zaptronix LIMITED

(Registration Number 1997/014928/06)

Group and Company Annual Financial Statements

For year ended 31 August 2010

duo TRACKING SOLUTIONS

eneo ENERGY SOLUTIONS

zaptronix METERING

L E V E R A G I N G   V I S I B I L I T Y

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Zaptronix Limited | Reg. No. 1997/014928/06

ZAPTRONIX LIMITED

Group and Company Annual Financial Statements for the year ended 31 August 2010

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The reports and statements set out below comprise the annual financial statements presented to the shareholder:

GENERAL INFORMATION

COUNTRY OF INCORPORATION AND DOMICILE	South Africa
NATURE OF BUSINESS AND PRINCIPAL ACTIVITIES	Holding and Operating Company
DIRECTORS	Mr Jan Petrus Nel Dr Michael J Freestone - Appointed 1/6/2010 Adv Neville Melville Mr Paul Reeves Mr Karl Johannes Gribnitz Mr Barry Botes - Appointed 31/08/2010
REGISTERED & BUSINESS ADDRESS	Solutions House, Gazelle Close Corporate Park South Old Johannesburg Road Midrand 1685 Tel +27 11 238 2000 Fax +27 11 238 2075 info@zaptronix.co.za
BANKERS	Nedbank Limited
AUDITORS	PKF (Pta) Inc. Chartered Accountants (SA) Registered Auditors
COMPANY SECRETARY	Sylvan Corporate Secretarial Intelligence Mirkwood Estate Plot 26 Klipkop JR396 Gauteng 1020
COMPANY REGISTRATION NUMBER	1997/014928/06
JSE SHARE CODE	ZPT
ISIN	ZAE000070934
SHARE REGISTRARS	Computershare Investor Services 2004 (Pty) Ltd 70 Marshall Street, Johannesburg, 2001
DESIGNATED ADVISORS	Exchange Sponsors (2005) (Pty) Ltd Limited 44a Boundry Road, Inanda, 2196

REPORT OF THE CHAIRMAN

Figures in R'000

1. General review of business operations

Zaptronix is a provider of specialised risk management services, which historically include mobile logistic solutions via Mobile Logistics Risk Management (“MLRM”) and a further product in the utility market being Energy Risk Management (“ERM”). The strategy of the company is to expand these group activities in order to include an offering for the management of fixed assets through Fixed Asset Risk Management (“FARM”).

The MLRM business is based on the in-house developed monitoring technology employed in Duo IV Tracking, which is sold to commercial transporters and distributors in order to remotely monitor, manage and measure vehicles-en-route, driver performance and logistic schedules.

The ERM service promotes and sells Advanced Metering Infrastructure (“AMI”), Automated Meter Reading (“AMR”) services and delivers load management, verification and billing services to commercial customers in response to the requirements in South Africa. The group has invested in upgrading its technology to comply with the requirements of the NRS 049, being the industry standard set by the energy regulator. Management has been proactive in adapting the product to include services that can improve the risk management of electricity accounts for individual home owners. The need for an independent metering solution has been highlighted by the recent reports in the media of utilities disconnecting and overbilling customers.

Zaptronix entered into an agreement to purchase the FARM business as a going concern from I to I Technologies Solutions (Pty) Limited (“I to I”) as a part of its strategy to expand its FARM offering. Zaptronix has also entered into an agency agreement whereby Zaptronix manages the business of I to I pending the shareholders’ approval. The result of this agency agreement is that the net income for the period from 1 March to 31 August 2010 was R 3 529. The net income earned under the agency agreement continues to be attributable to Zaptronix and will endure until the approval of the transaction by the shareholders has been obtained. This business unit will be included in the FARM business activity and will be styled as Site Risk Solutions (“SRS”). The SRS entails the design, installation and implementation of the following systems:

Access Control
Asset Security
Facility Management
Fire Detection
Video Surveillance & Recording

The restructured operations of Zaptronix Energy Management Services (“EMS”) and the activities associated with the I to I assets have been merged as a consequence of the agency agreement and. on approval of the shareholders, will be absorbed into Zaptronix.

ZAPTRONIX LIMITED

Group and Company Annual Financial Statements for the year ended 31 August 2010

REPORT OF THE CHAIRMAN

Figures in R'000

2. Financial review

The results show the return to profitability and the posting of a profit of R1 988 compared to the loss of R2 583 for 2009 and a decrease in revenue. No management fees for the services provided by Zaptronix were charged as the agency agreement with I to I entitled Zaptronix to the profits and losses for the period under review.

Revenue from Duo SP showed a reduction of 15.8% year on year. This reflects the difficult times the customers of Duo experienced during the course of the review year. Steps have been taken to counter this downward trend and innovative use of Duo III equipment has already been accepted in the market. This and new service offerings will boost the revenue to the previous levels.

The expected increase in revenue from electrical meter sales did not materialise as was expected as the regulator had not finalised the standards for these products during the period under review. The setting of the standards is expected to be completed by March 2011.

The transaction to purchase the assets from I to I Technologies group, to form the SRS business pending the shareholder approval, contains the following: The transaction is valued at R6.6m and will be paid for with the issue of 440 million ordinary shares at one and half cents per share. Zaptronix entered into an agency agreement that entitles it to the profits or losses made during the period under review. The SRS business produced a net income of R 3 529 and this has boosted the group's profitability resulting in the turn around as stated previously which underscores the soundness of the transaction for Zaptronix .

The acquisition of Cell Secure Holdings (Pty) Limited ("CSH") did not take place as the parties could not reach agreement on the terms of the transaction

Normal operating expenditure compared to 2009 shows a decline compared to 2010. This is due to the restructuring of the operations of EMS as mentioned above.

During the course of 2010 the controlling shareholder rendered financial support by subordinating the shareholder loan. As a part of the restructure of the Zaptronix balance sheet, the controlling shareholder has agreed to settle the entire loan of R 3 787 (2009 R 1 803) against the issue of new ordinary shares at three cents per share.

Management continues to focus on cost savings and rationalisation of the business in sectors that have shown a decline.. The SRS has created the opportunity to cross-sell the group's services to a wider client base. As the outlook for economic conditions remains difficult, there may be an impact on the group's clients although we remain confident that we will be able to grow the respective business channels in future years.

3. Dividend

No dividend has been recommended or declared for the year, since the group requires the resources to achieve its targets.

REPORT OF THE CHAIRMAN

Figures in R'000

4. **Prospects and post reporting date financial events**

Expansion of the Vision of Zaptronix

The Vision for Zaptronix, as introduced during the previous financial period, was established and implemented to form the base for the future operations. The vision is founded in the monitoring, measurement and control platforms which enable logistics players, commercial electricity users and operators of irrigation systems to trace, track and control their operations remotely. Zaptronix has an established business platform that can deliver operational control systems as a service to commercial customers on a permanent full-time basis throughout the year. The services include field data logging, telematics, bureau, data centre, on-line management, and repair and maintenance services. Based on this vision the Zaptronix Business model has been designed to deliver risk and operational control systems. Expanding on the Zaptronix vision the purchase of the I to I assets will form a business unit which will enhance the service offering and increase the client base providing the opportunity to cross-sell the group's services.

The purchase of the I to I assets will strengthen the group's statement of financial position and this will leave the group in a strong un-geared position ready to make use of future opportunities as they occur.

	31 August 2010 (including I to I transaction)	31 August 2010 (Reviewed
Assets		
Non-current assets		
Property, plant and equipment	7,999	7,096
Intangible assets	1,996	1,996
Current assets		
Inventories	3,024	2,492
Trade and other receivebales	8,162	6,456
Cash and cash equivalents	2,443	107
Other financials assets	1,124	-
Total assets	24,748	18,147
Equity and liabilities		
Equity		
Share capital and Reservces	40,122	29,751
Retained (Loss)	(25,282)	(25,282)
Liabilities		
Non-current liabilities		
Deferred tax	232	232
Current liabilities		
Trade and other payables	8,620	8,620
Other financial liabilities	749	4,519
Current tax payable	307	307
Total equity and liabilities	24,748	18,147

REPORT OF THE CHAIRMAN

5. Appointment of directors to the Board of Directors.

I would like to take this opportunity to welcome to the board of directors of Zaptronix the following non-executive and executive directors.

Dr Michael Freestone

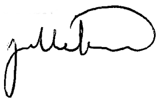
Michael was appointed as Managing Director to the Group on 1 June 2010, however due to ill health had to resign from that post on 31 August. On the same date, the board persuaded him to stay on as a non-executive director, to ensure his experience and expertise was not lost to the group. Michael's formal training includes the following qualifications B.Comm. FCIS, FCIBM, MBA, DBA (USA). His experience ranges from start-up ventures, advising on potential acquisitions and disposals with strong analytical skills to redevelop and grow businesses. Michael is also well grounded in technology driven solutions and has built up a track record of improving and growing a wide range of businesses.

Barry Botes

Barry was appointed as Financial Director on 31 August 2010, to replace Mr J Ramage who resigned on 16 August 2010. Barry holds the following qualifications: B.Comm. (Law), B.Comm. Hons. (ACC), CA (SA). Barry has a wide range of experience covering various fields such as Finance, Technology and Investments.

The group has progressed with the implementation of the vision which will be strengthened with the purchase of the I to I assets. I wish the management of the group well in their future endeavours.

Neville Melville
Chairman
28 February 2011



CORPORATE GOVERNANCE REPORT

Corporate Governance Report

1. Introduction

This statement sets out the key governance principles and practices of the company. The company aims to inform all stakeholders fairly and honestly through adequate and understandable disclosure. The board of directors (board) is committed to the promotion of good corporate governance as set out in King II Report (the "King Report") on Corporate Governance in South Africa. The board recognises the need for adherence to the King Report and is continuing to implement procedures in order to ensure that the company has an effective corporate governance policy.

During the period under review, the company complied with all the guidelines set out in the King Report, with the exception of;

1. Remuneration Committee (See note 7)
2. Risk Committee (Will implement during 2011 reporting period)

2. Composition of the board

The company has a unitary board which is fully functional in leading and controlling the company. The board consists of four non-executive directors and two executive directors. Mr Paul Reeves and Adv. N Melville are independent non-executive directors. Mr J Ramage was not re-elected as a director at the previous Annual General Meeting held on 12 May 2010. On 16 August, Mr Ramage resigned as Chief Financial Officer. Mr A J Botes was appointed as Financial Director on 31 August 2010. On the 1 June 2010 Dr Michael Freestone was appointed as the Managing Director. Unfortunately, owing to ill health, he resigned on 31 August 2010. On the same date, the board persuaded him to stay on as a non-executive director, to ensure his experience and expertise was not lost to the group. The directors bring a wide range of diverse insight and experience to the board. The board supports the principles of independence in order to maintain corporate division of power and negotiations.

The board accepts the principles that appointments to the board must be formal and transparent and a matter for the board as a whole and that there must be clear division of responsibilities at board level to ensure that the balance of power and authority, such as that no one individual has unfettered powers of decision making. The roles of the chairman and chief executive officer are separate. Adv N J Melville is the chairman and J P Nel the CEO. The board meets at least quarterly, with additional meetings convened when required.

3. 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 judgement 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 which 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 which they may require in the fulfilment of their duties. 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 control. 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.

4. **Duties of directors**

The Companies Act requires directors to fulfil certain duties and determine that they should apply the necessary care and skill in fulfilling their duties. To ensure that this is achieved, the best practice principles as contained in the King Report are applied.

5. **Internal, financial and operating controls**

The board has ultimate responsibility for the internal, financial and operating systems of the company and for the monitoring their effectiveness. These systems are designed to provide reasonable but not absolute, assurance against material misstatement and loss.
The board has 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 assts, compliance of relevant legislation and regulations and the maintenance of proper accounting records, as well as for advising the board on the appointment of external auditors. Due to the size of the company, no formal internal audit structure has been implemented.

6. **Audit committee**

The board recognises the importance of a strong audit committee with the 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, review the internal controls and discusses the accounting implications of major transactions prior to board approval. The audit committee sets the principles for recommending the use of the external auditors for non-audit services. The audit committee comprises of Mr P N Reeves, as chairman and Adv N Melville, Mr K J Gribnitz and Dr M J Freestone as members. The committee met on a regular basis during the review period. The audit committee is of the view that the auditor is independent from the company management and the Company. The committee is satisfied that the incumbent Financial Director has the required qualifications and experience.

7. **Remuneration committee**

In terms of a dispensation from the JSE, the company is not required to have a remuneration committee and does not have one.

8. **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 working environment for its staff.

9. **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. **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 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 predicated 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 conducted

INDEPENDENT AUDITORS REPORT

TO THE SHAREHOLDER OF ZAPTRONIX LIMITED

We have audited the annual financial statements of Zaptronix Limited, which comprise the consolidated and separate statements of financial position as at 31 August 2010, and the consolidated and separate statements of comprehensive income, statements of changes in equity and statements of cash flows for the year then ended, and a summary of significant accounting policies and other explanatory notes, and the directors' report, as set out on page 12 to 66.

Directors' Responsibility for the Financial Statements

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

Auditor's responsibility

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

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

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

Opinion

In our opinion, the financial statements present fairly, in all material respects, the consolidated and separate financial position of Zaptronix Limited as of 31 August 2010, and its consolidated and separate financial performance and cash flows for the year then ended in accordance with International Financial Reporting Standards and the requirements of the Companies Act of South Africa.

PKF (Pta) Inc.

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

Director: Manoj Manilal
Johannesburg
28 February 2011

ZAPTRONIX LIMITED

Group and Company Annual Financial Statements for the year ended 31 August 2010

DIRECTORS' STATEMENT OF RESPONSIBILITY

The directors are required by the Company's act of South Africa, to maintain adequate accounting records and are responsible for the content and integrity of the annual financial statements and related financial information included in this report. It is their responsibility to ensure that the annual financial statements fairly present the state of affairs of the company 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, AC 500 and JSE listing requirements. The external auditors are engaged to express an independent opinion on the annual financial statements.

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

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

The directors have reviewed the company's cash flow forecast for the year to 31 August 2011 and, in the light of this review and the current financial position, they are satisfied that the company has or has access to adequate resources to continue in operational existence for the foreseeable future.

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The external auditors are responsible for independently reviewing and reporting on the company's annual financial statements. The annual financial statements have been examined by the company's external auditors and their report is presented on page 9.

The annual financial statements have been prepared on the going concern basis, subject to no material changes to the present financial status, were approved by the board on 28 February 2011 and were signed on its behalf by:

Mr Jan Petrus Nel	Mr Barry Botes

REPORT OF THE COMPANY SECRETARY

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 had 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.

Sylvan Corporate Secretarial Intelligence (Pty) Limited
Company Secretary

28 February 2011

DIRECTORS' REPORT

Figures in R'000

The board of directors submits its annual report on the activities of the company for the year ended 31 August 2010. The report forms part of the audited financial statements of the group which along with the notes thereto, fully detail and fairly present the financial position of the company and group

1. General review of business and operations

Zaptronix was listed on the ALT X of the JSE in September 2005. The Zaptronix Business Model is geared to deliver operational risk systems to the Mobile Logistics Risk Management ("MLRM") and Energy Risk Management ("ERM") markets. In terms of the new vision for Zaptronix, the business will be expanded by the adding of Facility and Asset Risk Management ("FARM") markets. This will be achieved by incorporating the I to I assets as the Site Risk Solutions ("SRS") division to the service offering. During a part of the year under review (1 March to 31 August 2010) Zaptronix managed the I to I assets under an Agency Agreement. This entitled Zaptronix to the net income for that period which amounted to R3 529 and will be a profitable addition to the Zaptronix suite of services. The expanded business base is discussed in the report by the Chairman of the Board of Directors.

2. The ERM Services

Zaptronix Metering, a division of Zaptronix promotes and sells Advanced Metering Infrastructure ("AMI") into the ERM market space. The Zaptronix meter product range was not promoted during the year, awaiting the publication of the NRS049 requirements. The Zaptronix metering systems are designed to meet the needs of commercial customers in response to the requirements listed in NRS049 for AMI and energy management in South Africa. Zaptronix meters have progressed to second round of evaluation to be accepted as complying with ESKOM requirements. The final evaluation will be made early in 2011 and Zaptronix Metering feels confident that the product range will meet all the requirements.

Zaptronix metering has an exclusive distribution agreement with a large Chinese OEM manufacturer of smart meters and remains well positioned to be the first service provider to introduce accredited Chinese meters into South Africa.

3. The MLRM Services

The business is conducted by the Zaptronix subsidiary, Duo Solutions Provider (Pty) Limited ("Duo SP"). A core asset to the business is the in-house developed technology employed in Duo IV Tracking
Duo IV Tracking is an Operational Risk Control that is sold to commercial transporters and distributors in the form of a monthly Application Service Provision ("ASP"). Customers using the ASP monitor measure and manage driver behaviour and schedule adherence. Specialist applications are Automated Temperature Reading and Cross Border Monitoring.

The adverse economic conditions were also experienced by the Duo SP customers and certain of them had to cancel the service. The difficult conditions also caused the stagnation in the growth in new customers.
The threat of highjacking of our customers' trucks remains high and new innovations have been implemented to counter this.

Pricing remains the biggest challenge and the company has made some head way in reducing costs to the customer.

DIRECTORS' REPORT

Figures in R'000

4. Financial Results

Net Income of R1 988 improved on the Net loss of R2 583 for the year to 31 August 2009. The improvement is due to the Net Income derived from managing the I to I business (Site Risk Solutions) (“SRS”) for the 6 months to 31 August 2010.

The SRS will prove to be a profitable addition to the Zaptronix suite of service offerings and it will continue to contribute to the Zaptronix bottom line; pending the shareholder approval.

Revenue from Duo SP showed a net shrinkage of 15.8% year on year. The value offering of this business has, however, been reviewed to retain and attract new customers.

Revenue from electrical meters sales decreased in part because of the utilities holding back on purchasing smart meters, pending the anticipated introduction of NRS049 standard. Zaptronix is currently renewing supplier relationships and plans to re-launch the AMR services division with new technology.

The controlling shareholders have rendered financial support by subordinating the shareholder loan. Part of the I to I transaction is to extinguish the shareholder loan with the issue of shares at a ratio of R0.03 per share. The loan amounted to R3 787 as at 31 August 2010.

No material capital commitments exist as at year end

5. Going concern

We draw attention to the fact that at 31 August 2010, the group has accumulated losses of R (25 282) and that the group’s assets exceed its liabilities by R 4 469.

We draw attention to the fact that at 31 August 2010, the company has accumulated losses of R (30 286) and that the company’s liabilities exceed it assets by R (653).

The annual financial statements have been prepared on the basis of accounting policies applicable to a going concern. This basis presumes that the controlling shareholders will continue to render financial support by subordinating the shareholder loan as disclosed in note 13 of the financial statements, until the successful finalisation of the I to I transaction, funds which will be available to finance future operations and that the realisation of assets and settlement of liabilities and contingent obligations and commitments will occur in the ordinary course of business.

Further to this, the controlling shareholders have entered into an agreement of financial support with Zaptronix Limited whereby the controlling shareholders will continue to provide financial support to Zaptronix Limited as set in the agreement, for the foreseeable future, which is not less than 12 months from the date of the agreement, to enable the company to pay its debts as they fall due.

DIRECTORS' REPORT

Figures in R'000

6. Share Capital

No changes were approved or made to the authorised or issued share capital of the company during the period ending 31 August 2010

In terms of the Sale of Business Agreement Zaptronix will issue 440 000 000 ordinary shares of R0.015 each to pay for the I to I assets amounting to R6 600. Additionally a further 125 714 167 ordinary share of R0.03 each will be issued to extinguish the shareholder loan of R3 787. The issue of these shares will require the increase in authorised share capital. The transaction is subject to shareholder approval which will give rise to the increase in authorised share capital.

7. Non-current assets

During the period, the group acquired R3 437 (2009: R 144) of property, plant and equipment and R 1 503 (2009: R nil) intangible assets to maintain current operations. There have been no disposals during the period. (2009 : R 5)

There have been no changes in the nature or policies regarding the use of PPE and intangible assets.

8. Subsequent events

The board of directors has approved the transaction to purchase the assets of the I to I group of companies. The transaction is valued at R6 600 and the purchase price will be paid for with the issue of shares. The transaction also requires that the shareholder loan be capitalised. The transaction is subject to shareholder approval. Refer to note 6 above.

9. Holding company

The controlling shareholder is Strider Holdings (Pty) Limited. (incorporated in South Africa) a company which is controlled by Mr K J Gribnitz, and controls 48.48% of the company. Strider Holdings (Pty) Ltd entered into a voting pool arrangement with Fat Fractal Trust, a Trust controlled by Mr. J P Nel which controls 3.43% of the company, hence representing a total controlling interest of 51.91%

DIRECTORS' REPORT
Figures in R'000

10. Directors

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

Name	Nationality	Qualification	Occupation
Adv Neville Melville	South African	BL. LLB, LLM(Cum Laude) Senior Executive Programme, Grad. Diploma in Company Direction	Chairman, Independent Non-Executive Director
Mr Jan Petrus Nel	South African	BSc (Hons) Applied Mathematics, MSc	Chief Executive Officer
Dr Michael Freestone	South African	B.Comm.FCIS,FCIBM,MBA,DBA (USA)	Non-Executive Director
Mr Paul Reeves	South African	FCA,(ICAEW), MBA, AlnstIB	Independent Non-Executive Director
Mr Karl Johannes Gribnitz	South African	B.Comm.(Hons), M.Comm.FCIS, FCIBM.	Non Executive Director
Mr A J Botes	South AFrica	B.Comm.(Hons) CA(SA)	Financial Director
Mr J Ramage*	South African	B.Comm.(Hons) CA(SA)	Financial Director

*Mr J Ramage (Financial Director) was not re-elected at the previous Annual General Meeting

11. Directors' interest in shares as at 31 August 2010

	Directly	Indirectly beneficial	% Holding
K J Gribnitz		183,897,821	48.48
J P Nel		13,000,000	3.43
TOTAL		196,897,821	51.91

The direct and indirect beneficial interests of the directors and their associates in the company's securities as at 31 August 2010, are set out above and have not changed since the previous year-end or subsequent to the financial year-end reported on 31 August 2010.

12. Directors' emoluments

Directors' emoluments are set out in note 25 of the annual financial statements.

DIRECTORS' REPORT

Figures in R'000

13. Controlling and major shareholders as at 31 August 2010

The names and holding of any shareholder, other than the director, who is directly or indirectly interested in 5% or more of the company's issued share is set out below.

Controlling Shareholder	Number of shares	% of Capital
Strider Holdings& Fat Fractal Trust	**196,897,821**	51.91%

Public and Non-Public Shareholders
Shares as at 31 August 2010
Non Public Shareholders

	Number of Shares	% of Shareholders	Number of shares	% of Capital
Directors: J P Nel *	1		13,000,000	3.43%
K J Gribnitz #	1		183,897,821	48.48%
Subtotal	**2**	0.13%	196,897,821	51.91%
Public Shareholdersa	1,522	99.87%	182,421,113	48.09%
Total	**1,524**	100.00%	**379,318,934**	**100.00%**

*Representing his Zaptronix shares held through Fat Fractal Trust and indirectly through Gandalf Trust.
Held through Strider Holdings and Gandalf Trust

14. Company secretary

The appointment and the removal of the company secretary is the responsibility of the board as a whole. The company secretary is a qualified representative of Sylvan Corporate Secretarial intelligence (Pty) Ltd ("Sylvan CSI") 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, that the statutory records are maintained and requirements of legislation and the JSE are met.

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.
The company secretary's business and postal addresses are:

Mirkwood Estate
Plot 26, Farm Klipkop JR 396
Gauteng
Private Bag X10
Lynnwood Ridge
0040

15. Dividends

No dividend has been recommended or declared for the period. The group require the resources to achieve its targets.

DIRECTORS' REPORT

Figures in R'000

16. Number of employees

The average number of employees:

Group: 93 (2009: 110)

Company: 93 (2009:7)

The company's employees has grown to 93 owing to all employees of the group now being paid from Zaptronix Limited.

17. Borrowings

In terms of the Articles of Association of the company, the directors may exercise all the powers of the company to borrow money, as they consider appropriate. An analysis of the group and company's borrowings for the period is detailed in note 13. of the attached financial statements.

18. Investment in subsidiaries

Name of subsidiary	Net income/(loss) after tax
DuO Solutions Provider (Pty) Ltd	2,207
Electronic Golf Network (Pty) Ltd	-
RMS Technology (Pty) Ltd	(322)
Zaptronix Energy Management Services (Pty) Ltd	-
Zaptronix Systems (Pty) Ltd	39

Details of the company's investment in subsidiaries are set out in note 5.

DIRECTORS' REPORT

Figures in R'000

19. Special resolutions

General authority to repurchase issued shares

‘Resolved that the company hereby approves, as a general approval contemplated in sections 85(2) and 85(3) of the Companies Act (Act 61 of 1973) as amended, (‘the Act’) the acquisitions by the company, and/or any subsidiary of the company, from time to time of the issued ordinary shares of the company, upon such terms and conditions and in such amounts as the directors of the company may from time to time determine, but subject to the company’s articles of association, the provisions of the Act and the JSE Limited Listings Requirements, when applicable, and provided that:

- The repurchase of the securities will be effected through the order book operated by the JSE trading system and done without any prior understanding or arrangement between the company and the counter party;
- This general authority shall only be valid until the company’s next annual general meeting, provided that it shall not extend beyond fifteen months from the date of passing this special resolution;
- In determining the price at which the company’s securities are acquired by the Company and/or subsidiary of the company, in terms of the general authority, the maximum premium at which such securities may be acquired will be 10% of the weighted average of the market price at which such securities are traded on the JSE, as determined over the five days immediately preceding the date of the repurchase of such securities;
- The repurchases of securities in the aggregate in any one financial year do not exceed 20% of the Company's for the following year;
- The assets of the company or the group, being fairly valued in accordance with South African Generally Accepted Accounting Practices / IFRS, are in excess of the liabilities of the company or the group for the following year;
- Upon entering the market to proceed with the repurchase, the company’s designated advisor has confirmed the adequacy of the company’s working capital for the purposes of undertaking any such repurchase of shares in writing to the JSE;
- After such repurchase, the company will comply with the JSE Limited Listings Requirements concerning shareholder spread requirements;
- The company or its subsidiary is not repurchasing securities during a prohibited period as defined in the JSE Listings Requirements, except in the circumstance where a repurchase programme has been announced;
- When the company has cumulatively repurchased 5% of the initial number of the relevant class of securities, and for each 5% in aggregate of the initial number of that class acquired thereafter, an announcement will be made; and
- The company only appoints one agent to effect any repurchase(s) on its behalf.’

DIRECTORS' REPORT

Figures in R'000

20. Auditors

PKF (Pta) Inc. will continue in office in accordance with section 270(2) of the Companies Act, subject to shareholder approval at the upcoming Annual General Meeting.

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Mr Jan Petrus Nel
Chief Executive Officer

AUDIT COMMITTEE REPORT

In terms of Section 270A of the Companies Act, the Audit & Risk Committee, reports as follows on its responsibilities performed as a sub committee to the board

Objective
The objective of the committee is to assist the board in discharging its duties and responsibilities relating to financial reporting, auditing and the safeguarding of the companies assets.

Membership
The audit committee consists of 2 non-executive directors, who are in the opinion of the board considered to be independent.

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

External Audit
The committee has satisfied itself through enquiry that the auditor of Zaptronix Limited is independent as defined by the Act.

There is a formal procedure that governs the process whereby the auditor is considered for non-audit services and the engagement of the auditor for such work is reviewed and approved by the committee.

No complaints have been received by the audit committee relating to accounting practices and internal audit of the Company or to the content or auditing of the Company's financial statements, or to any related matter.

The committee has nominated for approval at the annual general meeting, PKF (Pta) Inc. as the external auditor for the 2010 financial year. Manoj Manilal is assigned by the firm as the designated auditor of Zaptronix Limited.

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

Annual Financial Statements
The committee is in the process of reviewing its statutory and corporate governance practices with a view to complying with the recommendations of the Companies Act, 2008 and King III.

Paul N Reeves
Chairman of Audit Committee

Johannesburg
28 February 2011

Statements of Financial Position

Figures in R'000	Note	Group 2010	Group 2009	Company 2010	Company 2009
Assets					
Non-Current Assets					
Property, plant and equipment	3.	7,096	4,854	14	25
Intangible assets	4.	1,996	1,177	25	-
Investment in subsidiaries	5.	-	-	3,069	3,069
		9,092	**6,031**	**3,108**	**3,094**
Current Assets					
Inventories	9.	2,492	1,981	520	529
Trade and other receivables	10.	6,456	4,455	3,655	424
Intra group loans	6.	-	-	2,015	2,037
Cash and cash equivalents	11.	107	119	42	46
		9,055	**6,555**	**6,232**	**3,036**
Total Assets		**18,147**	**12,586**	**9,340**	**6,130**
Equity and Liabilities					
Equity					
Equity attributable to owners of the parent:					
Share capital	12.	3,793	3,793	3,793	3,793
Share premium		25,839	25,839	25,839	25,839
Reserves		119	119	-	-
Retained earnings		(25,282)	(27,270)	(30,285)	(30,349)
		4,469	**2,481**	**(653)**	**(717)**
Liabilities					
Non-Current Liabilities					
Deferred taxation	8.	232	387	-	4
Current Liabilities					
Provisions	14.	-	103	-	-
Trade and other payables	15.	8,620	6,072	682	1,603
Current tax liabilities		307	237	-	-
Intra group loans	6.	-	-	5,524	3,386
Other financial liabilities	13.	4,519	3,306	3,787	1,854
		13,446	**9,718**	**9,993**	**6,843**
Total Liabilities		**13,678**	**10,105**	**9,993**	**6,847**
Total Equity and Liabilities		**18,147**	**12,586**	**9,340**	**6,130**

Statements of Comprehensive Income

Figures in R'000	Note	Group 2010	Group 2009	Company 2010	Company 2009
Revenue	17.	20,721	29,144	6,636	2,086
Cost of sales		(3,351)	(9,224)	(728)	(1,544)
Gross profit		**17,370**	**19,920**	**5,908**	**542**
Other revenue		-	484	-	720
Other expenses		(14,731)	(22,335)	(5,201)	(3,226)
Operating profit/ (loss)	18.	**2,639**	**(1,931)**	**707**	**(1,964)**
Finance costs	19.	(736)	(291)	(648)	(55)
Finance income		2	24	1	14
Profit/ (Loss) before taxation		**1,905**	**(2,198)**	**60**	**(2,005)**
Tax expense	20.	83	(385)	4	(35)
Profit/ (loss) for the year		**1,988**	**(2,583)**	**64**	**(2,040)**
Total comprehensive income / (loss) attributable to the equity holders of the parent.		**1,988**	**(2,583)**	**64**	**(2,040)**
Earnings per share from continuing operations attributable to the equity holders of the company during the year (expressed in C per share)					
Basic/Diluted earnings / (loss) per share (cents)		0.52	(0.68)		
Basic/Diluted headline earnings/(loss) per share (cents)		0.52	(0.68)		

Statements of Changes in Equity

Figures in R'000	Share capital	Share premium	Reserves	Retained earnings	Total equity
Group					
Balance at 1 September 2008	3,793	25,839	170	(24,738)	5,064
Realisation of revalued assets			(51)	51	-
Loss for the year				(2,583)	(2,583)
Other comprehensive income				-	-
Total comprehensive loss for the year				(2,583)	-
Balance at 31 August 2009	**3,793**	**25,839**	**119**	**(27,270)**	**2,481**
Balance at 1 September 2009	3,793	25,839	119	(27,270)	2,481
Profit for the year				1,988	1,988
Other comprehensive income				-	-
Total comprehensive income for the year				1,988	1,988
Balance at 31 August 2010	**3,793**	**25,839**	**119**	**(25,282)**	**4,469**
Company					
Balance at 1 September 2008	3,793	25,839	23	(28,332)	1,323
Realisation of revalued assets			(23)	23	-
Loss for the year				(2,040)	(2,040)
Other comprehensive income				-	-
Total comprehensive loss for the year				(2,040)	(2,040)
Balance at 31 August 2009	3,793	25,839	-	(30,349)	(717)
Balance at 1 September 2009	3,793	25,839	-	(30,349)	(717)
Profit for the year				64	64
Other comprehensive income				-	-
Total comprehensive income for the year				64	64
Balance at 31 August 2010	**3,793**	**25,839**	**-**	**(30,285)**	**(653)**

Statements of Cash Flows

	Group		Company	
Figures in R'000	2010	2009	2010	2009
CASH FLOWS FROM OPERATING ACTIVITIES				
Profit for the year	1,905	(2,198)	60	(2,006)
Adjustments for:				
Finance costs	736	291	648	55
Depreciation of property, plant and equipment	1,195	2,098	11	28
Amortisation of intangibles	684	-	2	-
Investment income	(2)	(24)	(1)	(14)
Profit on disposal of asset	-	(20)	-	-
Change in inventories	(511)	587	9	(193)
Change in provisions	(103)	53		
Change in accounts receivable	(2,360)	(2,557)	(3,230)	(209)
Change in accounts payable	2,648	2,616	(920)	719
Cash generated by operating activities	4,192	846	(3,421)	(1,620)
Interest received	2	24	1	14
Interest paid	(736)	(291)	(648)	(55)
Net cash from operating activities	**3,458**	**579**	**(4,068)**	**(1,661)**
CASH FLOWS FROM INVESTING ACTIVITIES				
Property, plant and equipment acquired	(3,437)	-	-	-
Intangible assets acquired	(1,503)	(144)	(27)	-
Profit on disposal of property, plant and equipment	-	-	-	-
Proceeds of disposals of property, plant and equipment	-	25	-	-
Other financial assets	256	-	-	-
Intra group loans	-	-	2,158	1,347
Net cash utilised in investing activities	**(4,684)**	**(119)**	**2,131**	**1,347**

Statements of Cash Flows

	Group		Company	
Figures in R'000	2010	2009	2010	2009
CASH FLOW FROM FINANCING ACTIVITIES				
Loans raised	1,984	-	1,984	214
Loans repaid	(770)	(855)	(51)	(234)
Repayment of other financial liabilities	-		-	-
Finance lease payments	-	(58)	-	-
Net cash generated by / (utilised in) financing activities	**1,214**	**(913)**	**1,933**	**(20)**
Decrease in cash and cash equivalents	(12)	(453)	(4)	(334)
Cash and cash equivalents at beginning of the year	119	572	46	380
Cash and cash equivalents at end of the year	**107**	**119**	**42**	**46**

Notes to the Annual Financial Statements	Group		Company	
Figures in R'000	2010	2009	2010	2009

1. General inforomation

Zaptronix Limited (the company) is a limited liability company domiciled and incorporated in South Africa. The address of its registered office and principal place of business are Solutions House, Gazelle Close, Corporate Park South Old Johannesburg Road Midrand 1685. Its principal activities are holding and operating company.

2. Accounting Policies

2.1 Statement of compliance

The consolidated financial statements have been prepared in compliance with the Companies Act of South Africa, 1973, International Financial Reporting Standards (IFRS), AC 500 Standards and its interpretations adopted by the International Accounting Standards Board (IASB) that are relevant to its operations and in compliance with the JSE Listing Requirements and have been effective for the annual reporting period ending 31 August 2010.

2.2 Basis of preparation

The financial statements are presented in South African Rand (ZAR), rounded to the nearest thousand. They are prepared on the historical cost basis unless otherwise indicated.

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

2.3 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 is 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:

Allowance for slow moving, damaged and obsolete stock

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

Trade Receivables

Notes to the Annual Financial Statements	Group		Company	
Figures in R'000	2010	2009	2010	2009

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

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

Impairment testing

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

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

Provisions

Provisions were raised and management determined an estimate based on the information available.

Taxation

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

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

Useful lives of property, plant and equipment and residual value

The group reviews the estimated useful lives of property, plant and equipment at the end of each annual reporting period.

Notes to the Annual Financial Statements	Group		Company	
Figures in R'000	2010	2009	2010	2009

2.4 Basis of consolidation

Subsidiaries

Subsidiaries are all entities over which the group has the power to govern the financial and operating policies generally accompanying a shareholding of more than one half of the voting rights. In assessing control, potential voting rights that presently are exercisable or convertible are taken into account. The financial statements of subsidiaries are included in the consolidated financial statements from the date that control commences until the date that control ceases.

Investment in subsidiaries

The acquisition of subsidiaries are accounted for using the purchase method. The cost of the acquisition at the date of exchange is measured as the aggregate of the fair values of the assets given, liabilities assumed, and equity instruments issued by the group in exchange for control by the acquirer. Direct costs attributable to the business combination are expensed in the statement of comprehensive income. 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.

Identifiable assets, liabilities and contingent liabilities recognised under business combinations are recognised at their fair values at the acquisition date, except for non-current assets held for sale and discontinued operations, which are recognised and measured at fair value less costs to sell.

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

Transactions eliminated on consolidation

Intragroup balances and any unrealised gains and losses or income and expenses arising from intragroup transactions, are eliminated in preparing the consolidated financial statements. Unrealised losses are eliminated in the same way as unrealised gains, but only to the extent that there is no evidence of impairment.

2.5 Property, plant and equipment

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

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

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

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

Classes of property, plant and equipment are carried at cost less accumulated depreciation and any impairment losses.

Depreciation is calculated on the straight-line method to write off the cost of each asset to its estimated residual value over its estimated useful life. The depreciation rates applicable to each category of property, plant and equipment are as follows:

Item	Average useful life
Tracking unit software :	5 years
Furniture and fixtures :	6 years
Motor vehicles :	4 years
Office equipment :	4 - 6 years
IT equipment :	3 years
Computer software :	3 years
Tracking units:	Varying

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

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

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

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

Notes to the Annual Financial Statements	Group		Company	
Figures in R'000	2010	2009	2010	2009

2.6 Intangible assets

An intangible asset is recognised when:

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

Intangible assets are initially recognised at cost.

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

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

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

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

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

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

It is the policy of the group to disclose certain assets under development as intangible assets. Once these assets are fully developed and form an integral part of the group's income earning operations they are transferred to property, plant and equipment. No amortisation is provided for on these assets while under development.

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

Mobile logistics hardware and server development:	Maximum of 10 years but based on units produced
Energy management hardware development:	Assessed annually-remaining useful life is 30 months
Computer software:	3 years

2.7 Investments in subsidiaries

In the company’s separate annual group 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

In terms of the revised IFRS 3, the acquirer shall recognise the acquisition date fair value of contingent consideration as part of the consideration transferred in exchange for the acquiree.

2.8 Financial instruments

Initial recognition

The group classifies financial instruments, or their component parts, on initial recognition as a financial asset, a financial liability or an equity instrument in accordance with the substance of the contractual arrangement.

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

Loans to (from) group companies

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

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

On loans receivable an impairment loss is recognised in profit or loss when there is objective evidence that it is impaired. The impairment is measured as the difference between the instruments 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 instrument 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 instrument at the date the impairment is reversed shall not exceed what the amortised cost would have been had the impairment not been recognised.

Loans to (from) group companies are classified as loans and receivables.

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.

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

Transaction costs are included in the initial recognition of trade and other receivables.

Discounting is not applied to the cost of these instruments as the carrying amounts approximate their fair values.

Trade and other receivables are classified as loans and receivables.

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.

Transaction costs are not included in the initial recognition of trade and other payables.

Discounting is not applied to the cost of these instruments as the carrying amounts approximate their fair values.

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.

Other loans and receivables

Other financial assets classified as loans and receivables are initially recognised at fair value plus transaction costs, and are subsequently carried at amortised cost less any accumulated impairment using the effective interest rate method.

These financial assets are not quoted in an active market and have fixed or determinable payments.

Bank overdraft and borrowings

Notes to the Annual Financial Statements	Group		Company	
Figures in R'000	2010	2009	2010	2009

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

2.9 Tax

Current tax assets and liabilities

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

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

Deferred tax assets and liabilities

Deferred tax is calculated using the comprehensive liability method.

A deferred tax liability is recognised for all taxable temporary differences, except to the extent that the deferred tax liability arises from:

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

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

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

A defered tax asset is recognised for all deductible temporary differences to the extent that it is probable that taxable profit will be available against which the deductible temporary difference can be utilised, unless the deferred tax asset arises from the initial recognition of an asset or liability in a transaction that:

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

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

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

A deferred tax asset is recognised for the carry forward of unused tax losses and unused Standard Tax on Companies ("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 reporting 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 and other comprehensive income, or
- a business combination.

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

2.10 Leases

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 statement of comprehensive income.

The difference between the amounts recognised as an expense and the contractual payments received result in a lease adjustment account. The lease adjustment account is not discounted.

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 received result in a lease adjustment account. The lease adjustment account is not discounted.

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

2.11 Inventories

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

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

The cost of inventories comprises 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 interchangeable and goods or services produced and segregated for specific projects is assigned using specific identification of the individual costs.

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

When inventories are sold, the carrying amount of those inventories is recognised as an expense in the period in which the related revenue is recognised. The amount of any write-down of inventories to net realisable value and all losses of inventories are recognised as an expense in the period the write-down or loss occurs. The amount of any reversal of any write-down of inventories, arising from an increase in net realisable value, are recognised as a reduction in the amount of inventories recognised as an expense in the period in which the reversal occurs and is limited to the carrying amount of the inventory had no impairment been initially recognised.

2.12 Impairment of assets

The group assesses at each reporting 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.

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

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

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

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

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

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

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

An entity assesses at each reporting date whether there is any indication that an impairment loss recognised in prior periods for assets other than goodwill may no longer exist or may have decreased. If any such indication exists, the recoverable amounts of those assets are estimated.

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

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

2.13 Share capital and equity

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

If the group reacquires its own equity instruments, the consideration paid, including any directly attributable incremental costs (net of income taxes) on those treasury shares are deducted from equity until the shares are cancelled or reissued. No gain or loss is recognised in profit or loss on the purchase, sale, issue or cancellation of the group's own equity instruments. Consideration paid or received shall be recognised directly in equity.

Ordinary shares are classified as equity.

If the company acquires its own equity instruments, the consideration paid, including any directly attributable incremental costs (net of income taxes) on those instruments are deducted from equity until the shares are cancelled or reissued. No gain or loss is recognised in profit or loss on the purchase, sale, issue or cancellation of the company's own equity instruments. Consideration paid or received is recognised directly in equity.

Incremental costs directly attributable to the issue of new shares or options are shown in equity as a deduction, net of tax, from the proceeds.

When the group acquires its own equity instruments, those instruments ('treasury shares') are deducted from equity. No gain or loss is recognised in profit or loss on the purchase, sale, issue or cancellation of an entity's own equity instruments. Such treasury shares may be acquired and held by the group or its subsidiaries. Any consideration paid or received is recognised directly in equity.

2.14 Employee benefits

Short-term employee benefits

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

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

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

2.15 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 at market related discount rates of the expenditure expected to be required to settle the obligation. Where the ffects of time value of money are not considered to be material, discounting is not applied.

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.

Notes to the Annual Financial Statements	Group		Company	
Figures in R'000	2010	2009	2010	2009

2.16 Revenue

Revenue is measured at the fair value of the consideration received or receivable for the sales of goods in the ordinary course of the group's activities. Revenue is shown net of value-added-tax, returns, rebates and discounts. Revenue is shown after eliminating sales within the group

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 from the sale of goods is recognised in the statement of comprehensive income or profit/loss when a significant portion of the risks and rewards of ownership have been transferred to the buyer. Service fees included in the price of the product are recognised as revenue over the period during which the service is performed

Contract revenue comprises:

- the initial amount of revenue agreed in the contract; and
- variations in contract work, claims and incentive payments:
    - to the extent that it is probable that they will result in revenue; and
    - they are capable of being reliably measured.

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

2.17 Borrowing costs

Borrowing costs directly attributable to the acquisition, construction or production of qualifying assets, which are assets that necessarily take a substantial period of time to get ready for their intended use or sale, are added to the cost of those assets, until such time as the assets are substantially ready for their intended use or sale.

Investment income earned on the temporary investment of specific borrowings pending their expenditure on qualifying assets is deducted from the borrowing costs eligible for capitalisation.

All other borrowing costs are recognised in profit or loss in the period in which they are incurred.

Notes to the Annual Financial Statements	Group		Company	
Figures in R'000	2010	2009	2010	2009

2.18 Segment reporting

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

Segment results that are reported to the CEO include items directly attributable to a segment as well as those that can be allocated on a reasonable basis. Unallocated items comprise mainly corporate assets and head office expenses.

2.19 New Standards and Interpretations

Standards and interpretations effective and adopted in the current year

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

IAS 1 (Revised) Presentation of Financial Statements

The main revisions to IAS 1:

- Require the presentation of non-owner changes in equity either in a single statement of comprehensive income or in an income statement and statement of comprehensive income.
- Require the presentation of a statements of financial position at the beginning of the earliest comparative period whenever a retrospective adjustment is made. This requirement includes related notes.
- Require the disclosure of income tax and reclassification adjustments relating to each component of other comprehensive income. The disclosures may be presented on the face of the statement of comprehensive income or in the notes.
- Allow dividend presentations to be made either in the statement of changes in equity or in the notes only.
- Have changed the titles to some of the financial statement components, where the 'balance sheet' becomes the 'statement of financial position' and the 'cash flow statement' becomes the 'statement of cash flows.' These new titles will be used in International Financial Reporting Standards, but are not mandatory for use in financial statements.

The effective date of the standard is for years beginning on or after 01 January 2009.

The adoption of this standard has not had a material impact on the results of the company, but has resulted in more disclosure than would have previously been provided in the group and company annual financial statements.

IFRS 8 Operating segments

IFRS 8 replaces IAS 14 Segment Reporting. The new standard requires a 'management approach', under which segment information is presented on the same basis as that used for internal reporting purposes.

The effective date of the standard is for years beginning on or after 01 January 2009.

The adoption of this standard has not had a material impact on the results of the company, but has resulted in more disclosure than would have previously been provided in the group and company annual financial statements.

May 2008 Annual Improvements to IFRS's: Amendments to IFRS 7 Financial Instruments: Disclosures

The amendment relates to changes in the Implementation Guidance of the Standard. 'Total interest income' was removed as a component of finance costs from paragraph IG13. This was to remove inconsistency with the requirement of IAS 1 Presentation of Financial Statements which precludes the offsetting of income and expenses.

`New Standards and Interpretations` continued...

The effective date of the amendment is for years beginning on or after 01 January 2009.

The group has adopted the amendment for the first time in the 2010 group and company annual financial statements. The impact of the amendment is not material.

May 2008 Annual Improvements to IFRS's: Amendments to IAS 1 Presentation of Financial Statements

The amendment is to clarify that financial instruments classified as held for trading in accordance with IAS 39 Financial Instruments: Recognition and Measurement are not always required to be presented as current assets/liabilities.

The effective date of the amendment is for years beginning on or after 01 January 2009.

The impact of the amendment is not material.

May 2008 Annual Improvements to IFRS's: Amendments to IAS 36 Impairment of Assets

The amendment requires disclosures of estimates used to determine the recoverable amount of cash-generating units containing goodwill or intangible assets with indefinite useful lives. Specifically, the following disclosures are required when discounted cash flows are used to estimate fair value less costs to sell:

- The period over which management has projected cash flows;
- The growth rate used to extrapolate cash flow projections; and
- The discount rate(s) applied to the cash flow projections.

The effective date of the amendment is for years beginning on or after 01 January 2009.

The group has adopted the amendment for the first time in the 2010 financial statements.

The above amendment has had no impact on the group.

IAS 36 Impairment of Assets: Consequential amendments

Under certain circumstances, a dividend received from a subsidiary, associate or joint venture could be an indicator of impairment. This occurs when:

- Carrying amount of investment in separate financial statements is greater than carrying amount of investee's net assets including goodwill in consolidated financial statements or
- Dividend exceeds total comprehensive income of investee in period dividend is declared.

The effective date of the amendment is for years beginning on or after 01 January 2009.

The impact of the amendment is not material.

IFRS 3 (Revised) Business Combinations

The revisions to IFRS 3 Business combinations require:

- Acquisition costs to be expensed.
- Non-controlling interest to either be calculated at fair value or at their proportionate share of the net identifiable assets of the acquiree.
- Contingent consideration to be included in the cost of the business combination without further adjustment to goodwill, apart from measurement period adjustments.
- All previous interests in the acquiree to be remeasured to fair value at acquisition date when control is achieved in stages, and for the fair value adjustments to be recognised in profit or loss.
- Goodwill to be measured as the difference between the acquisition date fair value of consideration paid, non controlling interest and fair value of previous shareholding and the fair value of the net identifiable assets of the

acquiree.

- The acquirer to reassess, at acquisition date, the classification of the net identifiable assets of the acquiree, except for leases and insurance contracts.
- Contingent liabilities of the acquiree to only be included in the net identifiable assets when there is a present obligation with respect to the contingent liability.

The effective date of the standard is for years beginning on or after 01 July 2009.

The adoption of this standard has not had a material impact on the results of the company, but has resulted in more disclosure than would have previously been provided in the group and company annual financial statements.

IAS 27 (Amended) Consolidated and Separate Financial Statements

The revisions require:

- Losses of the subsidiary to be allocated to non-controlling interest, even if they result in the non-controlling interest being a debit balance.
- Changes in level of control without loss of control to be accounted for as equity transactions, without any gain or loss being recognised or any remeasurement of goodwill.
- When there is a change in the level of control without losing control, the group is prohibited from making reclassification adjustments.
- When control is lost, the net identifiable assets of the subsidiary as well as non-controlling interest and goodwill are to be derecognised. Any remaining investment is remeasured to fair value at the date on which control is lost, and a gain or loss on loss of control is recognised in profit or loss.

The effective date of the amendment is for years beginning on or after 01 July 2009.

The impact of the amendment is not material.

IAS 7 Statement of Cash Flows: Consequential amendments due to IAS 27 (Amended) Consolidated and Separate Financial Statements

Cash flows arising from changes in level of control, where control is not lost, are equity transactions and are therefore accounted for as cash flows from financing transactions.

The effective date of the amendment is for years beginning on or after 01 July 2009.

The impact of the amendment is not material.

IAS 28 Investments in Associates: Consequential amendments due to IAS 27 (Amended) Consolidated and Separate Financial Statements

When an investment in an associate is reduced but significant influence is retained, a proportionate share of other comprehensive income must be reclassified to profit or loss.

The effective date of the amendment is for years beginning on or after 01 July 2009.

The impact of the amendment is not material.

Notes to the Annual Financial Statements	Group		Company	
Figures in R'000	2010	2009	2010	2009

IAS 12 Income Taxes - consequential amendments due to IAS 27 (Amended) Consolidated and Separate Financial Statements

The amendment is as a result of amendments to IAS 27 Consolidate and Separate Financial Statements. The amendment refers to situations where a subsidiary, on acquisition date, did not recognise a deferred tax asset in relation to deductible temporary differences, because, for example, there may not have been sufficient future taxable profits against which to utilise the deductible temporary differences. If the deferred tax asset subsequently becomes recognisable, the amendment now requires that the deferred tax asset should be recognised against goodwill (and profit or loss to the extent that it exceeds goodwill), only if it results from information in the measurement period about circumstances that existed at acquisition date. No adjustment may be made to goodwill for information outside of the measurement period.

The effective date of the amendment is for years beginning on or after 01 July 2009.

The impact of the amendment is not material.

Amendments to IFRS 7: Financial Instruments: Disclosures - Improving Disclosures about Financial Instruments

The amendment requires additional disclosures about fair value measurement, including separating fair value measures into a hierarchy. The amendments also require liquidity risk disclosure to be separated between non-derivative financial liabilities and derivative financial liabilities.

The effective date of the amendment is for years beginning on or after 01 January 2009.

The impact of the amendment is not material.

Standards and Interpretations early adopted

The group has chosen to adopt the following standards and interpretations:

2009 Annual Improvements Project: Amendments to IFRS 8 Operating Segments

Entities are only required to report segment assets if they are regularly reported to the chief operating decision maker. The effective date of the amendment is for years beginning on or after 01 January 2010.

The group has early adopted the amendment for the first time in the 2010 group and company annual financial statements.

The adoption of this amendment has not had a material impact on the results of the company, but has resulted in more disclosure than would have previously been provided in the group and company annual financial statements.

Standards and interpretations not yet effective

At the date of authorisation of these financial statements, the following Standards and Interpretations were in issue but not yet effective. (Annual periods beginning on or after indicated in brackets)

IFRS 3: Business Combinations

- Transition requirements for contingent consideration from a business combination that occurred before the effective date of the revised IFRS (01 January 2011)
- Measurement of non-controlling interests (01 January 2011)
- Un-replaced and voluntarily replaced share-based payment awards (01 January 2011)
- Amendments require additional disclosure on transfer transactions of financial assets, including the possible effects of any residual risks that the transferring entity retains. The amendments also require additional disclosures if a disproportionate amount of transfer transactions are undertaken around the end of a reporting period.

IFRS 5: Non-current Assets Held for Sale and Discontinued Operations

- Disclosures of non-current assets (or disposal groups) classified as held for sale or discontinued operations (01 January 2010)

IFRS 7: Financial Instruments: Disclosures

- Clarification of disclosures (01 January 2011)
- Additional disclosures on transfer to transactions of financial assets.

IFRS 9: Financial Instruments

- New standard that forms the first part of a three part project to replace IAS 39 Financial Instruments: Recognition and Measurement (01 January 2013)

IAS 1: Presentation of Financial Statements

- Current/non-current classification of convertible instruments (01 January 2010)
- Clarification of statement of changes in equity (1 January 2011)

IAS 7: Statement of Cash Flows

- Classification of expenditures on unrecognised assets (1 January 2010)

IAS 12: Income Taxes

- Rebuttable presumption introduced that an investment property will be recovered in its entirety through sale (1 July 2010).

IAS 17: Leases

- Classification of leases of land and buildings (1 January 2010)

IAS 24: Related Party Disclosure

- Simplification of the disclosure requirements for government related entities (01 January 2011)
- Clarification of the definition of related party (01 January 2011)

IAS 27: Consolidated and separate financial statements

- Transition requirements for amendments arising as a result of IAS 27 (01 July 2010)

IAS 32: Financial Instruments: Presentation

- Accounting for rights issues (including rights, options or warrants) that are denominated in a currency other than the functional currency of the Issuer (01 February 2010)

IAS 34: Interim Financial Reporting

- Significant events and transactions (01 January 2011)

IAS 36: Impairment of Assets

Notes to the Annual Financial Statements	Group		Company	
Figures in R'000	2010	2009	2010	2009

- Unit of accounting for goodwill impairment test (01 January 2010)

IAS 39: Financial Instruments: Recognition and Measurement

- Treating loan prepayment penalties as closely related embedded derivatives (01 January 2010)
- Scope exemption for business combination contracts (01 January 2010)
- Cash flow hedge accounting (01 January 2010)

Interpretations

IFRIC 13: Customer Loyalty Programmes

- Fair value of award credit (01 January 2011)

IFRIC 14: IAS 19 - The Limit on a Defined Benefit Asset, Minumum funding

- Requirements and their interaction (01 January 2011)
- Amendments relating to the recognition as assets of some voluntary prepayments for minimum funding contributions. (01 January 2011)

IFRIC 19: Extinguishing Financial Liabilities with Equity Instruments. (01 April 2010)

The above standards will be adopted when they become effective and are not expected to have a material effect.

Figures in R'000

3. Property, plant and equipment

Group

	2010			2009		
	Cost	Accumulated depreciation	Carrying value	Cost	Accumulated depreciation	Carrying value
Furniture and fixtures	667	(557)	110	667	(499)	168
Motor vehicles	72	(41)	31	72	(22)	50
Office equipment	455	(338)	117	412	(302)	110
IT equipment	730	(606)	124	680	(448)	232
Computer software	-	-	-	309	(309)	-
Tracking units	14,046	(7,332)	6,714	10,702	(6,408)	4,294
Total	**15,970**	**(8,874)**	**7,096**	**12,842**	**(7,988)**	**4,854**

Company

	2010			**2009**		
	Cost	Accumulated depreciation	Carrying value	Cost	Accumulated depreciation	Carrying value
Furniture and fixtures	87	(75)	12	87	(69)	18
Office equipment	33	(31)	2	33	(30)	3
Tracking units	93	(93)	-	93	(89)	4
Total	**213**	**(199)**	**14**	**213**	**(188)**	**25**

Reconciliation of property, plant and equipment - Group - 2010

	Opening	Additions	Disposals	Transfers	Depreciation	Total
Furniture and fixtures	168	-	-	-	(58)	110
Motor vehicles	50	-	-	-	(18)	32
Office equipment	110	81	-	-	(74)	117
IT equipment	232	8	-	-	(116)	124
Computer software	-	-	-	-	-	-
Tracking units	4,294	3,348	-	-	(929)	6,713
	4,854	**3,437**	**-**	**-**	**(1,195)**	**7,096**

Figures in R'000

Reconciliation of property, plant and equipment - Group - 2009

	Opening Balance	Additions	Disposals	Transfers	Depreciation	Total
Furniture and fixtures	228	-	-	-	(60)	168
Motor vehicles	74	-	(5)	-	(19)	50
Office equipment	114	36	-	-	(40)	110
IT equipment	110	76	-	190	(144)	232
Computer software	-	32	-	-	(32)	-
Tracking units	5,246	-	-	851	(1,803)	4,294
	5,772	**144**	**(5)**	**1,041**	**(2,098)**	**4,854**

Reconciliation of property, plant and equipment - Company - 2010

	Opening Balance	Additions	Disposals	Depreciation	Total
Furniture and fixtures	18	-	-	(6)	12
Office equipment	3	-	-	(1)	2
Tracking units	4	-	-	(4)	-
	25	**-**	**-**	**(11)**	**14**

Reconciliation of property, plant and equipment - Company - 2009

	Opening Balance	Additions	Disposals	Depreciation	Total
Furniture and fixtures	24	-	-	(6)	18
Office equipment	5	-	-	(1)	3
Tracking units	25	-	-	(21)	4
	54	**-**	**-**	**(28)**	**25**

4. Intangible assets

Group

	2010			2009		
	Cost	Accumulated amortisation	Carrying value	Cost	Accumulated amortisation	Carrying value
Mobile logistics hardware and server development	1,213	(637)	576	1,066	-	1,066
Energy management hardware development	1,440	(45)	1,395	112	-	112
Computer software	27	(2)	25	-	-	-
Total	**2,680**	**(684)**	**1,996**	**1,177**	**-**	**1,177**

Figures in R'000

Company

	2010			2009		
	Cost	Accumulated amortisation	Carrying value	Cost	Accumulated amortisation	Carrying value
Computer software	27	(2)	25	-	-	-
Total	**27**	**(2)**	**25**	**-**	**-**	**-**

Reconciliation of intangible assets - Group - 2010

	Opening Balance	Additions	Transfers	Amortisation	Total
Mobile logistics hardware and server development	1,065	148	-	(637)	576
Energy management hardware development	112	1,328	-	(45)	1,395
Computer software	-	27	-	(2)	26
	1,177	**1,503**	**-**	**(683)**	**1,996**

Reconciliation of intangible assets - Group - 2009

	Opening Balance	Additions	Transfers	Amortisation	Total
Mobile logistics hardware and server development	2,158	-	(1,093)	-	1,065
Energy management hardware development	60	-	52	-	112
	2,218	**-**	**(1,041)**	**-**	**1,177**

Notes to the Annual Financial Statements	Group		Company	
Figures in R'000	2010	2009	2010	2009

Reconciliation of intangible assets - Company - 2010

	Opening Balance	Additions	Transfers	Amortisation	Total
Computer software	-	27	-	(2)	25
	-	**27**	**-**	**(2)**	**25**

The current remaining useful life of the intangiuble assets is estimated to be as follows:

		2010	**2009**
1	Mobile logistics hardware and server development	5	10
2	Energy manangement hardware development	2	2.5
3	Computer software	3	-

The following additions of intangible assets of the group were internally developed:

		2010	**2009**
1	Mobile logistics hardware and server development	148	-
2	Energy manangement hardware development	1,328	-

The following additions of intangible assets of the group were acquired seperately:

		2010	**2009**
1	Computer software	27	-

Notes to the Annual Financial Statements	Group		Company	
Figures in R'000	2010	2009	2010	2009

5. Investments in subsidiaries

Name of company	Holding Company	% holding 2010	% holding 2009	Carrying amount 2010	Carrying amount 2009
RMS Technology (Pty) Ltd	Zaptronix Limited	100	100	X	X
Nature of business: Manufacture of meters and data loggers.					
Electronic Golf Network (Pty) Ltd	Zaptronix Limited	100	100	X	X
Nature of business: Dormant.					
Zaptronix System (Pty) Ltd	Zaptronix Limited	100	100	X	X
Nature of business: Owner of rental equipment - data loggers.					
DuO Solutions Provider (Pty) Ltd	Zaptronix Limited	100	100	3,069	3,069
Nature of business: Provides a risk management service to commercial transporter companies.					
Zaptronix E M S (Pty) Ltd	Zaptronix Limited	100	100	X	X
				3,069	**3,069**

X = Amounts below R' 000

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.

6. Intra Group Loans

	Group 2010	Group 2009	Company 2010	Company 2009
Subsidiaries				
RMS Technology (Pty) Ltd	-	-	1,907	1,848
DuO Solutions Provider (Pty) Ltd	-	-	(5,524)	(2,791)
Zaptronix Systems (Pty) Ltd	-	-	108	(595)
Zaptronix EMS (Pty) Ltd	-	-	-	189
	-	**-**	**(3,509)**	**(1,349)**

The loans are unsecured, bear no interest and have no fixed terms of repayment.

	Company 2010	Company 2009
Current assets	2,015	2,037
Current liabilities	(5,524)	(3,386)
	(3,509)	**(1,349)**

Figures in R'000

7. Financial assets by category

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

Group - 2010

	Loans and receivables	Held to maturity	Available for sale	Total
Trade and other receivables	5,233	-	-	5,233
Cash and cash equivalents	107	-	-	107
	5,340	**-**	**-**	**5,340**

Group - 2009

	Loans and receivables	Held to maturity	Available for sale	Total
Trade and other receivables	4,191	-	-	4,191
Cash and cash equivalents	119	-	-	119
	4,310	**-**	**-**	**4,310**

Company - 2010

	Loans and receivables	Held to maturity	Available for sale	Total
Loans to group companies	2,015	-	-	2,015
Trade and other receivables	3,566	-	-	3,566
Cash and cash equivalents	42	-	-	42
	5,623	**-**	**-**	**5,623**

Company - 2009

	Loans and receivables	Held to maturity	Available for sale	Total
Loans to group companies	2,037	-	-	2,037
Trade and other receivables	328	-	-	328
Cash and cash equivalents	46	-	-	46
	2,411	**-**	**-**	**2,411**

Notes to the Annual Financial Statements	Group		Company	
Figures in R'000	2010	2009	2010	2009

8. Deferred tax

Deferred tax (liability) asset				
Accelerated capital allowances for tax purposes	232	(387)	-	(4)
	232	**(387)**	**-**	**(4)**

Reconciliation of deferred tax asset (liability)				
At beginning of the year	(387)	(237)	(4)	30
Temporary differences recognised in statement of comprehensive income	155	(150)	4	(35)
	(232)	**(387)**	**-**	**(5)**

Recognition of deferred tax asset

An entity shall disclose the amount of a deferred tax asset and the nature of the evidence supporting its recognition, when:
- the utilisation of the deferred tax asset is dependent on future taxable profits in excess of the profit
- the entity has suffered a loss in either the current or preceding period in the tax jurisdiction to which the deferred tax asset relates.

The amount of unused tax losses of which no deferred tax has been recognised on the Statement of Financial Position is R34 595 (2009: R 34 144).

9. Inventories

Materials & Finished goods	3,418	3,410	680	669
Inventory provisions	(926)	(1,429)	(160)	(140)
	2,492	**1,981**	**520**	**529**

The cost of inventories recognised as an expense includes R Nil (2009: R873) in respect of write downs of inventories to net realisable valiue and has been reduced by R 503 (2009: R Nil) in respect of reversal of such write downs. The reversal of the write down of inventories is owing to further use of certain items of inventory being made available to customers.

The cost of inventories recognised as an expense during the period R2 513 (2009: R2 925).

10. Trade and other receivables

Trade receivables	3,949	5,874	49	259
Less: allowance for doubtfull debts	(2,427)	(1,822)	(12)	-
Sundery debtors	3,711	139	3,529	69
Financial assets	**5,233**	**4,191**	**3,566**	**328**
Employee costs in advance	5	6	-	-
VAT	1,218	258	89	96
Non financial assets	**1,223**	**264**	**89**	**96**
	6,456	**4,455**	**3,655**	**424**

Notes to the Annual Financial Statements	Group		Company	
Figures in R'000	2010	2009	2010	2009

`Trade and other receivables` continued...

Trade and other receivables pledged as security

Trade and other receivables were pledged as security for factoring facilities of R 2,500,000 (2009: R 2,500,000) of the group. At year end the overdraft amounted to R 675 (2009: R 1,015). Refer note 14.

Fair value of trade and other receivables

Trade and other receivables	5,233	4,191	3,566	328

Trade receivables disclosed above are classified as loans and receivables and are therefore measured at amortised cost.

Trade and other receivables past due but not impaired

Trade and other receivables which are less than 6 months past due are not considered to be impaired. At 31 August 2010, R 748 (2009: R 2,058) were past due but not impaired.

In determining the recoverability of a trade receivable, the Group considers any change in the credit quality of the trade receivable from the date credit was initially granted up to the end of the reporting period. The concentration of credit risk is limited due to the customer base being large and unrelated.

The ageing of amounts past due but not impaired is as follows:

90-120 days	310	764	-	72
120-150 days	215	582	1	1
150-180 days	223	713	-	-
	748	2,058	1	74

Trade and other receivables impaired

As of 31 August 2010, trade and other receivables of R 2,427 (2009: R1,822) were impaired and allowed for.

The amount of the allowance was R 2,427 as of 31 August 2010 (2009: R 1822) for the group and was R 12 (2009: Nil) for the company).

The ageing of these trade and other receivables is as follows:

Over 6 months	2,427	1,822	-	-

The following represents information on the credit quality of trade receivables that are neither past due nor impaired:

A	70 %	77 %
B	30 %	23 %

A - The debtors are of good credit quality and no default in payment is exptected.

B - These debtors usually pay, but have previously paid late and therefore there is a possibility that these debtors will not be recoverable

Trade receivables disclosed above are classified as loans and receivables and are therefore measured at amortised cost.

Notes to the Annual Financial Statements	Group		Company	
Figures in R'000	2010	2009	2010	2009
Movement in the allowance for doubtful debts				
Balance at beginning of the year	1,822	1,215	-	-
Impairment losses recognised on receivables	605	607	12	-
Balance at end of the year	2,427	1,822	12	-

11. Cash and cash equivalents

Cash on hand	3	7	1	4
Bank balances	104	112	41	42
	107	**119**	**42**	**46**

12. Share capital

Authorised				
500 000 000 Ordinary shares of R0,01 each	5,000	5,000	5,000	5,000
Reconciliation of number of shares issued:				
Reported as at 01 September 2009	379,318,934	379,318,934	379,318,934	379,318,934

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.

Issued shares				
379 318 934 Ordinary of R0,01 each	3,793	3,793	3,792	3,793
Share premium	25,839	25,839	25,839	25,839
	29,632	**29,632**	**29,631**	**29,632**

Net asset value and net tangible asset value per share		
Net asset value per share (cents)	1.18	0.76
Net tangible asset per share (cents)	0.65	0.40
Total shares in issue ('000)	379,319	379,319

Notes to the Annual Financial Statements	Group		Company	
Figures in R'000	2010	2009	2010	2009
13. Other financial liabilities				
Held at amortised cost				
Nedbank Limited	62	487	-	-
Liabilities under discounted rental agreements payable over variable periods for a maximum of 36 months at a varying rate of interest.				
	62	**487**	**-**	**-**
Nedbank Factoring Account	670	1,016	-	51
Factored debtors bearing interest at 1% above prime per annum. Debtors have been factored to the bank as security. The maximum amount available is R 2,500,000.				
Loan from Strider Holdings (Pty) Ltd. This loan is unsecured, bears interest at prime plus 1% and has been subordinated in favour of the creditors of the group.	3,787	1,803	3,787	1,803
This loan is unsecured, bears interest at prime plus 1 and has no fixed terms of repayment.				
	4,519	**3,306**	**3,787**	**1,854**
Current liabilities				
At amortised cost	4,519	3,306	3,787	1,854

Notes to the Annual Financial Statements	Group		Company	
Figures in R'000	2010	2009	2010	2009

14. Provisions

Reconciliation of provisions - Group - 2010

	Opening Balance	Additions	Utilised during the year	Total
Reaction and recovery	103	-	(103)	-
Workman's compensation	-	-	-	-
	103	**-**	**(103)**	**-**

Reconciliation of provisions - Group - 2009

	Opening Balance	Additions	Utilised during the year	Total
Reaction and recovery	38	103	(38)	103
Workman's compensation	12	-	(12)	-
	50	**103**	**(50)**	**103**

Reconciliation of provisions - Company - 2010

	Opening Balance	Additions	Utilised during the year	Total
Workmen's Compensation	-	-	-	-

Reconciliation of provisions - Company - 2009

	Opening Balance	Additions	Utilised during the year	Total
Workmen's Compensation	10	-	(10)	-

The provision for reaction and recovery relates to possible expenses that may arise in the recovery of stolen vehicles. The provision is based on average expenses incurred, and has been increased due to a rise in the subscriber base.

Notes to the Annual Financial Statements	Group		Company	
Figures in R'000	2010	2009	2010	2009
15. Trade and other payables				
Trade payables	1,164	1,308	318	177
Sundry payables	131	268	66	47
Other payables	5,983	1,969	-	61
Financial liabilities	**7,278**	**3,545**	**384**	**285**
VAT	156	1,532	-	66
Accrued leave pay	310	291	91	-
Accrued expense	876	704	207	1,252
Non financial liabilities	**1,342**	**2,527**	**298**	**1,318**
	8,620	**6,072**	**682**	**1,603**

The average credit period on purchases of certain goods is 1 to 2 months. No interest is charged on the trade payables outstanding balances. The Group has financial risk management policies in place to ensure that all payables are paid within the pre-agreed credit terms

Figures in R'000

16. Financial liabilities by category

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

Group - 2010

	Financial liabilities at amortised cost	Fair value through profit or loss - held for trading	Total
Other financial liabilities	4,519	-	4,519
Trade and other payables	7,278	-	7,278
	11,797	**-**	**11,797**

Group - 2009

	Financial liabilities at amortised cost	Fair value through profit or loss - held for trading	Total
Other financial liabilities	3,306	-	3,306
Trade and other payables	3,545	-	3,545
	6,851	**-**	**6,851**

Company - 2010

	Financial liabilities at amortised cost	Fair value through profit or loss - held for trading	Total
Loans from group companies	5,524	-	5,524
Other financial liabilities	3,787	-	3,787
Trade and other payables	384	-	384
	9,695	**-**	**9,695**

Company - 2009

	Financial liabilities at amortised cost	Fair value through profit or loss - held for trading	Total
Loans from group companies	3,386	-	3,386
Other financial liabilities	1,854	-	1,854
Trade and other payables	285	-	285
	5,525	**-**	**5,525**

Notes to the Annual Financial Statements	Group		Company	
Figures in R'000	2010	2009	2010	2009

17. Revenue

Sale of goods	1,377	2,846	767	1,865
Rendering of services	16,057	23,336	5,869	221
Rental Income	3,287	2,961	-	-
	20,721	**29,144**	**6,636**	**2,086**

18. Operating profit / (loss)

Operating profit for the year is stated after accounting for the following:

Operating lease charges				
Premises				
- Contractual amounts	491	592	-	-
Profit on sale of property, plant and equipment	-	20	-	-
Depreciation and amortisation on property, plant and equipment	1,879	2,098	11	28
Employee costs	7,635	15,121	2,447	1,613
Research and development	-	4	-	3

19. Finance costs

Bank	92	186	5	13
Financial liabilities	644	105	643	42
	736	291	648	55

20. Taxation

Major components of the tax expense (income)				
Current				
Local income tax - current period	72	235	-	-
Deferred				
Originating and reversing temporary differences	(155)	150	(4)	35
	(83)	**385**	**(4)**	**35**
Reconciliation of the tax expense				
Accounting profit / (loss)	1,905	(2,199)	60	(2,006)
Tax at the applicable rate of 28%	(534)	(616)	(17)	(562)
Tax effect of adjustments				
Rate change	-	-	-	-
Non-deductible expenses	-	64	-	12
Tax losses carried forward	451	936	13	585
	(83)	385	(4)	35

The estimated tax loss available for set off against future taxable income is R 34,595 (2009: R 34,144).

Notes to the Annual Financial Statements	Group		Company	
Figures in R'000	2010	2009	2010	2009
21. Auditors' remuneration				
Fees - Audit Services	494	216	385	108

22. Commitments

The group is renting property but no contracts longer than 1 year have been signed at this time.

23. Commitments

Operating leases – as lessor (income)				
Minimum property rental due				
- within one year	996	588	864	-
- in second and third year	1,992	1,449	1,728	-
	2,988	**2,037**	**2,592**	**-**

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

24. Related parties

Controlling entity	Strider Holdings (Pty) Limited and Fat Fractal Trust
Subsidiaries	Refer to note 5
Transactions with key management	I to I Technologies (Pty) Ltd Gandalf Trust and

Strider Holdings (Pty) Ltd

K. J Gribnitz is a shareholder and director of Strider Holdings (Pty) Ltd.

Fat Fractal Trust

J. P Nel is a trustee of the Fat Fractal Trust and the trust is a shareholder of Zaptronix.

Gandalf Trust

K.J Gribnitz and J. P Nel are major shareholders and directors of Zaptronix, and are also trustees of the Gandalf Trust.

I to I Technologies (Pty) Ltd

Zaptronix will purchase selected assets from the I to I group, as announced on sens on 6 September 2010 and is earning an agency fee for the management of certain assets. The two transactions mentioned are related party transactions as I to I is owned by the Gandalf Trust. Jan Nel and Karl Gribnitz who are major shareholders and directors in Zaptronix, are also trustees of the Gandalf Trust.

Entity of which the directors are also directors of that company	Sylvan Corporate Secretarial Intelligence (Pty) Limited

During the year, certain subsidiaries, in the ordinary course of business entered into various loans and transactions with related parties under terms that are no less favourable than those arranged with third parties.

Notes to the Annual Financial Statements	Group		Company	
Figures in R'000	2010	2009	2010	2009

`Related parties` continued...

Transactions and balances between the company and its subsidiaries, which are related parties of the company, have been eliminated on consolidation.

	Group 2010	Group 2009	Company 2010	Company 2009
Related party balances				
Loan accounts - Owing (to) by related parties				
Strider Holdings (Pty) Limited			(3,787)	(1,803)
Amounts included in Trade receivable (Trade Payable) regarding related parties				
I to I Technologies (Pty) Ltd			5,833	1,963
Gandalf Trust			-	182
Strider Holdings (Pty) Limited			-	41
Sylvan Corporate Secretarial Intelligence (Pty) Limited			-	(22)
Related party transactions				
Administration fees paid to (received from) related parties				
Gandalf Trust			699	68
Strider Holdings (Pty) Limited			-	36
I to I Technologies (Pty) Ltd			-	6,971
Interest paid to Strider Holdings (Pty) Ltd			642	-
Secretarial fees				
Sylvan Corporate Secretarial Intelligence (Pty) Limited			160	60

25. Directors' emoluments

The directors emoluments of Zaptronix Group Limited for the year ended 31 August 2010 are set out below:

Director	**Fees** R'000	**Basic salary** R'000	**Allowances** R'000	**Total emoluments** R'000
Non-executive				
Mr P N Reeves	50,000			50,000
Adv N Melville	25,000			25,000
Mr K J Grinitz	102,000			102,000
	177,000	-	-	177,000
Executive				
Dr MJ Freestone	-	146,400	57,768	204,168
Mr J P Nel	-	738,000	33,953	771,953
		884,400	91,721	976,121
Total	177,000	884,400	91,721	1,153,121

Director	**Fees** R'000	**Basic salary** R'000	**Allowances** R'000	**Total emoluments** R'000
2009				
Non-executive				
MR K J Gribnitz	102,000			102,000
	102,000	-	-	102,000
Executive				
MR J P Nel		102,000	25,984	127,984
MR J Ramage		664,800	171,973	836,773
		766,800	197,957	964,757
Total	102,000	766,800	197,957	1,066,757

Notes to the Annual Financial Statements	Group		Company	
Figures in R'000	2010	2009	2010	2009

26. Earnings per share

Basis for calculation of basic earnings per share:				
Attributable earnings to equity holders of parent	1,988	(2,583)		
Weighted average number of ordinary shares in issue	379,318,934	379,318,934		
Attributable earnings to equity holders of parent	1,988	(2,583)		
Headline earnings for the year	1,988	(2,583)		
Basis for calculation of fully diluted earnings per share:				
Attributable earnings to equity holders of parent	1,988	(2,583)		
Fully diluted number of ordinary shares in issue	379,318,934	379,318,934		
Basic/diluted earnings per share	0.52	(0.68)		
Basic/diluted headline earnings per share	0.52	(0.68)		

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.

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

Group

At 31 August 2010	Less than 1 year	Between 2 and 5 years	Over 5 years
Trade and other payables	7,278	-	-
Other financial liabilities	4,925	-	-

At 31 August 2009	Less than 1 year	Between 2 and 5 years	Over 5 years
Trade and other payables	3,545	-	-
Other financial liabilities	3,669	-	-

Company

At 31 August 2010	Less than 1 year	Between 2 and 5 years	Over 5 years
Loans from group companies	5,524	-	-
Trade and other payables	384	-	-
Other financial liabilities	4,127	-	-

Figures in R'000

`Risk management` continued...

At 31 August 2009	Less than 1 year	Between 2 and 5 years	Over 5 years
Loans from group companies	3,386	-	-
Trade and other payables	285	-	-
Other financial liabilities	2,057	-	-

Interest rate risk

As the group has no significant interest-bearing assets, the group’s income and operating cash flows are substantially independent of changes in market interest rates.

The group’s interest rate risk arises from long-term borrowings. Borrowings issued at variable rates expose the group to cash flow interest rate risk. Borrowings issued at fixed rates expose the group to fair value interest rate risk. During 2010 and 2009, the group’s borrowings at variable rate were denominated in the Rand.

At 31 August 2010, if interest rates on

- floating rate assets and liabilities held at amortised cost and

had increased or decreased by 200 basis points with all other variables held constant, the impact on profit and loss would have been negligible.

Credit risk

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

Trade receivables comprise a widespread customer base. Management evaluated credit risk relating to customers on an ongoing basis. Credit guarantee insurance is purchased when deemed appropriate.

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

Financial instrument	Group - 2010	Group - 2009	Company - 2010	Company - 2009
Trade and other receivables	5,233	4,191	3,566	328
Bank balances	107	119	42	46

Capital risk management

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

The capital structure of the group consists of debt, which includes the borrowings (excluding derivative financial liabilities) disclosed in notes 7, 14, 17, cash and cash equivalents disclosed in note 12.

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

Notes to the Annual Financial Statements	Group		Company	
Figures in R'000	2010	2009	2010	2009

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

This ratio is calculated as net debt devided by total equity. Net debt is calculated as total borrowings (including 'current and non-current borrowings' less cash and cash equivalents. Total equity is represented in the Statement of changes in equity.

The group's strategy is to maintain a debt equity ratio of between 1% to 0.60%.

There are no externally imposed capital requirements.

There have been no changed to what the entity manages as capital, the strategy for capital maintenace or externally imposed capital requirements from the previos year.

The debt equity ratio at 2010 and 2009 respectively were as follows:	3.03	1.28	-	-

The increase is largely owing to the increase in shareholders loan.

28. Going concern

We draw attention to the fact that at 31 August 2010, the group has accumulated losses of R (25 282) and that the group’s assets exceed its liabilities by R 4 470.

We draw attention to the fact that at 31 August 2010, the company has accumulated losses of R (30 286) and that the company’s liabilities exceed it assets by R (653).

The annual financial statements have been prepared on the basis of accounting policies applicable to a going concern. This basis presumes that the controlling shareholders will continue to render financial support by subordinating the shareholder loan as disclosed in note 14, until the finalisation of the I to I transaction by the shareholders, the successful acquisition of the I to I transaction, 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.

Further to this, the controlling shareholders have entered into an agreement of financial support with Zaptronix Limited whereby the controlling shareholders will continue to provide financial support to Zaptronix Limited as set in the agreement, for the foreseeable future, which is not less than 12 months from the date of the agreement, to enable the company to pay its debts as they fall due.

Figures in R'000

29. Gains and losses per category of financial instruments

	Financial liabilities at amortised cost	Loans and receivables	Total
Group - 2010			
Investment revenue	-	2	2
Finance cost	(736)	-	(736)
	(736)	2	(734)
Group - 2009			
Investment revenue	-	24	24
Finance cost	(291)	-	(291)
	(291)	24	(267)
Company - 2010			
Investment revenue	-	1	1
Finance cost	(648)	-	(648)
Other operating income	-	-	-
	(648)	1	(647)
Company - 2009			
Investment revenue	-	14	14
Finance cost	**(55)**	-	(55)
	(55)	14	(41)

Figures in R'000

30. Event after the Reporting Date

With reference to the SENS announcement release on 6 September 2010, the transaction to buy assets from I to I for R6.6 million to be payable in shares is subject to shareholders' approval. The transaction includes the purchase of certain assets for the issue of Zaptronix ordinary shares at a price of 1.5 cent per share as well as the capitalisation of the shareholder loans amounting to R3 771 at a price of 3 cents per share. The impact of the transaction if recorded as at 31 August 2010 on Zaptronix's statement of financial position would be as follows:

	31 August 2010 (including I to I transaction)	31 August 2010 (Reviewed)
ASSETS		
Non-current assets		
Property, plant and equipment	7,999	7,096
Intangible assets	1,996	1,996
Current assets		
Inventories	3,024	2,492
Trade and other receivables	8,162	6,456
Cash and cash equivalents	2,443	107
Other financial assets	1,124	-
Total assets	**24,747**	**18,147**
EQUITY AND LIABILITIES		
Equity		
Share capital and reserves	41,122	29,751
Retained loss	(25,282)	(25,282)
LIABILITIES		
Non-current liabilities		
Deferred tax	232	232
Current liabilities		
Trade and other payables	8,620	8,620
Other financial liabilities	748	4,519
Provisions		
Current tax payable	307	307
Total equity and liabilities	**24,747**	**18,147**

Group segmental analysis

Figures in R'000

The group has adopted IFRS 8 for the year ended 31 August 2010 and the comparative segment information for the year end 31 August 2009 has been appropriately restated.

IFRS 8 requires operating segments to be identified on the basis of internal reports about components of the group that are regularly reviewed by the chief operating decision-maker in order to allocate resources to the segments and to assess their performance. The chief operating decision-maker has been identified as the executive committee ("EXCO") that makes strategic decisions.

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

Fleet Management (Duo SP and Zaptronix Systems)

This operating segment focuses on the provision of fleet management equipment and monitoring of fleet vehicles.

RMS Technology

This operating segment focuses on the manufacturing of data loggers and electric meters.

Zaptronix (Metering and Corporate)

This oeprating segment focuses on the research and development of meters and corporate services.

	Fleet management		RMS Technology		Metering and Corporate		Total	
	2010	2009	2010	2009	2010	2009	2010	2009
Turnover								
External Sales	13,061	17,149	5,961	9,910	5,237	2,085	24,259	29,144
Internal Sales			(3,538)				(3,538)	
Total Segment revenue	**13,061**	**17,149**	**2,423**	**9,910**	**5,237**	**2,085**	**20,721**	**29,144**
Interest income	1	10			1	14	2	24
Finance cost	(88)	(132)		(104)	(647)	(55)	(735)	(291)
Profit before taxation	2,264	1,703	(419)	(1,895)	60	(2,006)	1,950	2,198
Income taxation	(17)	34	96	(385)	4	(34)	83	(385)
(Loss)/profit for the period	2,247	1,737	(323)	(2,280)	64	(2,040)	1,988	(2,583)
Other information								
Capital expenditure (additions to PPE)	3,437	144					3,437	144
Statement of financial position								
Assets								
Segment assets	9,839	6,421	4,057	2,072	4,251	4,093	18,147	12,586
Consolidated total assets	**9,839**	**6,421**	**4,057**	**2,072**	**4,251**	**4,093**	**18,147**	**12,586**
Liabilities								
Segment liabilities	8,310	6,137	908	670	4,465	3,797	13,683	10,104
Consolidated total liabilities	**8,310**	**6,137**	**908**	**670**	**4,465**	**3,797**	**13,683**	**10,104**

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

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

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

NOTICE OF ANNUAL GENERAL MEETING

Notice is hereby given that the annual general meeting of the shareholders of the company will be held at Zaptronix's offices, at Solutions House, Gazelle Close, Corporate Park, Midrand, Gauteng on Tuesday, 19th April 2011 at 10:00 for the following purposes

ORDINARY BUSINESS

1. To receive, consider and adopt the annual financial statements for the twelve monthes ended 31 August 2010 of the company and the group, together with the director's and independent auditors' report.

2. To re-elect Mr K J Gribnitz who retire by rotation in accordance with the Company's articles of association.

3. To re-elect Dr Michael Freestone and MR A J Botes who were appointed by the directors since the last annual general meeting and being eligible, offer themselves for re-election.

4. To confirm the appointment of PKF (Pretoria) Incorporated as independent auditors to the company for the ensuing financial year, to elect Mr Manoj Manila as designated auditor and to authorize the directors to determine the remuneration of PKF for the past financial year.

5. To transact such other business as may be transacted at an Annual General Meeting.

SPECIAL BUSINESS

In addition, members will be requested to consider and, if deemed fit, to pass the following special and ordinary resolutions with or without amendment:

Ordinary Resolution Number One

6. Control of authorized but unissued share capital

"Resolved that the authorized but unissued shares in the capital of the company be and hereby placed under the control of the directors of the company, and that they are hereby authorized, subject to 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."

NOTICE OF ANNUAL GENERAL MEETING

Ordinary Resolution number 2

7. Issue of ordinary shares for cash

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, excluding the designated adviser and the controlling shareholder together with their associates, the directors of the company be and are hereby authorised, by way of general authority, to issue all or any of the authorised but unissied shares in the capital of the company for cash as they in their discretion deem fit, but subject to the company's articles of association, the provisions of the Companies Act, Act 61 of 1973, as amended and the JSE Limited Listings Requirements, when applicable, and provided that:

* 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 public shareholders as defined in the JSE Limited Listing Requirements and not to related parties, unless the JSE Limited otherwise agrees;
* The general issue of share for cash in the aggregate in any one financial year may not exceed 50% of the company's issued share capital of that class, as set out and in terms of the JSE Limited Listings Requirements;
* 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 agreed between the company and the person subscribing for the securities;
* 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 earning per share;
* 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; and
* This authority shall not be extended beyond 15 months from the date of this resolution, or the next annual general meeting, whichever is the earlier date.

Special Resolution Number One

8. General authority to repurchase issued shares

"Resolved that the company hereby approves, as a general approval contemplated in sections 85(2) and 85(3) of the Companies Act (Act 61 of 1973) as amended, ("the Act") the acquisitions by the company, and/or any subsidiary of the company, from time to time of the issued ordinary shares of the company, upon such terms and conditions and in such amounts as the directors of the company may from time to time determine, but subject to the company's articles of association, the provisions of the Act and the JSE Limited Listings Requirements, when applicable, and provided that:

The repurchase of the securities will be effected through the order book operated by the JSE trading system and done without any prior understanding or arrangement between the company and the counter party;

This general authority shall only be valid until the company's next annual general meeting, provided that it shall not extend beyond fifteen months from the date of passing this special resolutions;

NOTICE OF ANNUAL GENERAL MEETING

`General authority to repurchase issued shares` continued...

In determining the price at which the company's securities are acquired by the Company and/or subsidiary of the company, in terms of the general authority, the maximum premium at which such securities may be acquired will be 10% of the weighted average of the market price at which such securities are traded on the JSE, as determined over the five days immediately preceding the date of the repurchase of such securities;

The repurchases of securities in the aggregate in any one financial year do not exceed 20% of the Company's for the following year;

The assets of the company or the group, being fairly valued in accordance with South African Generally Accepted Practices / IFRS, are in excess of the liabilities of the company or the group for the following year;

Upon entering the market to proceed with the repurchase, the company' designated advisor has confirmed the adequacy of the company's working capital for the purpose of undertaking any such repurchase of shares in writing to the JSE;

After such repurchase, the company will comply with the JSE Limited Listings Requirements governing shareholder spread requirements;

The company of its subsidiary are not repurchasing securities during a prohibited period as defined in the JSE Listings Requirements, except in the circumstance where a repurchase programme has been announced;

When the company has cumulatively repurchased 3% of the initial number of the relevant class of securities, and for each 3% aggregate of the initial number of that class acquired thereafter, an announcement will be made; and

The company only appoints one agent to effect any repurchase(s) on its behalf.

Reason for and effect of the Special Resolution

The reason for and the effect of the special resolution is to grant the company's directors a general authority, up to and including the date of the following annual general meeting of the company, to approve the company's purchase of securities in itself, or to permit a subsidiary of the company to purchase securities in the company.

Certain information relating to the company as required by the JSE Limited Listings Requirements is set out in the attached Appendix which forms part of this notice of annual general meeting.

Special Resolution Number Two
General authority to increase the authorized share capital

"Resolved that the company hereby increases its authorized share capital from R 5 000 000 (Five Million Rand) comprising of 500 000 000 ordinary shares with a par value of R 0,01 (Zero Comma Zero One Cent) to R 15 000 000,00 (Fifteen Million Rand) comprising of 1 500 000 000 One Billion Five Hundred Million ordinary shares with a par value of R 0,01 (Zero Comma Zero One Cent)"

Reason for and effect of special resolution Number Two

The reason for and effect of special resolution Number Two is to increase the capital of the company.

Ordinary Resolution Number Three

NOTICE OF ANNUAL GENERAL MEETING

9. To make payments to shareholders

"Resolved that, as a general approval contemplated in section 90 of the Companies Act, Act 61 of 1973, as amended and in terms of the company's articles of association, the company grant a renewable mandate to the directors of the company to make payments to shareholders on a pro rata basis by the way of the reduction of the company's share capital upon such terms and conditions and in such amounts as the directors of the company may from time to time determine, but subject to the company's articles of association, the provisions of the Act, and the JSE Limited Listings Requirements, when applicable, and provided that:

This general authority shall only be valid until the company's next annual general meeting, provided that it shall not extend beyond fifteen months from the date of passing this resolution; and

Any general payment may not exceed, in any one financials year, 20% of the company's issued share capital including reserves but excluding non-controlling interests and revaluation of assets and intangible assets that are not supported by a valuation by an independent expert acceptable to the JSE prepared within the last six months.

Certain information relating to the company as required by the JSE Limited Listings Requirements is set out in the attached Appendix which forms part of this notice of annual general meeting.

Ordinary Resolution Number Four

10. Authority to action all ordinary and special resolutions

Resolved that any one director or the company secretary be and is hereby authorized to do all such things as are necessary and to sign all such documents issued by the company as to give effect to special resolution number one, two and ordinary resolution numbers one, two, three and four.

DIRECTORS CURRICULA VITAE

Mr Karl J Gribnitz

B. Comm, B. Comm. (Hons.)(RAU), M Comm.(Unisa), FCIS, FCIBM.

Mr Karl Gribnitz has been on the board of Zaptronix since 2005 with extensive experience in mergers and acquisitions and is a charted company secretary. Mr Gribnitz also represents the controlling shareholder of Zaptronix.

Dr Michael Freestone

B. Comm., FCIS FCIBM, MBA, DBA (USA)

Dr Michael Freestone was appointed to the board 1 June 2010 and is a highly qualified management consultant with extensive experience in finance, taxation , acquisitions and disposals of companies.

Mr AJ Botes

B. Comm.B Comm (Hons) CA (SA)

Mr A J Botes was appointed to the board in August 2010 and has served as Financial Director of the company. He is a CA (SA) with experience in financial and general management.

VOTING AND PROXIES

NOTICE OF ANNUAL GENERAL MEETING

`Authority to action all ordinary and special resolutions` continued...

Shareholders who hold their shares in certificated form or who are own name registered shareholders holding their shares in dematerialized form who are unable to attend the annual general meeting but who wish to be represented thereat, are required to complete and return the attached Form of Proxy so as to be received by the company's transfer secretaries by not later than Monday 10h00 on the 18th of April 2011.

Shareholders who have dematerialized their shares through a Central Securities Depository Participant ('CSDP') or broker, other than by own name registration, who wish to attend the annual general meeting should instruct their CSDP or broker to issue them with the necessary authority to attend the meeting, in terms of the custody agreement entered into between such shareholders and their CSDP or broker. Shareholders who has dematerialized their shares through a CSDP or broker, other than by own name registration, who wish to vite by way of proxy, should provide their CSDP or broker with voting instructions, in terms of the custody agreement entered into between such shareholders and their CSPD or broker. These instructions must be provided in their CSPD or broker by the cut-off time or date advised by their CSDP or broker for instructions of this nature.

Shareholders who have any doubt as to the action they should take, should consult theur stockbroker, accountant, attorney, banker or other professional banker immediately.

By order of the Board
28 February 2011

Sylvan CSI (Pty) Limited
Mirkwood Estate
Farm Klipkop JR 396
Gauteng

Registered Office
Mirkwood Estate
Plot 26
Farm Klipkop JR396
Gauteng

Transfer secretaries
Computershare Investor Services (Pty) Ltd
70 Marshall Street
Johannesburg 2001
PO Box 61051
Marshalltown, 2107

FORM OF PROXY

Registration number: 1994/009012/06
Share code: ZPT
ISIN code: ZAE000070934
("Zaptronix" or "the company")

For use ONLY be certificated shareholders and own name dematerialized shareholders at the annual general meeting of shareholders of Zaptronix to be held at the company's offices, Solution House, Gazelle Close, Corporate Park South, Midrand, Gauteng on Tuesday the 19th of April 2011 at 10h00 ("the annual general meeting").

I/We(fullname)____ of

____

being the holder/s of ______________________ shares in the company do hereby appoint (see Note 1)

1.____

2.____

or failing him/her, the Chairman of the annual general meeting, as myour proxy to vote for me/us and on my/our behalf at the annual general meeting of the company or at any adjournment thereof:

I/We desire to vote as follows:

	For	Against	Abstain
1. Adopt the annual financial statements for the year ended 31 August 2010			
2. Re-appointment of Directors			
2.1 Re-appointment of Mr J P Nel as a director of the company			
2.2 Re-appointment of Mr A J Botes as a director of the company			
2.3 Re-appointment of Mr MJ Freestone as a director of the company			
3. Auditors 3.1 Confirm the appointment of PKF as auditors			
3.2 Confirm the appointment of Mr Manoj Manila as designated auditor			
3.3 Authorise the directors to fix the auditor's remuneration			
4. Special business 4.1 Ordinary Resolution Number One regarding the unissued ordinary shares under the directors control			
4.2 Ordinary Resolution Number Two regarding a general authority to issue shares for cash			
4.3 Special Resolution Number One regarding a general authority for the company and/or its subsidiaries to acquire its own shares			
4.4 Special Resolution Number Two regarding regarding the increase in capital from 500 000 000 ordinary shares to 1 500 000 ordinary shares			
4.5 Ordinary resolution Number Three regarding a general authority for the company to make payments to shareholders			
4.6 Ordinary ResolutionNumber Four regarding and authority for any director or the company secretary to sign documents to effect all the ordinary and special resolutions			

Signed at ___________________________ on this _______________ day of _________________ 2011

Signature ______________________________________ Assisted by me (where applicable)

NOTES TO THE FORM OF PROXY

1. A Zaptronix shareholder may insert the names of a proxy or the names of two alternative proxies of the Zaptronix shareholder's choice in the space/s provided, with or without deleting "the Chairperson of the annual general meeting", but any such deletion must be initialed by the Zaptronix shareholder concerned. The person whose name appears 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 Zaptronix, 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 shareholder's votes exercisable thereat. A Zaptronix shareholder 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 exercisable by the Zaptronix shareholder or by his/her proxy is not obliged to use all the votes exercisable by the Zaptronix shareholder or by his/her proxy, but the total of the votes cast and in respect whereof abstentions are recorded may not exceed the total of the votes exercisable by the shareholder or by his/her proxy.

3. The date must be filled in on this form when it is signed.

4. The completion and lodging of this form of proxy will not preclude the Zaptronix shareholder from attending the annual general meeting and speaking and voting in person thereat to the exclusion of any proxy appointed in terms hereof. Where there are joint holders of shares, the vote of the senior joint holder who tenders a vote, as determined by the order in which the names stand in the register of members, will be accepted.

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 transfer secretaries Zaptronix or waived by the Chairperson of the annual general meeting of Zaptronix shareholders.

6. Any alteration or corrections 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 Zaptronix.

8. Forms of proxy must be received by the transfer secretaries, Computershare Investor Services (Pty) Limited at 70 Marshall Street, Johannesburg, 2001, (PO Box 61051, Marshalltown, 2107) by not later than Monday at 10h00 on the 18th of April 2011.

9. The Chairperson of the annual general meeting may accept or reject any form of proxy, in his absolute discretion, which is completed other than in accordance with these notes.

10. If required, additional forms of proxy are available from the transfer secretaries of Zaptronix.

11. Dematerialised shareholders, other than by own name registration, must NOT complete this form of proxy and must provide their CSDP or broker of their voting instructions in terms of the custody agreement entered into between such shareholders and their CSDP or broker.

To be completed and mailed to:	OR	To be completed and hand delivered to:
Computershare Investor Services (Pty) Limited PO Box 61051 Marshalltown, 2107		Computershare Investor Services (Pty) Limited Ground Floor 70 Marshall Street, Johannesburg