities of the associate are translated at the closing rate of exchange on balance sheet date. The resulting difference is carried as a separate item in the equity of the company as a foreign currency translation reserve. The company has elected not to restate the comparative figures, but to make use of the option of assuming that the opening balance of the reserve is zero at the beginning of the period, as permitted by IFRS1. The business combination that occurred in the previous financial period was treated in terms of IFRS.

3. STATEMENTS AND INTERPRETATIONS NOT YET EFFECTIVE

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

- IFRIC8 – Scope of IFRS2 (effective first annual period commencing on or after 1 January 2006).

4. PLANT AND EQUIPMENT

Group	2006			2005		
	Cost/ valuation R	Accumulated depreciation R	Carrying value R	Cost/ valuation R	Accumulated depreciation R	Carrying value R
Office equipment	789 354	(527 250)	262 104	760 727	(461 496)	299 231
Furniture and fixtures	348 088	(71 260)	276 828	320 609	(271 986)	48 623
Motor vehicles	10 000	(1 250)	8 750	48 022	(48 021)	1
IT equipment	808 306	(585 778)	222 528	662 630	(469 548)	193 082
Computer software	1 857 963	(1 846 022)	11 941	1 841 611	(1 803 665)	37 946
Tracking units software	1 500 000	(1 232 982)	267 018	1 500 000	(1 054 970)	445 030
Rental units	4 829 669	(2 418 167)	2 411 502	3 162 387	(1 631 872)	1 530 515
Total	10 143 380	(6 682 709)	3 460 671	8 295 986	(5 741 558)	2 554 428

4. PLANT AND EQUIPMENT (continued)

Company	2006			2005		
	Cost/ valuation R	Accumulated depreciation R	Carrying value R	Cost/ valuation R	Accumulated depreciation R	Carrying value R
Furniture and fixtures	61 153	(21 978)	39 175	50 564	(34 589)	15 975
Office equipment	368 413	(300 042)	68 371	383 612	(286 579)	97 033
Rental units	87 201	(21 424)	65 777	47 100	(2 944)	44 156
Total	516 767	(343 444)	173 323	481 276	(324 112)	157 164

Reconciliation of plant and equipment – Group – 2006

	Opening balance	Additions	Revaluations	Depreciation	Total
Office equipment	299 231	23 245	61 019	(121 391)	262 104
Furniture and fixtures	48 623	10 978	270 050	(52 823)	276 828
Motor vehicles	1	-	9 999	(1 250)	8 750
IT equipment	193 082	145 676	-	(116 230)	222 528
Computer software	37 946	16 352	-	(42 357)	11 941
Tracking units software	445 030	-	-	(178 012)	267 018
Rental units	1 530 515	1 667 274	-	(786 287)	2 411 502
	2 554 428	1 863 525	341 068	(1 298 350)	3 460 671

Reconciliation of plant and equipment – Group – 2005

	Opening balance R	Additions R	Disposals R	Depreciation R	Total R
Furniture and fixtures	22 717	91 430	-	(65 524)	48 623
Motor vehicles	-	12 005	-	(12 004)	1
Office equipment	151 506	278 040	-	(130 315)	299 231
IT equipment	-	289 048	-	(95 966)	193 082
Computer software	-	642 676	-	(604 730)	37 946
Tracking units software	-	649 548	-	(204 518)	445 030
Rental units	-	2 337 577	(324 844)	(482 218)	1 530 515
	174 223	4 300 324	(324 844)	(1 595 275)	2 554 428

NOTES TO THE GROUP ANNUAL FINANCIAL STATEMENTS (continued)

4. PLANT AND EQUIPMENT (continued)

Reconciliation of plant and equipment – Company – 2006

	Opening balance R	Revaluation R	Additions R	Depreciation R	Total R
Office equipment	97 033	7 799	–	(36 461)	68 371
Furniture and fixtures	15 975	20 165	10 978	(7 943)	39 175
Rental units	44 156	–	40 102	(18 481)	65 777
	157 164	27 964	51 080	(62 885)	173 323

Reconciliation of plant and equipment – Company – 2005

	Opening balance R	Additions R	Depreciation R	Total R
Office equipment	151 506	–	(54 473)	97 033
Furniture and fixtures	22 717	–	(6 742)	15 975
Rental units	–	47 100	(2 944)	44 156
	174 223	47 100	(64 159)	157 164

Revaluations

The effective date of the revaluations was 28 February 2006. The valuations were performed by the directors of the company. The revaluations were done based on a percentage of replacement value. The carrying value of the revalued assets under the cost model would have been:

	Group		Company	
	2006 R	2005 R	2006 R	2005 R
Furniture and fixtures	29 288	48 623	20 692	15 975
Motor vehicles	1	1	–	–
Office equipment	225 496	99 231	78 551	97 033

5. INTANGIBLE ASSETS

Group	2006		2005			
	Cost/ valuation R	Accumulated depreciation R	Carrying value R	Cost/ valuation R	Accumulated depreciation R	Carrying value R
Mobile logistics hardware and server development	6 168 543	(124 556)	6 043 987	4 414 297	(140 557)	4 273 740
Energy management hardware development	495 419	(281 349)	214 070	495 419	(220 186)	275 233
Total	6 663 962	(405 905)	6 258 057	4 909 716	(360 743)	4 548 973

Company	2006		2005			
	Cost/ valuation R	Accumulated depreciation R	Carrying value R	Cost/ valuation R	Accumulated depreciation R	Carrying value R
Mobile logistics hardware and server development	436 770	-	436 770	-	-	-
Energy management hardware development	495 419	(281 349)	214 070	495 419	(220 186)	275 233
Total	932 189	(281 349)	650 840	495 419	(220 186)	275 233

Reconciliation of intangible assets – Group – 2006

	Opening balance R	Additions R	Amortisation R	Total R
Mobile logistics hardware and server development	4 273 740	1 811 421	(41 174)	6 043 987
Energy management hardware development	275 233	-	(61 163)	214 070
	4 548 973	1 811 421	(102 337)	6 258 057

Reconciliation of intangible assets – Group – 2005

	Opening balance R	Additions R	Amortisation R	Total R
Mobile logistics hardware and server development	-	4 405 703	(131 963)	4 273 740
Energy management hardware development	495 419	-	(220 186)	275 233
	495 419	4 405 703	(352 149)	4 548 973

Reconciliation of intangible assets – Company – 2006

	Opening balance R	Additions R	Amortisation R	Total R
Mobile logistics hardware and server development	-	436 770	-	436 770
Energy management hardware development	275 233	-	(61 163)	214 070
	275 233	436 770	(61 163)	650 840

NOTES TO THE GROUP ANNUAL FINANCIAL STATEMENTS (continued)

5. INTANGIBLE ASSETS (continued)

Reconciliation of intangible assets – Company – 2005

	Opening balance R	Amortisation R	Total R
Energy management hardware development	495 419	(220 186)	275 233

6. INVESTMENTS IN SUBSIDIARIES

Name of company	Held by	Percentage holding 2006	Percentage holding 2005	Carrying amount 2006	Carrying amount 2005
Card Dynamics Limited RMS Technology (Proprietary) Limited (previously E-Club Network (Proprietary) Limited)	Zaptronix Limited	–	100	–	1
Electronic Golf Network (Proprietary) Limited	Zaptronix Limited	100	100	1	1
Zaptronix Systems (Proprietary) Limited	Zaptronix Limited	100	100	1	1
DuO Solutions Provider (Proprietary) Limited	Zaptronix Limited	100	100	3 069 167	–
Zaptronix Electronic Management Service (Proprietary) Limited	Zaptronix Limited	100	100	100	–
				3 069 270	4

The carrying amounts of subsidiaries are shown net of impairment losses. All subsidiaries are wholly-owned unless otherwise stated. All holdings are in the ordinary share capital of the undertaking concerned and are unchanged from the previous year unless otherwise stated. The market value of the subsidiaries are equal to their carrying value.

During the year under review, the investment in Card Dynamics Limited (registered in the United Kingdom) was written off, as the company was deregistered.

The company acquired the total issued share capital of DuO Solutions Provider Limited. The effective date of the combination for consolidation purposes was 1 May 2004; 306 916 667 ordinary shares were issued at 1 cent each in settlement of the acquisition.

DuO Solutions Provider Limited has changed from a public company to a private company.

E-Club Network (Proprietary) Limited changed its name to RMS Technology (Proprietary) Limited.

				Group		Company	
				2006 R	2005 R	2006 R	2005 R
7. INVESTMENTS IN ASSOCIATES							
Name of company	Listed/ Unlisted	Percentage holding 2006	Percentage holding 2005				
GIS International Marketing Limited	Unlisted	25.00	25.00	469 578	294 483	404 815	404 815
				469 578	294 483	404 815	404 815

The financial state of the associate is reflected in the following summary:

	2006 R	2005 R
Assets	4 930 267	402 113
Liabilities	448 727	851 213
Equity	4 481 540	3 169 926
Revenue	7 065 437	7 445 160
Loss for the year	(7 488)	(480 496)

Associates with different reporting dates

The reporting date of the associate differs from the group. The financial year-end of the associate is 30 November. Information obtained from management statements was used to determine the company's share in the profits of the associate. As the directors are not closely involved in the operations of the company, they are not in a position to determine the fair value of this investment, but they are of the opinion that it should not be less than the carrying value.

Changes in accounting policy

The group has elected to assume an opening balance, on the translation reserve, of zero, as permitted by IRFS 1.

8. LOANS TO/FROM GROUP COMPANIES

Subsidiaries

	Group		Company	
	2006 R	2005 R	2006 R	2005 R
DuO Solutions Provider (Proprietary) Limited	-	-	(315 712)	(753 476)

The unsecured loan bears no interest and has no fixed terms of repayment.

9. DEFERRED TAX

Deferred tax asset/(liability)

Accelerated capital allowances for tax purposes	(1 626 093)	-	-	-
Revaluation, net of related depreciation	(82 531)	-	-	-
Tax losses available for set-off against future taxable income	1 641 188	-	-	-
Other	185 810	389 505	-	-
	118 374	389 505	-	-

NOTES TO THE GROUP ANNUAL FINANCIAL STATEMENTS (continued)

	Group		Company	
	2006 R	2005 R	2006 R	2005 R
Reconciliation of deferred tax asset/ (liability)				
At beginning of the year	389 505	-	-	-
Reduction due to rate change	-	(20 238)	-	-
Increase in tax losses available for set-off against future taxable income	182 170	-	-	-
Reversing temporary difference on product development costs	(386 708)	-	-	-
Originating temporary difference or revaluation of property.	(82 531)	-	-	-
Acquired through business combination	-	607 129	-	-
Temporary differences	15 938	(197 386)	-	-
	118 374	389 505	-	-

10. INVENTORIES

Finished goods	2 293 289	1 899 972	174 555	185 214
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11. TRADE AND OTHER RECEIVABLES

Trade receivables	1 978 439	2 408 339	870 624	447 179
Sundry debtors	211 283	-	-	-
	2 189 722	2 408 339	870 624	447 179

12. CASH AND CASH EQUIVALENTS

Cash and cash equivalents consist of:

Cash on hand	1 520	6 120	-	-
Bank balances	45 854	274 728	19 029	93 245
	47 374	280 848	19 029	93 245

Contract debtors were pledged as security for overdraft facilities of R2 500 000 (2005: R2 000 000) of the group.

13. SHARE CAPITAL

Authorised

500 000 000 Ordinary shares of R0.01
each (2005 company: 200 000 000)

5 000 000	5 000 000	5 000 000	2 000 000
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**Reconciliation of number of shares
issued:**

Reported as at the beginning of the year	379 318 930	144 804 526	144 804 526	144 804 526
Consolidation of shares	-	(72 402 263)	(72 402 263)	-
Issue of shares on acquisition of subsidiary	-	306 916 667	306 916 667	-
	379 318 930	379 318 930	379 318 930	144 804 526

13. SHARE CAPITAL (continued)

120 681 070 unissued ordinary shares are under the control of the directors in terms of a resolution of members passed at the last annual general meeting. This authority remains in force until the next annual general meeting.

	Group		Company	
	2006 R	2005 R	2006 R	2005 R
Issued				
379 318 930 ordinary shares of R0.01 each	3 793 189	3 793 189	3 793 189	1 448 045
Share premium	25 839 152	25 858 037	25 839 152	25 301 075
	29 632 341	29 651 226	29 632 341	26 749 120

During the year under review, the company consolidated the shares in issue on a basis of 2:1. 306 916 667 shares were issued at 1 cent each in settlement of the acquisition of the entire issued share capital of DuO Solution Providers Limited. As the effective date of control of the acquisition was 1 May 2004, the issue was accounted for in the previous financial period for consolidation purposes.

	Group		Company	
	2006 R	2005 R	2006 R	2005 R
14. INTEREST BEARING BORROWINGS				
Nedbank Limited – Factoring account				
Debtors factored bearing interest at 1% above prime per annum				
The debtors have been factored to the bank as security.				
The maximum amount available is R2 500 000	1 637 573	1 938 615	422 264	–
Nedbank Limited				
Liabilities under instalment sale agreements payable over a period of 36 months at an effective interest rate of prime plus 1%	138 517	79 943	–	–
Nedbank Limited				
Liabilities under instalment sale agreements payable over a period of 7 months at an effective interest rate of prime plus 2%	–	8 843	–	–
Nedbank Limited				
Liabilities under discounted rental agreements payable over variable periods for a maximum of 36 months at a varying rate of interest	1 826 756	–	–	–
Sasfin Bank Limited				
Liabilities under discounted rental agreements payable over variable periods for a maximum of 36 months at a varying rate of interest	235 621	–	–	–
	3 838 467	2 027 401	422 264	–
Less: Current portion included in long-term borrowings	(844 503)	(76 864)	–	–
	2 993 964	1 950 537	422 264	–

NOTES TO THE GROUP ANNUAL FINANCIAL STATEMENTS (continued)

	Group		Company	
	2006 R	2005 R	2006 R	2005 R
15. TRADE AND OTHER PAYABLES				
Trade payables	2 178 569	2 408 185	911 417	384 580
Sundry creditors	1 529 625	1 115 313	616 235	129 369
	3 708 194	3 523 498	1 527 652	513 949

16. PROVISIONS

Reconciliation of provisions – Group – 2006

	Opening balance R	Additions R	Utilised during the year R	Total R
Leave pay benefits	327 860	68 977	(79 655)	317 182
Reaction/recovery co-ordination	17 000	–	(10 729)	6 271
	344 860	68 977	(90 384)	323 453

Reconciliation of provisions – Group – 2005

	Opening balance R	Additions R	Utilised during the year R	Reversed during the year R	Total R
Leave pay benefits	55 112	272 748	–	–	327 860
Reaction/Recovery co-ordination	–	20 000	–	(3 000)	17 000
Audit fees	43 257	–	(43 257)	–	–
Printing and publishing	30 000	–	(30 000)	–	–
Rent	174 901	–	(23 370)	(151 531)	–
Legal fees	–	25 000	–	(25 000)	–
Repairs	–	21 257	–	(21 257)	–
	303 270	339 005	(96 627)	(200 788)	344 860

Reconciliation of provisions – Company – 2006

	Opening balance R	Additions R	Utilised during the year R	Reversed during the year R	Total R
Leave pay benefits	129 063	–	(79 655)	–	49 408

Reconciliation of provisions – Company – 2005

	Opening balance R	Additions R	Utilised during the year R	Reversed during the year R	Total R
Leave pay benefits	55 112	73 951	–	–	129 063
Audit fees	43 257	–	(43 257)	–	–
Printing and publishing	30 000	–	(30 000)	–	–
Rent	174 901	–	(23 370)	(151 531)	–
	303 270	73 951	(96 627)	(151 531)	129 063

17. REVENUE

Gross revenue comprises turnover, which excludes value-added tax and represents the invoiced value of goods and services supplied.

	Group		Company	
	2006 R	2005 R	2006 R	2005 R
Major classes of revenue comprises:				
Sale of goods	3 926 725	5 334 669	3 308 233	3 493 721
Communications	5 470 649	9 041 153	-	-
Bureau and other services	9 137 724	9 987 865	243 198	148 998
Rental income	1 807 488	3 100 326	-	-
Other	488 491	827 540	51 702	827 500
	20 831 077	28 291 553	3 603 133	4 470 219

18. OPERATING PROFIT/(LOSS)

Operating profit/(loss) is stated after:

Income:

Profit on derecognition of subsidiary	-	158 341	-	-
Negative goodwill on acquisition of subsidiary	-	2 613 141	-	-
Sundry income	26 971	15 072	-	1 450

Expenditure:

Administrative services	1 318 126	844 482	14 691	86 384
	1 318 126	844 482	14 691	86 384

Operating lease charges

Premises				
- Contractual amounts	386 463	556 907	-	122 898
- Over provision	-	(151 531)	-	-
Equipment				
- Contractual amounts	-	73 937	-	-
	386 463	479 313	-	122 898

Marketing and selling expenses	257 957	223 520	187 477	58 416
Managing, consulting and admin fees	424 994	431 841	248 664	173 426
Bad debts	305 396	382 860	-	-
Depreciation on plant and equipment	1 298 350	1 595 275	62 885	64 159
Amortisation on intangible assets	102 337	352 149	61 163	220 186
Auditors remuneration	133 084	171 684	75 521	16 701
Directors' emoluments	1 010 628	1 511 423	758 255	699 386
Employee costs	7 259 268	9 197 307	1 121 040	687 505

NOTES TO THE GROUP ANNUAL FINANCIAL STATEMENTS (continued)

	Group		Company	
	2006 R	2005 R	2006 R	2005 R
19. TAXATION				
Major components of the tax expense/ (income)				
Deferred				
Originating and reversing temporary differences	180 3311	197 386	-	-
Changes in tax rates	-	-	20 238	-
	-	180 3311	217 624	-

20. EARNINGS PER ORDINARY SHARE

Earnings per share

The calculation is based on a loss of R21 651 (2005: earnings R3 756 675) and on the weighted average of 379 318 930 ordinary shares in issue during the year (2005: 379 318 930)

(0.01) 0.99

Headline earnings per share

Headline earnings per share have been calculated in terms of Circular 7/2002 and exclude profits and losses of a capital nature.

The calculation is based on a loss of R21 651 (2005: earnings R985 193)

(0.01) 0.26

Reconciliation of headline earnings:

2006	Gross amount R	Taxation effect R	Minority interest R	Net effect R
Net loss for the year	(21 651)	-	-	(21 651)
Headline loss	(21 651)	-	-	(21 651)
2005	Gross amount R	Taxation effect R	Minority interest R	Net effect R
Net profit for the 16 months	3 756 675	-	-	3 756 675
<i>Adjusted for:</i>				
- Derecognition of investment	(158 341)	-	-	(158 341)
- Negative goodwill with acquisition	(2 613 141)	-	-	(2 613 141)
Headline earnings	985 193			985 193

2005	Gross amount R	Taxation effect R	Minority interest R	Net effect R
21. MINIMUM RENTAL RECEIVABLE AND PAYABLE				
<i>Minimum contracted payments receivable</i>				
Bureau service contracts				
The group has entered into agreements with its customers for the provision of a bureau service. Future minimum fees receivable under these contracts are as follows:				
Within 1 year	5 828 707	5 153 210	167 347	50 744
Later than one year but not more than five	8 110 246	7 585 165	66 475	37 729
	13 938 953	12 738 375	233 822	88 473
Rental contracts				
The company rents units to its customers over periods ranging from three to five years. Future minimum rentals receivable under these contracts are as follows:				
Within 1 year	1 668 161	1 122 455	-	-
Later than one year but not more than five	4 027 688	2 115 082	-	-
	5 695 849	3 237 537	-	-
22. CASH GENERATED FROM/(USED IN) OPERATIONS				
Profit/(loss) before taxation	158 680	3 974 299	(93 080)	115 283
Adjustments for:				
Depreciation and amortisation	1 400 697	1 947 425	124 048	284 345
Income from equity accounted investments	1 872	120 124	-	-
Interest received	(2 754)	(22 922)	-	(22)
Finance costs	221 818	298 783	68 222	3 360
Impairment losses/reversals	-	-	-	-
Costs of issuing shares	(18 002)	(167 061)	(186 050)	-
Negative goodwill	-	(2 613 141)	-	-
Profit on derecognition of subsidiaries	-	(158 341)	-	-
Changes in working capital:				
Inventories	(393 316)	(286 422)	10 660	66 378
Trade and other receivables	185 208	435 934	(423 442)	(391 446)
Pre-payments and deposits	212 432	-	142 511	-
Trade payables and provisions	162 393	389 060	934 047	(472 279)
Income received in advance	(79 560)	79 560	(79 560)	-
	1 849 468	3 219 178	497 356	(394 381)

23. CONTINGENT LIABILITIES

Certain inputs claimed for VAT purposes in the past relating to non-taxable activities have been disallowed by the South African Revenue Services. This has led to an assessment of R68 387 being raised by SARS. The company has objected against this assessment. In the light of the recent ruling in the

NOTES TO THE GROUP ANNUAL FINANCIAL STATEMENTS (continued)

23. CONTINGENT LIABILITIES (continued)

Kretztechnik Case the directors have obtained legal opinion on this matter. The directors believe that the objection will be successful.

24. FIRST-TIME ADOPTION OF INTERNATIONAL FINANCIAL REPORTING STANDARDS

The group has applied IFRS 1, first-time adoption of International Financial Reporting Standards, to provide a starting point for the reporting under International Reporting and Accounting Standards

25. RELATED PARTIES

Relationships

Controlling entity	Gandalf Trust/Strider Holdings (Proprietary) Limited
Subsidiaries	DuO Solutions Provider (Proprietary) Limited
Subsidiaries	Zaptronix Systems (Proprietary) Limited 6
Subsidiaries	Electronic Golf Network (Proprietary) Limited
Secretarial Services	Sylvan CSI (Proprietary) Limited

Related party balances

Amounts included in trade payables

Gandalf Trust	(102,277)	-
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Related party transactions

Administration fees paid to related parties

Gandalf Trust	689,000	371,000
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	Group		Company	
	2006 R	2005 R	2006 R	2005 R
26. DIRECTORS' EMOLUMENTS				
J Stratenwerth: Director – executive				
– For services as director	352 014	601 927	352 014	601 927
– Travel allowance	13 569	24 000	13 569	24 000
– Other allowances and benefits	9 492	73 459	9 492	73 459
– Leave pay	31 839	-	31 839	-
A De Canio: Financial director – executive				
– For services as director	359 873	478 090	211 561	-
– Travel allowance	12 000	28 442	7 000	-
– Other allowances and benefits	13 668	29 307	5 591	-
JP Nel: Chief Executive Officer				
– For services as director	102 000	136 000	59 500	-
– Travel allowance	-	4 198	-	-
– Other allowances and benefits	14 173	-	8 189	-
KJ Gribnitz: Non-executive director				
– For services as director	102 000	136 000	59 500	-
	1 010 628	1 511 423	758 255	699 386

27. RISK MANAGEMENT

Liquidity risk

The group's risk to liquidity is a result of the funds available to cover future commitments. The group manages liquidity risk through an ongoing review of future commitments and credit facilities. Cash flow forecasts are prepared and adequate utilised borrowing facilities are monitored.

Interest rate risk

Deposit and bank balances attract interest at rates that vary with prime. The group policy is to manage interest rate risk so that fluctuations in variable rates do not have a material impact on profit or loss. Interest on liabilities also vary with prime. Income on certain rental agreements are linked to prime.

Credit risk

Credit risk consists mainly of cash deposits, cash equivalents and trade debtors. The company only deposits cash with major banks with high quality credit standing.

Trade receivables comprise a widespread customer base. Management evaluates credit risk relating to customers on an ongoing basis.

28. GOING CONCERN

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

SEGMENT ACCOUNTING

29. SEGMENT REPORT

For management purposes, the group is organised into three major divisions, being Zaptronix Limited, DuO Solutions Provider (Proprietary) Limited (DuO) and Zaptronix Systems (Proprietary) Limited. Zaptronix focuses mainly on energy resource management solutions and DuO focuses mainly on a vehicle management and monitoring system. Zaptronix Systems focuses on rentals of hardware risk management systems to customers of the group.

Income statement

2006	DuO R	Zaptronix R	Zaptronix Systems R	Consolidated R
Revenue:				
<i>External sales</i>	16 754 347	3 603 133	473 597	20 831 077
Total revenue	16 754 347	3 603 133	473 597	20 831 077
Results:				
Segment results	529 471	(24 858)	(151 968)	352 645
Other income				26 971
Interest received				2 754
Interest expenses				(221 818)
Share in loss of associate				(1 872)
Income tax expense				(180 331)
Loss for the year				(21 651)

Balance sheet

Segment assets	11 119 625	1 888 371	1 194 085	14 202 081
Unallocated assets				679 294
Consolidated assets				14 881 375
Segment liabilities	2 490 639	1 999 324	2 097 478	6 587 441
Unallocated liabilities				1 282 673
Consolidated liabilities				7 870 114

29. SEGMENT REPORT

Income statement

2005	DuO R	Zaptronix R	Consolidated R
Revenue:			
External sales	25 127 171	3 164 382	28 291 553
Total revenue	25 127 171	3 164 382	28 291 553
Results:			
Segment results	1 466 559	117 171	1 583 730
Other income			2 786 554
Interest received			22 922
Interest expenses			(298 783)
Share in loss of associate			(120 124)
Income tax expense			(217 624)
Loss for the year			3 756 675
Balance sheet			
Segment assets	10 610 347	1 300 546	11 910 893
Unallocated assets			683 988
Consolidated assets			12 594 881
Segment liabilities	3 225 346	722 572	3 947 918
Unallocated liabilities			2 027 401
Consolidated liabilities			5 975 319
Additional information			
Capital additions and development cost	4 112 056	47 100	4 159 156
Depreciation	1 531 117	64 159	1 595 276
Amortisation	131 963	220 186	352 149



NOTICE OF ANNUAL GENERAL MEETING OF ZAPTRONIX LIMITED

(Incorporated in the Republic of South Africa)

(Registration number: 1997/014928/06)

Share code: ZPT ISIN: ZAE 000015145

(*Zaptronix* or *the company*)

If you are in any doubt as to what action you should take arising from the following resolutions, please consult your CSDP, stockbroker, banker, attorney, accountant or other professional adviser immediately.

Notice is hereby given that the Annual General Meeting of shareholders of Zaptronix Limited will be held in the boardroom at Upper Floor, Solutions House, Gazelle Close, Corporate Park South, Midrand on 15 January 2007 at 10:00, for the purpose of transacting the following business:

Ordinary business:

1. To receive, consider and adopt the Annual Financial Statements of the company for the year ended 31 August 2006, together with the reports of the directors and auditors contained therein;
2. To re-elect the following directors of the company:
 - KJ Gribnitz
 - JP Nel

who retire by rotation at the Annual General Meeting, but, being eligible, offer themselves for re-election.

A brief *curriculum vitae* in respect of these directors referred to in 2 appears on page 47 of the annual report.

3. To authorise the directors' to re-appoint Compendium (Pretoria) Incorporated as the independent auditors of the company for the ensuing year and to determine the remuneration of the auditors;
4. To approve the fees paid to directors, as disclosed in the annual financial statements; and
5. To transact such other business as may be transacted at an annual general meeting.

As Special business, to consider and, if deemed fit, pass with or without modification, the following resolutions, those numbered 6, 7, 8, 9 and 10 as ordinary resolutions, and number 11 as a Special Resolution:

Ordinary resolutions

6. **"Resolved that** the authorised but unissued shares in the capital of the company be and are hereby placed under the control of the directors of the company, and that they are hereby authorised, subject of sections 221 and 222 of the Companies Act of 1973, as amended, to allot and/or issue shares to such person or persons on such terms and conditions as they may determine, such authority to expire at the next annual general meeting of the company."
7. **"Resolved that**, subject to not less than 75% of shareholders, present in person or by proxy and entitled to vote at the annual general meeting at which this ordinary resolution is considered, voting in favour thereof, the directors of the company be and are hereby authorised, by way of general authority, to issue all or any of the authorised but unissued shares in the capital of the company for cash as they in their discretion deem fit, subject to the following limitations:
 - the securities must be of a class already in issue, or where this is not the case, must be limited to such securities or rights that are convertible into a class already in issue;
 - the securities must be issued to the public shareholders as defined in the JSE Limited Listings Requirements and not related parties, unless the JSE Limited otherwise agrees;
 - the general issue of shares for cash in the aggregate in any one financial year may not exceed 50% of the companies issued share capital of that class;

- the maximum discount at which securities may be issued is 10% of the weighted average traded price of those securities over the 30 business days prior to the date that the price of the issue is determined or agreed by the directors of the applicant;
 - after the company has issued securities representing, on a cumulative basis within a financial year, 5% or more of the number of securities in issue prior to that issue, the company shall publish an announcement containing full details of the issue, including the effect of the issue on net asset value and earnings per share; and
 - the shareholders of the company hereby waive their pre-emptive rights to the shares to be issued shares for cash in terms of this authority.
 - this authority shall not extend beyond 15 months from the date of this resolution, or the date of the next annual general meeting, whichever is the earlier date.
8. **"It is resolved that** the appointment of Mr G Kgage as non-executive director of the company, with effect from 20 April 2006 be and is hereby accepted.
9. **"It is resolved that** the resignation of Mr J Stratenwerth as director of the Company, with effect from 8 June 2006 be and is hereby accepted.
10. **"It is resolved that** any one director of the company or the Company Secretary be and hereby is authorised to do all such things and to sign all documents issued by the company and to give effect to ordinary resolution number 5, 6, 7, 8 and 9 as well as special resolution number 11."

Special resolution

11. **"Resolved that the** directors of the company be and are hereby authorised by way of general authority, to repurchase ordinary shares in the issued share capital of the company from time to time, subject to the Articles of Association of the Company, the provisions of sections 85 to 89 of the Companies Act (1973) as amended and in terms of the JSE Limited Securities Exchange South Africa listing requirements, when applicable, and
- any such repurchase shall be implemented on the open market of the JSE Limited;
 - the company is authorised thereto by way of its articles of association;
 - any such repurchase may not be made at a price higher than 10% above the weighted average market value for the shares for the five business days preceding the date on which the repurchase was agreed;
 - the general authority is limited to a maximum of 20% of the company's issued share capital of that class at the time the authority is granted;
 - a press announcement giving full details of such acquisitions, including the impact on net asset value and earnings per share, will be published as soon as the company has acquired shares constituting, on a cumulative basis, 3% of the number of shares in issue at the time of the granting of the general authority;
 - the general authority shall only be valid until the company's next annual general meeting, provided that it shall not extend beyond 15 months from the date of passing of this special resolution number 1;
 - the company and the group will be in a position to repay its debt in the ordinary course of business for the next 12 months after the date of the notice of annual general meeting;
 - the assets of the company and the group will be in excess of the liabilities for the next 12 months after the date of the notice of annual general meeting;
 - the ordinary capital and reserves of the company and the group will be adequate for the next twelve months after the date of the notice of annual general meeting;
 - available working capital will be adequate to continue the operations of the company and the group for the next 12 months after the date of the notice of annual general meeting;
 - the company and the group may not enter the market to proceed with the repurchase until the Company's Designated Advisor, Sasfin Capital, a division of Sasfin Bank Limited, has confirmed the adequacy of the company's working capital for the purposes of undertaking a repurchase of shares in writing to the JSE Limited;
 - the company may only undertake a repurchase of securities if, after such repurchase, it still complies with paragraphs 3.37 to 3.41 of the JSE Limited Listings Requirements concerning shareholder spread;
 - the company may not repurchase securities during a prohibited period as defined in paragraph 3.67 of the JSE Limited Listings Requirements;
 - the company may only appoint one agent to effect any repurchase(s) on its behalf.

Other disclosure in terms of the JSE Limited Listings Requirements Section 11.26.

The JSE Limited Listings Requirements require the following disclosure, some of which is elsewhere in the annual report of which this notice forms part:

Directors and management – page 8

Major shareholders of Zaptronix – page 11

Directors interest in securities – page 12

Share capital of the company – page 31

Litigation statement

In terms of section 11.26 of the JSE Limited Listings Requirements, the directors, whose names are given on page 8 of the annual report of which this notice forms part, are not aware of any legal or arbitration proceedings, including proceedings that are pending or threatened, that may have or have had in he recent past, being at least the previous 12 months, a material effect on the company's financial position.

Directors' responsibility statement

The directors, whose names are given on page 8 of the annual report, collectively and individually accept full responsibility for the accuracy of the information pertaining to this resolution and certify that to the best of their knowledge and belief there are no facts that have been omitted which would make any statement false or misleading, and that all reasonable enquiries to ascertain such facts have been made and that this resolution contains all information required by law and the JSE Limited Listings Requirements.

Material change

Other than the facts and developments reported on in the annual report, there have been no material changes in the affairs or financial position of Zaptronix since the auditors signed off on the financials.

The directors of the company have no specific intention to effect the provisions of Special Resolution number 1 but will, however, continually review this position having regard to prevailing circumstances.

Reason for and effect of the Special Resolution

The reason and effect for special resolution 1 is to authorise the company by way of a general authority to acquire its own issued shares on such terms, conditions and such amounts determined from time to time by the directors of the company by the limitations set out above.

Voting and proxies

All shareholders will be entitled to attend and vote at the annual general meeting or any adjournment thereof. On a show of hands, every shareholder of the company who, being an individual, is present or is present by proxy at the general meeting or which, being a company or body corporate, is represented thereat by a representative appointed pursuant to section 188 of the Act, shall have one vote only and on a poll every shareholder of the company (whether an individual or a company or a body corporate) or represented by a proxy at the Annual General Meeting shall have one vote for every share held by such shareholder.

The necessary form of proxy is attached for the convenience of certificated shareholders and dematerialized shareholders with "own name" registration who cannot attend the Annual General Meeting, but who wish to be present thereat. Any shareholder entitled to attend and vote at the Annual General Meeting may appoint one or more persons to attend, speak and vote in place of such shareholder. A proxy so appointed need not be a shareholder of the company. In order to be valid, duly completed proxy forms must be received by the company's transfer secretaries, Computershare Investor Services 2004 (Proprietary) Limited, 70 Marshall Street, Johannesburg 2001 (PO Box 61051, Marshalltown, 2107), by no later than Friday, 12 January 2006 at 10:00. Dematerialised shareholders, other than own name dematerialized shareholders who wish to attend the annual general meeting must request their Central Securities Depository Participant (CSDP) or broker to provide them with a Letter of Representation or must instruct their CSDP or broker to vote by proxy on their behalf in terms of the agreement entered into between the shareholder and the CSDP

By order of the board

M van den Berg
Company Secretary

30 November 2006



ZAPTRONIX LIMITED

(Incorporated in the Republic of South Africa)

(Registration number: 1997/014928/06)

Share code: ZPT ISIN: ZAE 000015145

(*Zaptronix* or *the company*)

FORM OF PROXY – for use by certificated and own name dematerialised shareholders only

For use at the Annual General Meeting of members to be held in the boardroom, Upper Floor, Solutions House, Gazelle Close, Corporate Park South, Midrand on 15 January 2007 at 10:00 (the "Annual General Meeting").

I/We (please print names in full)

of (address)

being a member/s of Zaptronix Limited, holdings shares in the company, hereby appoint:

- _____ or, failing him/her,
- _____ or, failing him/her,
- _____ or, failing him/her,

4. the chairman of the Annual General Meeting,

as my proxy to vote for me/us and on my/our behalf at the Annual General Meeting of the company to be held in the boardroom, Upper Floor, Solutions House, Gazelle Close, Corporate Park South, Midrand on 15 January 2007 at 10:00 and at any adjournment thereof and to speak and act for me/us and, on a poll, vote on my/our behalf.

My/Our proxy shall vote as follows:

	Number of shares		
	In favour of	Against	Abstain
Ordinary Resolution 1 (number 6) Place unissued shares under control of the directors			
Ordinary Resolution 2 (number 7) Authorise by way of general authority- directors to issue all authorised but unissued shares			
Ordinary Resolution 3. (number 8) Appointed G Kgage as director			
Ordinary Resolution 4 (number 9) Resignation of J Stratenwerth			
Ordinary Resolution 5 (number 10) Any one director or the Company Secretary authorised to sign all documents			
Special Resolution 1 (number 11) General authority to repurchase shares			

(Indicate instruction to proxy by way of a cross in space provided above)

Unless otherwise instructed, my/our proxy may vote as he/she thinks fit

Signed this _____ day of _____ 2007

Signature _____

Please read the notes on the reverse side hereof.

Notes:

1. A member may insert the name of a proxy or the names of two alternative proxies of the member's choice in the space/s provided, with or without deleting "the chairman of the annual general meeting", but any such deletion must be initialed by the member. 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.
2. Please insert an "X" in the relevant spaces according to how you wish your votes to be cast. However, if you wish to cast your votes in respect of a lesser number of shares than you own in the company, insert the number of ordinary shares held in respect of which you desire to vote. Failure to comply with the above will be deemed to authorise the proxy to vote or to abstain from voting at the Annual General Meeting as he/she deems fit in respect of all the member's votes exercisable thereat. A member or his/her proxy is not obliged to use all the votes exercisable by the member or by his/her proxy, but the total of the votes cast and in respect whereof abstention is recorded may not exceed the total of the votes exercisable by the member or by his/her proxy.
3. Forms of proxy must be received by the company's transfer secretaries, Computershare Investor Services 2004 (Proprietary) Limited, 70 Marshall Street, Johannesburg 2001 (PO Box 61051, Marshalltown, 2107) by no later than 10:00 on Friday, 12 January 2007
4. The completion and lodging of this form of proxy will not preclude the relevant member from attending the Annual General Meeting and speaking and voting in person thereat to the exclusion of any proxy appointed in terms hereof.
5. Documentary evidence establishing the authority of a person signing this form of proxy in a representative capacity must be attached to this form of proxy unless previously recorded by the company's transfer secretaries or waived by the Chairman of the Annual General Meeting.
6. Any alteration or correction made to this form of proxy must be initialed by the signatory/ies.
7. 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 of the company.
8. The Chairman of the Annual General Meeting may reject or accept a form of proxy which is completed and/or received, other than in accordance with these notes, if the Chairman is satisfied as to the manner in which the member wishes to vote.

ABRIDGED CVs OF DIRECTORS

J P (Jan) Nel

Jan graduated from RAU in 1989 with a BSc (Honours) Degree in Applied Mathematics. He initially pursued an academic career, obtaining his Masters Degree in applied Mathematics (specialising in Chaotic Dynamics and Fractal Dimensions) and making academic contributions to various international conferences. During this time, he undertook contractual research, tuition and software development work at RAU and ran his own small business. Jan is a co-founder of Gandalf Trust, the specialist balance sheet restructure, and occupies the position of co-Executive Trustee. He was responsible for the overall project and operational management of the business and his strong analytical background and wealth of management experience have been central to numerous successful corporate restructure and financial rescue operations engineered by Gandalf Trust.

He currently also serves on the boards of:

- DuO Solutions Provider Limited
- Zaptronix Limited
- Zaptronix Systems (Proprietary) Limited
- Zaptronix Energy Management Service (Proprietary) Limited
- RMS Technology (Proprietary) Limited

K J (Karl) Gribnitz

After completing his studies in investment Management, which culminated in a Masters thesis in time value of money, Karl established a number of small businesses. In August 1994, Karl co-founded Gandalf Trust to handle specialised transactions relating to mergers, acquisitions and corporate restructures, which he still runs to date as Executive Trustee. In 1998, he formed Strider Holdings, an industrial holding company for restructured businesses. Karl was the driving force behind the rescue operation of listed companies Auto Space Age systems Limited, Micrologix Limited, Dectronic Limited and Acuity Group Holdings Limited, into which he engineered the successful reverse listings of, respectively, Insurance Outsourcing Managers Holdings Limited, Spectrum Shipping Limited, AVASA Holdings Limited and Milkworx Limited. Karl has completed more than 60 rescue and restructure transactions (in sectors ranging from manufacturing to financial services and IT) since the inception of Gandalf Trust. He is responsible for Gandalf Trust's strategic planning as well as the conceptualisation of financial solutions for potential acquisitions and has extensive experience in corporate restructuring, particularly in the tax, legal and financial implications thereof. Karl currently also serves on the boards of Miranda Mineral Holdings and Yomhlaba Resources

