



MICRO*mega*

MICROmega Holdings Limited

Annual Report 2008

Cover:

A gyroscope is a device for measuring or maintaining orientation, based on the principles of angular momentum. The device is a spinning wheel or disk whose axle is free to take any orientation. This orientation changes much less in response to a given external torque than it would without the large angular momentum associated with the gyroscope's high rate of spin. Since external torque is minimized by mounting the device in gimbals, its orientation remains nearly fixed, regardless of any motion of the platform on which it is mounted.

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* The 2008 annual report can be downloaded from our website at www.micromega.co.za

Financial Highlights

75%

Increase in Revenue

73%

Increase in Net Cash from Operating Activities

49%

Increase in Attributable Earnings per Share





32%

Increase in Net Asset Value per Share

Group Structure and Directorate

MICROmega delivers services across all continents, focusing on four main sectors:

Financial Services

-  **MICROmega Securities (Pty) Ltd**
-  **MICROmega Africa Money Brokers (Pty) Ltd**
-  **TTSA Securities (Pty) Ltd**
-  **SA International & Capital Market Brokers (Pty) Ltd**








Support Services

-  **MECS Africa**
-  **NOSA®**
★★★★★
-  **nqa africa**
-  **EMPOWERRisk**
-  **RISKWORKS**
R.NOSA Company

Information Technology

-  **INTERMAP**
technology excellence that delivers
-  **MICROmega REVENUE MANAGEMENT SOLUTIONS (PTY) LTD**
-  **MICROmega TECHNOLOGIES**
-  **SEBATA**
-  **Stable-Net**
-  **SaleScience**
Helping Sales Sell
-  **Sciam**

Automotive Sector

-  **BTM**
BULKY TOWBAR MANUFACTURERS
-  **peitec**
-  **PROFIT**
HIGH QUALITY SPARES & ACCESSORIES
-  **KOLBENCO**
AUTOMOTIVE PISTON MANUFACTURER
-  **Essential Power Services**
-  **REDBACK**
-  **LUBRICATION EQUIPMENT (PTY) LTD**

DIRECTORATE

- Executive Chairman – I G Morris (41)
- Executive Financial Director – D S E Carlisle (33)
- Non-executive – P V Henwood (66)
- Non-executive – R C Lewin (41)
- Non-executive – J E Newbury (66)

Chairman's Report

The operating investment we made in 2008 to establish our four new information technology companies will give us a positive return in 2009, and we are cautiously confident that we have underpinned the economic impact that the decline in global automotive sales could have on those businesses adversely affected in 2008.

MICROmega Holdings Limited is an investment holding company that has over the past five years diversified its investment portfolio into four sectors namely: automotive, financial, information technology and support services. This diversification programme has served the Group well and whilst this year has come with its challenges, we are pleased to report that over the past five years the Group has enjoyed the following compounded growth:

- Five year compounded growth in revenue: 77%
- Five year compounded growth in earnings per share: 38%
- Five year compounded growth in net asset value per share: 29%
- Five year compounded growth in cash generated from operating activities: 73%

As an investment holding company, earnings growth is derived through the structuring and execution of corporate transactions and the return achieved from these investments. We are extremely satisfied to report an increase in earnings growth from these activities of 49% for the year.

Whilst we did not achieve an increase in our headline earnings, this came as no surprise, as it was primarily attributed to the establishment of four new businesses in our information technology sector, and a slow-down in profits from two of our automotive businesses.

In summary we are pleased to have created shareholder value and this is well demonstrated in the 32% growth in net asset value to 255 cents a share.

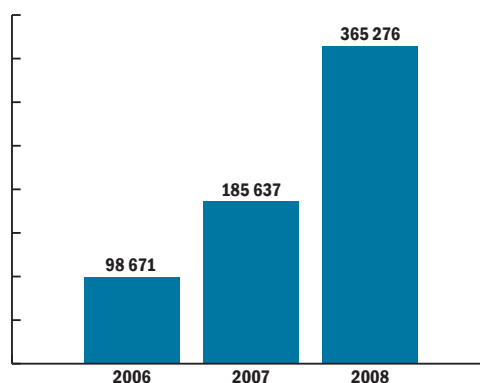
AUTOMOTIVE

The businesses within this sector are:

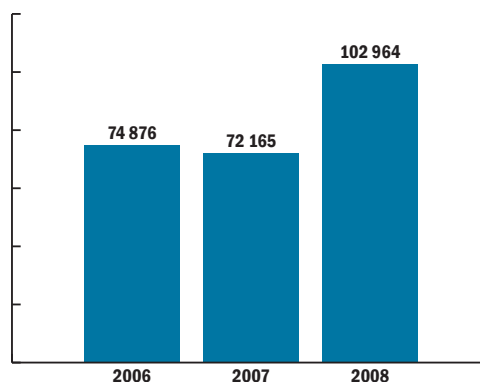
- Automobile Radio Dealers Association;
- BTM Manufacturing;
- Redback;
- Deltec Power Distributors;
- Essential Power;
- Kolbenco; and
- Lubrication Equipment.

The revenue of the automotive sector increased by 97% when compared to the prior year. This was due to acquisitions that were made in the early part of the year together with acquisitions in 2007 that are now included in the results for the entire year. This sector contributed 22% to total headline earnings. We remain well

Revenue - Automotive (R'000)



Revenue - Information Technology (R'000)



diversified in this sector and whilst there has been a dramatic decrease in new vehicle sales, we have been partly shielded from the direct impact of this as a significant portion of our sales efforts are directed at the aftermarket which has been less affected than the original equipment market.

Kolbenco (Proprietary) Limited, which is South Africa's last piston manufacturer, was acquired by the Group in February 2008. Piston sales have dramatically decreased due to the drop in the number of new vehicles being manufactured. As a result of this, the Board of Directors decided to close the manufacturing operation of Kolbenco on 31 December 2008. This has not had a negative impact on the financial performance of the Group for the year.

We still remain focused on diversification within this sector and despite the difficult market conditions, we anticipate good growth

out of the existing operations within this sector. Significant progress has been made in enhancing our distribution capabilities which should start to deliver greater returns in 2009.

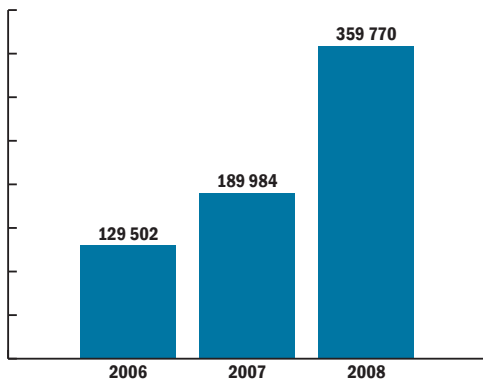
INFORMATION TECHNOLOGY

The businesses within this sector are:

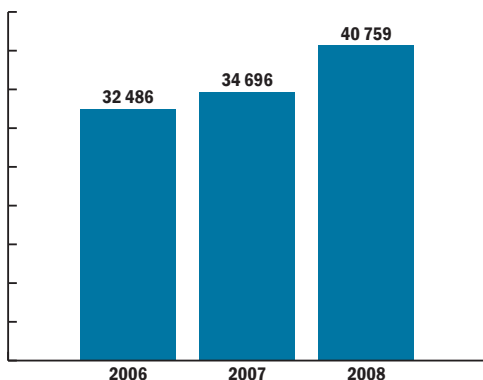
- Intermap;
- MICROmega Revenue Management Solutions;
- MICROmega Technologies;
- SaleScience;
- Sciam Professional Solutions;
- Sebata Municipal Solutions; and
- Stable-Net.

The revenue of this sector increased by 43% for 2008 when compared to the prior year. This was primarily as a result of greater

Revenue - Support Services (R'000)



Revenue - Financial Services (R'000)



Mr I G Morris
Executive Chairman



Chairman's Report (continued)

procurement by the public sector within Southern Africa. This sector contributed 20% to total headline earnings. All the businesses operating in the public sector market managed to grow their existing customer bases through the supply of services and products at both local and provincial level. We expect the growth to continue in these areas as our service offerings continue to be on the leading edge of market innovations and legislative changes.

Start-up businesses in this sector gained momentum during the year and whilst they contributed losses to the Group results for 2008, we are confident of a significant improvement in performance during 2009.

SUPPORT SERVICES

The businesses within this sector are:

- NOSA;
- EMPOWERisk;
- NQA Africa; and
- MECS Africa.

Support services' revenue increased by a substantial 89% during 2008. The growth in revenue was organic and was due to strong demand for the products and services of the two main businesses within the sector, namely MECS Africa and NOSA. The sector's contribution to Group headline earnings amounted to 40%, up from 30% in 2007. NOSA is the largest provider of occupational risk management services in Africa and is well positioned to take advantage of the increased pressure on companies to comply with legislation, particularly in the mining sector. NOSA's training and auditing products, which are statistically proven to reduce a company's injury rates, are recognised internationally and NOSA is expecting further strong growth in earnings during 2009. MECS Africa, which provides labour broking services, benefited from the securing of a number of new contracts in the petrochemical and mining industries, both in South Africa and Africa. Whilst revenue is likely to come under pressure in 2009, given the pressure on the mining industry, MECS is well positioned to support ongoing demand for skills in the petrochemical industry both in South Africa and Angola.

FINANCIAL SERVICES

The businesses within this sector are:

- MICROMega Securities; and
- MICROMega Africa Money Brokers.

MICROMega Securities experienced a 17% increase in revenue and accounted for 18% of the Group's headline earnings. MICROMega Securities is a voice and electronic interdealer broker in the financial markets and benefits from deal flow between the commercial and investments banks. Accordingly, given the impact of the global financial crisis, trade volumes have declined however these are expected to increase towards the middle of 2009. In addition, the establishment of MICROMega Africa Money Brokers during 2008 will improve the company's earnings mix and will place less reliance on the South African market going forward.

PROSPECTS

We remain confident that we will continue to enjoy similar rates of growth, both in our balance sheet strength and operating account in 2009.

The operating investment we made in 2008 to establish our four new information technology companies will give us a positive return in 2009, and we are cautiously confident that we have underpinned the economic impact that the decline in global automotive sales could have on those businesses adversely affected in 2008.

I would like to take this opportunity to thank our customers for their loyalty and committed support, our staff for their enthusiasm and hard work, and finally to the board for the guidance and ingenuity.



Mr I G Morris
Executive Chairman

Corporate Governance

OVERVIEW

By adhering to the King II Report, MICROmega Holdings Limited (MICROmega) has implemented its corporate governance framework in order to mitigate risks nationally and abroad. We also acknowledge the changes that have come into place with the King III Report that will be effective for our future reporting periods and we will monitor and amend our corporate governance strategy accordingly. We continue to review current and emerging trends and use these as benchmarks to ensure that we maintain high standards of good corporate governance throughout the Group.

MICROmega strives to comply with internationally accepted standards of corporate governance to safeguard the interests of the company and all its stakeholders. The board acknowledges the relationship between sound governance, company profitability and long-term equity performance. MICROmega remains committed to achieving the highest standards of accountability, transparency and integrity in all matters concerning its stakeholders.

The directors believe that MICROmega complies with the principles and spirit of King II and the provisions of the Listings Requirements of the JSE Limited. However, governance structures and processes are regularly reviewed to take account of changes within the Group and best practices in the corporate governance arena.

BOARD OF DIRECTORS

The directors of any board are bound by common law and statutory duties, with which they should always comply. The board of MICROmega meets on a regular basis in order to review the strategic direction of the Group, to evaluate performance and to assess any risks with which the businesses might be faced. All executive directors retain full and effective control over the affairs of the company and monitor management.

Board responsibilities

The board has a formal, documented charter which confirms that the directors retain overall responsibility and accountability for:

- developing and adopting strategic plans;
- monitoring operational performance and management;
- ensuring effective risk management and internal controls;
- selection, orientation and evaluation of directors;
- legislative and regulatory compliance;
- approval of annual financial statements;
- timely and transparent reporting to shareholders; and
- the ongoing sustainability of the business.

Every director on the board of MICROmega is bound by definite fiduciary duties, which give rise to the following roles:

- to act in good faith towards the company;
- to act only within their powers and use their powers only for purposes which benefit the organisation;
- not to use for personal gain any information acquired in their capacity as a director;
- to act in the best interests of the company and to avoid a conflict between personal and company interests;

- to exercise independent judgment in decision-making.

A clear division of responsibility is embedded in the board charter. The board has delegated authority to the senior management for the implementation of the strategy and the ongoing management of the business. The directors are informed of progress through both regular reporting at board meetings and ongoing communications.

Composition

The composition of the board ensures that a range of skills and knowledge is available to advise on, and implement key decisions, ensuring that it retains proper direction and control of the company.

The board as a whole is involved in the process of nomination, selection and the appointment of directors. The directors are selected on the basis of their skill, knowledge, business acumen and contribution to the company.

The board currently comprises two executive directors, Mr I G Morris (Chairman) and Mr D S E Carlisle (Financial Director). There are three non-executive directors currently, Mr P V Henwood, Mr R C Lewin and Mr J E Newbury.

During the reporting period since the approval of the 2007 audited Group results, the board met four times, the following being the dates and major items on the agenda.

Date	Agenda
18 August 2008	Operating and financial review of the performance of the Group and subsidiaries for the 2 nd Quarter 2008. Approval the interim results for the six months ended 30 June 2008.
15 September 2008	Review and approval of updated charters for the board and the risk and audit committee.
26 November 2008	Operating and financial review of the performance of the Group and subsidiaries for the 10 months ended October 2008.
23 March 2009	Approval of the annual report and the abridged financial statements for the year ended 31 December 2008.

Directors' attendance at meetings

Director	18 August 2008	15 September 2008	26 November 2008	23 March 2009
I G Morris	✓	✓	✓	✓
D M Carson*	A	✓	✓	-
P V Henwood**	✓	✓	✓	✓
R C Lewin	✓	✓	✓	✓
E S Mpanza***	-	-	-	-
J E Newbury****	✓	✓	✓	A
✓ = Present / A = Apologies				

Corporate Governance (continued)

Executive

I G Morris (Chairman) 4 out of 4

Non-executive

D M Carson* 2 out of 3
(Mr D M Carson resigned from the board on 22 March 2009)

P V Henwood** 4 out of 4
(Mr P V Henwood was appointed to the board on 23 June 2008)

R C Lewin 4 out of 4

E S Mpanza*** 0 out of 0
(Mr E S Mpanza was not re-elected at the Annual General Meeting on 25 July 2008)

J E Newbury**** 3 out of 4
(Mr J E Newbury was appointed to the board on 23 June 2008)

Mr D S E Carlisle was appointed to the Board of Directors as Financial Director on 30 March 2009.

BOARD COMMITTEES

To assist the board in discharging its collective responsibilities for corporate governance, several committees have been established to which certain of the board's responsibilities have been delegated. These committees all have specific terms of reference and are accountable to the board.

The committees comprise directors who have a blend of skills and experience and other qualities appropriate to their roles.

Board committees currently in place are:

Risk and audit committee

The risk and audit committee has been delegated powers by the board and carries out the important function of reviewing financial results and evaluating internal and external risks facing the various businesses within the Group. These powers clearly set out the responsibilities and authority together with the structures and processes of the committee. During the year under review the risk and audit committee has addressed its responsibilities and kept the board fully informed of the proceedings of the risk assessment and management by the audit committee.

The primary objective of the audit committee is to promote the overall effectiveness and adequacy of internal controls within the Group. Its objectives include:

- ensuring the integrity of the Group's accounting and financial reporting systems;
- ensuring the appropriate systems are in place for monitoring risk, financial control and compliance with the law and codes of conduct;
- evaluating the effectiveness of the risk and compliance management functions in the Group;

- maintaining transparent and appropriate relationships with external auditors;
- reviewing the scope and quality of statutory audit and the independence and objectivity of the auditors;
- reviewing interim and annual financials statements before approval by the board;
- reviewing reports from external auditors; and
- approval of audit fees.

The audit committee comprises all the non-executive members of the Board of Directors with Mr P V Henwood acting as Chairman. The Executive Chairman and Mr J Wessels of KPMG are invited to attend these meetings as representatives of management of the company and the auditors respectively. The committee meets at least four times a year and the attendance by directors' is shown below:

Director	18 August 2008	15 September 2008	26 November 2008	23 March 2009
P V Henwood	✓	✓	✓	✓
D M Carson	A	✓	✓	-
R C Lewin	✓	✓	✓	✓
J E Newbury	✓	✓	✓	A
By Invitation				
I G Morris	✓	✓	✓	✓
J Wessels	✓	✓	✓	✓
✓ = Present / A = Apologies				

Appointment to the risk and audit committee for the non-executive directors coincides with their appointments to the Board of Directors.

The risk and audit committee is satisfied with the independence and objectivity of the external auditors.

External audit

The Group's external auditors are KPMG Inc. (KPMG) and the report of the independent auditors is included on page 15.

The Group has a formal policy on the provision of non-audit services by the external auditors. The policy also requires KPMG to satisfy the audit committee that the delivery of non-audit services does not compromise the independence of the auditors.

Currently all non-audit services are provided by other audit firms independent of KPMG.

Remuneration committee

The remuneration committee is responsible for determining the terms of employment and remuneration of the Group's executive directors and senior management; this includes assessment of specific rewards, succession planning and the identification and nomination of appropriate members of the board. The committee ensures that the Group remunerates and incentivises senior management fairly, taking all circumstances into account. The committee is further responsible for the remuneration strategy of the Group as approved

by the board. The remuneration committee meets at least four times a year in conjunction with the board meetings.

The primary functions of the remuneration committee are to:

- establish a remuneration policy which is aligned with the Group's strategy and performance goals;
- review remuneration policies, employee share incentive schemes, performance bonuses and service contracts;
- approve the remuneration of the executive directors and senior management;
- propose fees for non-executive directors; and
- determine the award of share options to executives and staff.

INTERNAL CONTROL SYSTEM

The Group maintains systems of internal control over the financial reporting and for the safeguarding of assets (against unauthorised acquisition, use or disposal). These systems are designed to provide reasonable assurance to the Group's management and Board of Directors that reliable financial information is produced.

Corrective action is taken to address and control deficiencies in control systems, as and when these are identified.

There are inherent limitations to the effectiveness of any system of internal control, including the possibility of human error and circumvention or overriding of controls. Accordingly, even an effective internal control system can provide only reasonable assurance with respect to financial statement preparation and safeguarding assets.

Nothing has come to the attention of the directors to indicate that any material breakdown in the functioning of the Group's key internal controls and systems occurred during 2008.

COMPANY SECRETARY

The board has every confidence that the Group's Company Secretary is qualified to execute all duties in accordance with the relevant legislation as well as to offer sound and proper advice to all members of the Group who may need assistance with compliance thereof.

RISK MANAGEMENT

The Group's risk and audit committee is responsible for addressing all operational and financial risk issues, together with risk funding.

GOING CONCERN

After making due inquiries, the directors are satisfied that the Group has adequate resources available to continue to operate for the foreseeable future and there is no reason to believe that the Group will not continue in operation for the forthcoming year. The annual financial statements presented on pages 12 to 86 have accordingly been prepared on a going concern basis. The directors are responsible for the final approval of the annual financial statements and the Group's auditors, KPMG Inc. are responsible for auditing and for highlighting key risks which may affect the going concern of the MICROmega Group.

EMPLOYMENT EQUITY

The Group is committed and takes pride in providing fulfilling work opportunities and to creating a workplace in which individuals of ability can develop rewarding careers at all levels, regardless of their background, religion, race or gender.

ETHICS

The Board of Directors and the management of the Group are committed to exercising and maintaining high ethical standards.

A culture of high ethical integrity standards has been developed and flourishes amongst all levels of employees and directors. Honesty and integrity covers the interactive relationships between the company, its directors and employees between themselves and outside stakeholders, customers, shareholders and the society at large.

DIRECTORS' CONTRACTS OF EMPLOYMENT

No director has a contract of employment in excess of a period of three years.

SHAREHOLDERS COMMUNICATION

The Board of Directors is committed to continued improvement of communication with shareholders. Investec Bank Limited, the company's sponsor, continues to help and improve all levels of communication. The Group's website is also utilised to inform all shareholders of and changes in strategy as well to demonstrate the performance of the Group as a whole. This is also done through the JSE's Stock Exchange News Services (SENS).

Sustainability Report

Corporate Social Responsibility for MICROmega Holdings represents the desire to operate a successful and profitable business in a sustainable way – a way in which communities and the environment can benefit from.

MICROmega is committed to practising good corporate citizenship and recognises the need to balance short-term profitability targets and generating returns to shareholders with the longer term sustainability needs of the business and the broader society. This sustainability report serves to highlight the effects that MICROmega may have within the economies and societies in which we operate. Given the current world-wide climate of economic uncertainty, we feel that it is even more important now to identify economic, environmental and social risks and opportunities within our business' context.

Stakeholders are defined by the Global Reporting Initiative (GRI) as, "entities or individuals that can reasonably be expected to be significantly affected by the organisation's activities, products, and/or services; and whose actions can reasonably be expected to affect the ability of the organisation to successfully implement its strategies and achieve its objectives." These include our employees, our shareholders, our customers, as well as the communities which are supported by the MICROmega Social Responsibility Fund. At MICROmega we are aware of the huge amount of value that needs to be placed on our stakeholders to ensure the long-term success of our business.

Shareholders

The Group continues to engage with shareholders on a regular basis. General communication with shareholders is undertaken via, the website (www.micromega.co.za); the annual report; the annual general meeting and through the use of the JSE's Stock Exchange News Service (SENS).

In addition to this, during the year media interviews and road shows assisted in getting more information about the company out into the market as a whole, as well as directly to potential investors. By making use of a publishing firm, we ensure that all information and news relative to shareholders is released timeously to the press.

Communications are designed to give the reader both insight into the individual businesses of the Group and the opportunities and challenges with which the Group is faced.

Shareholders are also encouraged to attend the annual general meeting at MICROmega Holdings' head office, where any concerns or insights into pertinent issues can be raised. Notice of the annual general meeting is given well in advance to allow for all interested parties to attend.

MICROmega continues to value the support and interest of the shareholders and we remain dedicated to providing transparent and noteworthy information.

The Group continues to communicate regularly with its sponsoring brokers to ensure that MICROmega is in the forefront of reporting to shareholders and the market in general.

Customers

MICROmega continues to strive to improve the quality of services and goods to its customers whilst maintaining existing relationships with them. The Group has customers across all continents as follows:

Continent	Number of Customers - 2008	Number of Customers - 2007
Africa		
South Africa	10 319	7 029
Angola	2	4
Botswana	33	25
Democratic Republic of Congo	1	0
Egypt	0	1
Kenya	14	9
Lesotho	7	7
Madagascar	1	0
Malawi	9	8
Mozambique	16	10
Namibia	16	15
Nigeria	1	0
Swaziland	12	16
Tanzania	11	10
Uganda	3	6
Zambia	8	13
Zimbabwe	19	28
Europe	9	14
North America	0	0
South America	1	1
Asia	0	2
Australasia	1	3
Total	10 438	7 201

In order to continually offer optimal products to its customers, the Group continues to innovate and investigate new opportunities. Through this constant improvement the Group is in a position to both benefit their customers and to improve market share across all industries. MICROmega is also striving to provide economic assurance and stability to all customers throughout the world, despite the current adverse economic conditions.

Employees

MICROmega is an equal opportunity employer and when new appointments are undertaken, the requirements of the individual industry charters are taken into account. MICROmega strives to promote a fair and open environment in which employees are encouraged to communicate with each other as well as with their managers about any concerns that they may have.

The demographics of the Group at the 2008 financial year end are as follows:

Classification	31 st December 2008		31 st December 2007	
	Male	Female	Male	Female
White	161	142	162	119
African	334	98	363	96
Coloured	32	8	23	10
Indian	7	9	4	3
Total	534	257	552	228

At the end of the financial year 62% of the staff was historically disadvantaged individuals which is a small reduction in the 64% of the prior year. Of the total staff complement 32% were female which is a significant improvement from the prior year of 29%.

Staff movements during the year:

Opening balance	780
Appointments	219
Resignations	(106)
Dismissals	(22)
Expiry of contract	(34)
Retrenchment	(346)
Death	(4)
Incapacity	(1)
Additions through acquisitions	305
Closing balance	791

The above movements reflect a staff turnover of 21%.

The Group is committed to improving the skills and education of the staff by sending them on training courses presented by accredited trainers. The total spend on staff training during the 2008 financial year was R586 000 and MICROmega will continue to encourage the growth of its employees' skills and knowledge bases through this staff training scheme. MICROmega makes use of a share incentive scheme of which all employees are eligible. Management review outstanding share options on an ongoing basis and request

the trustees of the scheme to issue share options as required. Share options vest over a five year cycle and employees have to remain in the employment of the company in order to receive the full benefit.

Corporate Social Responsibility

Corporate Social Responsibility for MICROmega Holdings represents the desire to operate a successful and profitable business in a sustainable way – a way in which communities and the environment can benefit from.

Communities

The MICROmega Social Responsibility Fund was set up to benefit the communities in which the Group operates.

The MICROmega Social Responsibility Fund is not isolated to a few particular charities, but rather, smaller contributions are made to a widespread number of charitable organisations. Charities are chosen based on a number of criteria, which include the regions in which they operate; how they benefit the communities within those regions; the reputation of the charity and the proposed utilisation of the donation.

MICROmega places a huge amount of value and emphasis on the education and well-being of today's youth, and affording them the opportunity to progress into the world as well-rounded individuals is something that we take pride in. We try to give as many children as possible, access to an education by presenting scholarships and by supporting schools, by providing them with necessities such as books, educational and sporting equipment and food for the children. Many school bursaries are provided to the children of members of staff and financial aid is provided to those staff members who are single income providers within their families.

When possible, in providing services in outlying regions where MICROmega does not have a historical base, partnerships have been formed with local entities in order to provide services to the communities, while also increasing the economic capacity of those regions.

The continued development of the communities is imperative to MICROmega and the Group realises their responsibilities and roles to be played in this development. It is a role that MICROmega cherishes and the Group is happy to be making a difference.

Environment

In May of 2008, we launched our environmental campaign, "Greening MICROmega". The focus of this campaign is to encourage employees to "think outside the box" and to contribute wholly to ideas and ways in which we as a company can contribute to the direct "greening" of our business as well as to the environment in which we operate. The vastly different business sectors within the Group influence the varied needs of the campaign and how they can each contribute towards it. This is also why it is important that every company and its staff members are involved in and contribute towards the project. This holistic approach aims at making a difference by encouraging Group involvement and responsibility which will place MICROmega Holdings into a better and more accountable position for our stakeholders and society at large.

Annual Financial Statements

for the year ended 31 December 2008

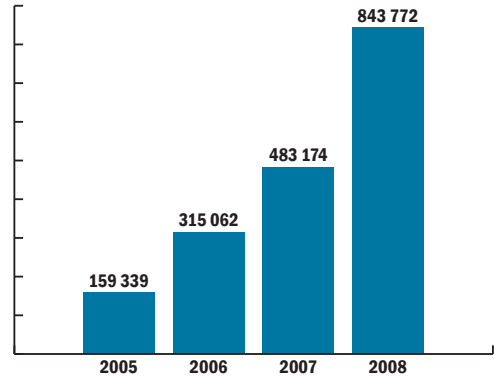
Financial Contents

MICROmega HOLDINGS LIMITED AND ITS SUBSIDIARY COMPANIES **(Registration number 1998/003821/06)**

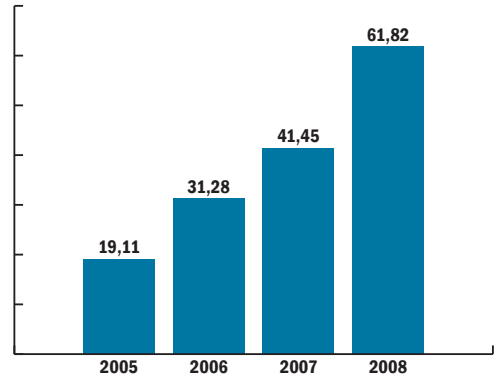
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Salient Features

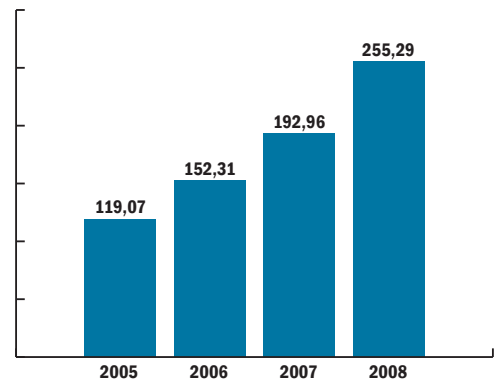
Revenue (R'000)



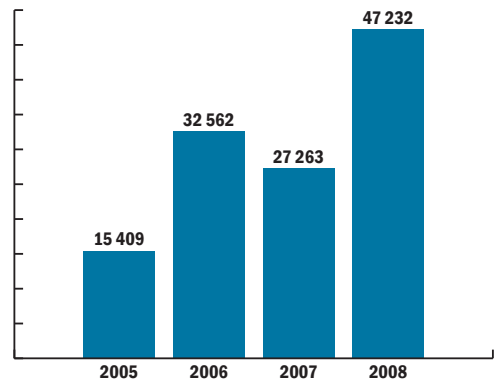
Earnings per Share (cents)



Net Asset Value per Share (cents)



Net Cash from Operating Activities (R'000)



Directors' Responsibility Statement

The directors are responsible for the preparation and fair presentation of the Group annual financial statements and annual financial statements of MICROmega Holdings Limited, comprising the balance sheets at 31 December 2008, and the income statements, the statements of changes in equity and cash flow statements for the year then ended, and the notes to the financial statements, which include a summary of significant accounting policies and other explanatory notes, and the directors' report, in accordance with International Financial Reporting Standards (IFRS) and in the manner required by the Companies Act of South Africa.

The directors' responsibility includes: designing, implementing and maintaining internal controls relevant to the preparation and fair presentation of these 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.

The directors' responsibility also includes maintaining adequate accounting records and an effective system of risk management.

The directors have made an assessment of the Group and company's ability to continue as a going concern and have no reason to believe the businesses will not be a going concern in the year ahead.

The auditor is responsible for reporting on whether the Group annual financial statements and annual financial statements of MICROmega Holdings Limited are fairly presented in accordance with the applicable financial reporting framework.

Approval of the annual financial statements

The Group annual financial statements and the annual financial statements of MICROmega Holdings Limited as identified in the first paragraph, were approved by the Board of Directors on 30 March 2009 and are signed on its behalf by:



Mr I G Morris
Executive Chairman



Mr D S E Carlisle
Financial Director

Certification by Company Secretary

In accordance with the provisions of section 268G (d) of the Companies Act of South Africa, I certify that, in respect of the year ended 31 December 2008, the company has lodged with the Registrar of Companies all returns prescribed by the Act and that all such returns are true, correct and up to date.



Mr G W Schnehage
Company Secretary
30 March 2009

Independent Auditor's Report

To the members of MICROmega Holdings Limited

Independent auditor's report

We have audited the Group annual financial statements and the annual financial statements of MICROmega Holdings Limited, which comprise the balance sheets at 31 December 2008, and the income statements, the statements of changes in equity and cash flow statements for the year then ended, and the notes to the financial statements, which include a summary of significant accounting policies and other explanatory notes, and the directors' report as set out on pages 16 to 86.

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

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

Opinion

In our opinion, these financial statements present fairly, in all material respects, the consolidated and separate financial position of MICROmega Holdings Limited at 31 December 2008, and its consolidated and separate financial performance and consolidated and separate cash flows for the year then ended in accordance with International Financial Reporting Standards, and in the manner required by the Companies Act of South Africa.

KPMG Inc.



Per: J Wessels
Chartered Accountant (SA)
Registered Auditor
Director
30 March 2009

Report of the Directors

The directors present their report for the year ended 31 December 2008. This report forms part of the audited Group and separate financial statements of MICROmega Holdings Limited ("financial statements").

1. General review

The Group's business and operations and the results thereof are clearly reflected in the attached consolidated annual financial statements.

2. Nature of the business

MICROmega Holdings Limited is an investment holding company listed on the JSE Limited. The company provides strategic, operational and financial support to the entities that the company has an interest in.

Through the investments held by the company, the Group provides the following services and products:

- *Financial services sector*
 - Inter-dealer financial services broking in the over the counter wholesale markets;
- *Support services sector*
 - Employment outsourcing services in the engineering and construction industries;
 - Occupational health and safety services including auditing, training and consulting;
- *Information technology sector*
 - Web based software and information visualisation solutions;
 - Integrated technology applications for local governments;
 - Networking and data flow optimisation solutions;
 - Revenue management solutions to local government and the utility industry;
- *Automotive components sector*
 - Manufacturer and distribution of automotive components;
 - Importation and distribution of power supply solutions;
 - Distribution of auto-electrical accessories; and
 - Installation and maintenance of oil piping solutions.

These services are provided globally and extend across a diverse client base, inclusive of both the private and public sectors.

3. Dividends

No dividends were declared or recommended during the year or the previous year.

4. Share capital

The changes in the issued share capital of the Group during the year under review are as follows:

On 14 January 2008, 86 055 shares of 1 cent each were issued at a premium of 44 cents per share in terms of the MICROmega Share Incentive Scheme.

On 16 May 2008, 75 000 shares of 1 cent each were issued at a premium of 89 cents per share in terms of the MICROmega Share Incentive Scheme.

On 10 June 2008, 730 976 shares of 1 cent each were issued at a premium of 183 cents per share to the vendors of Automobile Radio Dealers Association 1989 (Proprietary) Limited as per the terms of the purchase agreement of Automobile Radio Dealers Association 1989 (Proprietary) Limited.

On 3 July 2008, 583 333 shares of 1 cent each were issued at a premium of 299 cents per share to the vendors of Lubrication Equipment (Proprietary) Limited upon meeting profit warranties in terms of the purchase agreement.

On 7 July 2008, 182 744 shares of 1 cent each were issued at a premium of 183 cents per share to the vendors of Automobile Radio Dealers Association 1989 (Proprietary) Limited as per the terms of the purchase agreement of Automobile Radio Dealers Association 1989 (Proprietary) Limited.

During the year the Group repurchased 2 716 620 treasury shares on the open market at an average premium of 223 cents to be utilised to settle future vendor payments.

5. Property, plant and equipment

The changes in the property, plant and equipment during the year or any changes in the policy relating to their use are set out in the attached financial statements and do not, in our opinion, require further comments.

Report of the Directors (continued)

6. Events subsequent to the year end

There were no subsequent events after the balance sheet date.

7. Directors

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

Mr I G Morris	Chairman	
Mr D S E Carlisle	Financial Director	Appointed 30 March 2009
Mr D M Carson	Non-executive	Resigned 22 March 2009
Mr P V Henwood	Non-executive	Appointed 23 June 2008
Mr R C Lewin	Non-executive	
Mr E S Mpanza	Non-executive	Resigned 25 July 2008
Mr J E Newbury	Non-executive	Appointed 23 June 2008

8. Company Secretary

The Company Secretary of the Group is G W Schnehage, whose business and postal addresses are:

Block C
Chislehurst Office Park
Chislehurst
Sandton
2196

Private Bag X9966
Sandton
2146

Mr G W Schnehage replaced Mr D J Case on 20 March 2009 as the Company Secretary of the Group.

Report of the Directors (continued)

9. Subsidiaries and associated companies

	Number of shares in issue	Percentage holding %		Shares at cost less accumulated impairment R'000		Due by/(to) subsidiaries R'000	
		2008	2007	2008	2007	2008	2007
MICROmega Securities (Proprietary) Limited and its subsidiary companies	100 000	100	100	47 609	47 609	(16 824)	(2 461)
MICROmega Treasury Solutions (Proprietary) Limited	943	100	100	-	-	12 837	11 030
MICROmega Revenue Management Solutions (Proprietary) Limited and its subsidiary companies	100	100	100	3 141	3 141	6 803	7 212
MICROmega Investments (Proprietary) Limited	135	100	100	92	92	454	454
MICROmega Investment Portfolio (Proprietary) Limited	135	100	100	92	92	328	328
SA Meter Reading Services (Proprietary) Limited	100	100	100	180	180	2	-
Intermap (Proprietary) Limited	100	50	50	5 046	5 046	(889)	(3 955)
Deltec Power Distributors (Proprietary) Limited and its subsidiary company	100	100	100	14 788	14 788	15 318	5 348
Sebata Municipal Solutions (Proprietary) Limited and its subsidiary companies	392	74	74	8 000	8 000	(13 230)	(6 303)
MICROmega National Certification Authority (Proprietary) Limited	120	100	100	-	-	2 665	3 966
MICROmega Professional Risk Solutions (Proprietary) Limited and its subsidiary companies	120	100	100	-	-	(319)	2 280
RiskWorks (Proprietary) Limited	120	100	100	-	-	-	-
MICROmega Quality Assurance (Proprietary) Limited	100	100	100	-	-	-	-
MECS Africa (Proprietary) Limited and its associate company	4 500	100	100	4 930	4 835	4 328	3 648
Swazi Occupational Safety & Health (Proprietary) Limited	100	100	100	406	406	(71)	(71)
BTM Manufacturing (Proprietary) Limited and its subsidiary company	100	100	100	16 794	16 794	7 216	4 326
Automobile Radio Dealers Association 1989 (Proprietary) Limited and its subsidiary company	16	100	100	7 093	8 093	8 421	2 079
Tiseletso (Proprietary) Limited	100	100	100	-	-	11 695	11 679
Mzimkhulu Financial Investments (Proprietary) Limited	100	100	100	-	-	35 794	35 793
Lubrication Equipment (Proprietary) Limited	5 000	100	100	9 524	9 524	1 361	1 140
Stable-Net (Proprietary) Limited	120	85	85	200	-	4 587	675
MICROmega Technologies (Proprietary) Limited	100	85	85	-	-	3 525	44
Kolbenco (Proprietary) Limited	1 100	100	-	5 191	-	(1 802)	-
Ocnelok Properties (Proprietary) Limited	200	50	-	3 674	-	-	-
Sciam Professional Solutions (Proprietary) Limited	100	50	-	-	-	-	-
SaleScience (Proprietary) Limited	100	70	-	-	-	152	-
				126 760	118 600	82 351	77 212

With the exception of Swazi Occupational Safety & Health (Proprietary) Limited, which is domiciled in Swaziland, all of the above entities are domiciled in the Republic of South Africa.

All the above entities have the same year end as MICROmega Holdings Limited.

Balance Sheets

as at 31 December 2008

	Notes	Group		Company	
		2008 R'000	2007 R'000	2008 R'000	2007 R'000
ASSETS					
Non-current assets					
		144 654	104 685	136 922	135 075
Property, plant and equipment	5	55 181	25 197	1 097	814
Intangible assets	6	64 468	59 762	1 000	1 000
Investment in subsidiaries	7	-	-	126 760	118 600
Investment in associates	8	5 527	809	-	-
Other investments	9	6 737	7 290	6 473	6 847
Loans receivable	10	349	3 720	-	3 281
Deferred tax assets	11	12 392	7 907	1 592	4 533
Current assets					
		295 347	173 940	123 730	105 909
Inventories	13	91 059	39 278	12	31
Retirement benefits	14	17 971	-	-	-
Derivatives	17	-	186	-	-
Trade and other receivables	15	124 564	81 668	617	526
Amounts owing by subsidiary companies	16	-	-	121 372	98 342
Current portion of loans receivable	10	689	168	-	-
Cash and cash equivalents	18	30 365	52 640	1 729	7 010
Non-current assets held for sale	12	30 699	-	-	-
Total assets					
		440 001	278 625	260 652	240 984
EQUITY					
Share capital and share premium	19	191 649	194 120	192 741	188 836
Non-distributable reserves	20	5 664	4 945	1 251	625
Retained earnings/(accumulated loss)		50 597	(9 644)	20 041	13 773
Total equity attributable to equity holders of the company					
		247 910	189 421	214 033	203 234
Minority interest		12 338	4 262	-	-
Total equity					
		260 248	193 683	214 033	203 234
LIABILITIES					
Non-current liabilities					
		16 280	7 136	62	1 744
Borrowings	21	8 789	4 812	62	744
Deferred vendor payment	22	-	1 000	-	1 000
Deferred tax liabilities	11	7 491	1 324	-	-
Current liabilities					
		163 473	77 806	46 557	36 006
Bank overdraft	18	13 025	1 345	-	-
Current portion of borrowings	21	19 193	1 677	28	25
Trade and other payables	23	117 773	57 886	4 710	4 271
Derivatives	17	282	-	-	-
Amounts owing to subsidiary companies	24	-	-	39 021	21 130
Current portion of deferred vendor payments	22	4 598	10 580	2 798	10 580
Provisions	25	64	450	-	-
Taxation		8 538	5 868	-	-
Total equity and liabilities					
		440 001	278 625	260 652	240 984

Income Statements

for the year ended 31 December 2008

	Notes	Group		Company	
		2008 R'000	2007 R'000	2008 R'000	2007 R'000
Revenue	26	843 772	483 174	20 008	14 677
Revenue from continuing operations		703 045	483 174	20 008	14 677
Revenue from discontinued operations	35	140 727	-	-	-
Cost of sales		(573 043)	(312 073)	-	-
Gross profit		270 729	171 101	20 008	14 677
Gross profit from continuing operations		213 985	171 101	20 008	14 677
Gross profit from discontinued operations	35	56 744	-	-	-
Other income	27	31 011	5 814	148	2 993
Distribution expenses		(7 213)	(4 906)	(74)	(58)
Administrative expenses	30	(223 805)	(117 454)	(11 927)	(7 721)
Research and development income/(expenses)		395	(201)	-	-
Other expenses	28	-	-	-	(8 294)
Results from operations		71 117	54 354	8 155	1 597
Results from continuing operations		62 848	54 354	8 155	1 597
Results from discontinued operations	35	8 269	-	-	-
Finance income	33	10 847	3 879	1 751	938
Finance expenses	33	(6 567)	(2 081)	(697)	(3 241)
Net finance income/(expense)		4 280	1 798	1 054	(2 303)
Share of profit/(loss) of equity accounted associates		99	(162)	-	-
Profit/(loss) before income taxation		75 496	55 990	9 209	(706)
Profit/(loss) before taxation from continuing operations		71 775	55 990	9 209	(706)
Profit/(loss) before taxation from discontinued operations	35	3 721	-	-	-
Income tax expense	34	(13 570)	(14 400)	(2 941)	(1 965)
Profit for the year		61 926	41 590	6 268	(2 671)
Profit from continuing operations		57 519	41 590	6 268	(2 671)
Profit from discontinued operations	35	4 407	-	-	-
Attributable to:					
Equity holders of the company		60 241	40 401	6 268	(2 671)
Minority interest		1 685	1 189	-	-
Profit for the year		61 926	41 590	6 268	(2 671)
Earnings per share					
Basic earnings/(loss) per share (cents)	36	61,82	41,45	6,43	(2,74)
Diluted earnings/(loss) per share (cents)	36	61,35	40,96	6,38	(2,71)

Statements of Changes in Equity

for the year ended 31 December 2008

	Share capital	Share premium	Revaluation reserve	Foreign currency translation reserve	Deal differences reserve	Share-based payments reserve	Retained earnings / (Accumulated loss)	Total	Minority interest	Total equity
	R'000	R'000	R'000	R'000	R'000	R'000	R'000	R'000	R'000	R'000
GROUP										
Balance at 01 January 2007	963	187 168	1 793	-	-	806	(49 045)	141 685	3 073	144 758
Foreign currency translation differences	-	-	-	2	-	-	-	2	-	2
Revaluation of property, plant and equipment	-	-	866	-	-	-	-	866	-	866
Deferred tax effect on revaluation of property, plant and equipment	-	-	(169)	-	-	-	-	(169)	-	(169)
Creation of non-distributable reserves - deal differences	-	-	-	-	1 000	-	(1 000)	-	-	-
Issue of share capital	12	3 391	-	-	-	-	-	3 403	-	3 403
Share issue costs	-	(9)	-	-	-	-	-	(9)	-	(9)
Treasury shares sold	7	2 543	-	-	-	-	-	2 550	-	2 550
Share-based payments	-	45	-	-	-	647	-	692	-	692
Recognised directly in equity	19	5 970	697	2	1 000	647	(1 000)	7 335	-	7 335
Profit for the year	-	-	-	-	-	-	40 401	40 401	1 189	41 590
Balance at 31 December 2007	982	193 138	2 490	2	1 000	1 453	(9 644)	189 421	4 262	193 683
Balance at 01 January 2008	982	193 138	2 490	2	1 000	1 453	(9 644)	189 421	4 262	193 683
Foreign currency translation differences	-	-	-	(23)	-	-	-	(23)	-	(23)
Deferred tax effect on revaluation of property, plant and equipment	-	-	(102)	-	-	-	-	(102)	-	(102)
Business combinations	-	-	-	-	-	-	-	-	6 391	6 391
Issue of share capital	16	3 543	-	-	-	-	-	3 559	-	3 559
Share issue costs	-	(12)	-	-	-	-	-	(12)	-	(12)
Treasury shares purchased	(27)	(6 086)	-	-	-	-	-	(6 113)	-	(6 113)
Share-based payments	-	95	-	-	-	844	-	939	-	939
Recognised directly in equity	(11)	(2 460)	(102)	(23)	-	844	-	(1 752)	6 391	4 639
Profit for the year	-	-	-	-	-	-	60 241	60 241	1 685	61 926
Balance at 31 December 2008	971	190 678	2 388	(21)	1 000	2 297	50 597	247 910	12 338	260 248

Statements of Changes in Equity (continued)

for the year ended 31 December 2008

	Share capital R'000	Share premium R'000	Share-based payments reserve R'000	Retained earnings R'000	Total R'000
COMPANY					
Balance at 01 January 2007	980	184 462	-	16 444	201 886
Issue of share capital	12	3 391	-	-	3 403
Share issue costs	-	(9)	-	-	(9)
Share-based payments	-	-	625	-	625
Recognised directly in equity	12	3 382	625	-	4 019
Loss for the year	-	-	-	(2 671)	(2 671)
Balance at 31 December 2007	992	187 844	625	13 773	203 234
Balance at 01 January 2008	992	187 844	625	13 773	203 234
Issue of share capital	16	3 806	-	-	3 822
Share issue costs	-	(12)	-	-	(12)
Share-based payments	-	95	626	-	721
Recognised directly in equity	16	3 889	626	-	4 531
Profit for the year	-	-	-	6 268	6 268
Balance at 31 December 2008	1 008	191 733	1 251	20 041	214 033

Cash Flow Statements

for the year ended 31 December 2008

	Notes	Group		Company	
		2008 R'000	2007 R'000	2008 R'000	2007 R'000
Cash flows for operating activities					
Cash generated by operating activities	42.1	56 596	38 948	9 481	8 496
Finance income		10 847	3 587	1 751	938
Finance costs		(6 567)	(1 876)	(697)	(3 241)
Taxation paid	42.2	(13 644)	(13 396)	-	-
Net cash inflows from operating activities		47 232	27 263	10 535	6 193
Cash outflow from investing activities					
<i>Expenditure to maintain operating capacity</i>					
Property, plant and equipment acquired		(19 855)	(8 547)	(715)	(654)
Intangible assets acquired		(1 195)	(108)	-	-
Proceeds of disposals of property, plant and equipment		1 149	718	194	15
Proceeds on disposal of shares		-	753	-	-
<i>Expenditure for expansion</i>					
Acquisition of subsidiaries	42.3	(18 142)	(24 587)	(8 160)	(19 426)
Disposal of subsidiaries	42.4	-	2 993	-	2 993
Investments sold/(acquired)		-	(1 731)	374	(1 252)
Loans receivable granted		(5 050)	(3 787)	-	(3 281)
Loans receivable repaid		553	557	3 281	497
Net cash used in investing activities		(42 540)	(33 739)	(5 026)	(21 108)
Cash flows from financing activities					
Treasury shares (repurchased)/sold		(6 113)	2 550	-	-
Borrowings (repaid)/raised		(29 099)	(2 265)	(679)	769
Deferred vendor payments raised		2 800	11 227	1 000	10 690
Deferred vendor payments repaid		(6 235)	(9 402)	(5 972)	(7 316)
Subsidiary company loans raised		-	-	17 891	10 275
Subsidiary company loans (granted)/repaid		-	-	(23 030)	5 856
Net cash (used)/generated in financing activities		(38 647)	2 110	(10 790)	20 274
(Decrease)/increase in cash and cash equivalents		(33 955)	(4 366)	(5 281)	5 359
Cash and cash equivalents at the beginning of the year		51 295	55 661	7 010	1 651
Cash and cash equivalents at the end of the year	18	17 340	51 295	1 729	7 010

Notes to the Financial Statements

for the year ended 31 December 2008

1. Reporting entity

MICROmega Holdings Limited is a company domiciled in the Republic of South Africa. The address of the company's registered office is Block C, Chislehurst Office Park, Chislehurst, Sandton. The consolidated financial statements of the Group as at and for the year ended 31 December 2008, comprise the company and its subsidiaries (together referred to as the "Group" and individually as "Group entities") and the Group's interest in associates. The Group's activities range across a broad spectrum of sectors (see the segment report and the report of the directors).

2. Basis of preparation

(a) Statement of compliance

The consolidated financial statements have been prepared in accordance with International Financial Reporting Standards (IFRSs) and its interpretations adopted by the International Accounting Standards Board (IASB) and the Companies Act of South Africa.

The Group early adopted the revisions to IFRS 3 and the amendments to IAS 27 during the current financial year.

The financial statements were approved by the Board of Directors on 30 March 2009.

(b) Basis of measurement

The consolidated financial statements have been prepared on the historical cost basis except for the following:

- Derivative financial instruments are measured at fair value; and
- Financial instruments at fair value through profit or loss are measured at fair value.

The methods used to measure fair value are discussed further in note 4.

(c) Functional and presentation currency

These consolidated financial statements are presented in Rand, which is the company's functional currency. All financial information presented in Rand has been rounded to the nearest thousand unless otherwise indicated.

(d) Use of estimates and judgements

The preparation of financial statements, in conformity with IFRSs, requires management to make judgements, estimates and assumptions that affect the application of accounting policies and the reported amounts of assets, liabilities, income and expenses. Actual results may differ from these estimates.

Estimates and underlying assumptions are reviewed on an ongoing basis. Revision to accounting estimates are recognised in the period in which the estimate is revised and in any future periods affected.

In particular, information about significant areas of estimation uncertainty and critical judgements in applying accounting policies that have the most significant effect on the amount recognised in the financial statements is included in the following notes:

- Note 6 – measurement of the recoverable amounts of cash-generating units
- Notes 9, 15, 16, 21 & 37 – valuation of financial instruments
- Note 11 – utilisation of tax losses
- Note 21 – lease classification
- Note 25 – provisions and contingencies
- Note 37 – measurement of shared-based payments
- Note 39 – business combinations

(e) Comparative information

Certain comparative information has been reclassified to conform with the current year's presentation. Loans to/(from) subsidiary companies which were previously disclosed as non-current assets or non-current liabilities have now been disclosed as current assets or liabilities.

Notes to the Financial Statements (continued)

for the year ended 31 December 2008

3. Significant accounting policies

The accounting policies set out below have been applied consistently to all periods presented in these consolidated financial statements, and have been applied consistently by Group entities.

(a) Basis of consolidation

(i) Subsidiaries

Subsidiaries are entities controlled by the Group. Control exists when the Group has the power to govern the financial and operating policies of an entity so as to obtain benefits from its activities. In assessing control, potential voting rights that currently are exercisable 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 the control ceases. Investments in subsidiaries are carried at cost less impairment adjustments in the company's separate financial statements.

The accounting policies of subsidiaries have been changed when necessary to align them with the policies adopted by the Group.

(ii) Associates

Associates are those entities in which the Group has significant influence, but not control, over the financial and operating policies. Significant influence is presumed to exist when the Group holds between 20 and 50 percent of the voting power of another entity. Associates are accounted for using the equity method and are initially recognised at cost. The consolidated financial statements include the Group's share of the income and expenses and equity movements of the associate, after adjustments to align the accounting policies with those of the Group, from the date that significant influence commences until the date that the significant influence ceases. When the Group's share of losses exceeds its interest in an equity accounted associate, the carrying amount of that interest (including any long-term investments) is reduced to nil and the recognition of further losses is discontinued except to the extent that the Group has an obligation or has made payments on behalf of the associate.

Investments in associates are carried at cost less impairment adjustments in the company's financial statements.

(iii) Transactions eliminated on consolidation

Intra-group balances and transactions, and any unrealised income and expenses arising from intra-group transactions, are eliminated in preparing the consolidated financial statements. Unrealised gains arising from transactions with equity accounted associates are eliminated against the investment to the extent of the Group's interest in the associate. Unrealised losses are eliminated in the same way as unrealised gains, but only to the extent that there is no evidence of impairment.

(b) Foreign currency

(i) Foreign currency transactions

Transactions in foreign currencies are translated to the respective functional currencies of Group entities at exchange rates at the dates of the transactions. Monetary assets and liabilities denominated in foreign currencies at the reporting date are retranslated to the functional currency at the exchange rate at that date. The foreign currency gain or loss on monetary items is the difference between amortised cost in the functional currency at the beginning of the period, adjusted for effective interest and payment during the period, and the amortised cost in foreign currency at the exchange rate at the end of the period. Non-monetary assets and liabilities denominated in foreign currencies that are measured at fair value are retranslated to the functional currency at the exchange rate at the date that the fair value was determined. Foreign currency differences arising on retranslation are recognised in the profit or loss.

(ii) Foreign operations

The assets and liabilities of foreign operations, including goodwill and fair value adjustments arising on acquisition, are translated to Rand at exchange rates at the reporting date. The income and expenses of foreign operations are translated to Rand at exchange rates at the dates of the transaction.

Foreign currency differences are recognised directly in equity, in the foreign currency translation reserve. Foreign exchange gains and losses arising from a monetary item receivable from or payable to a foreign operation, the settlement of which is neither planned nor likely in the foreseeable future, are considered to form part of a net investment in a foreign operation and are recognised directly in equity in the FCTR. When a foreign operation is disposed of, in part or in full, the relevant amount in the foreign currency translation reserve is transferred to profit or loss.

Notes to the Financial Statements (continued)

for the year ended 31 December 2008

(c) Financial instruments

(i) Non-derivative financial instruments

Non-derivative financial instruments comprise investments in equity and debt securities, trade and other receivables, cash and cash equivalents, loans and borrowings, loans receivable, and trade and other payables.

Non-derivative financial instruments are recognised initially at fair value plus, for instruments not at fair value through profit and loss, any directly attributable transaction costs. Subsequent to initial recognition non-derivative financial instruments are measured as described below.

A financial instrument is recognised when the Group becomes party to the contractual provisions of the instrument. Financial assets are derecognised if the Group's contractual rights to the cash flows from the financial asset expire or if the Group transfers the financial asset to another party without retaining control or substantially all risks and reward of the asset. Regular way purchases and sales of financial assets are accounted for at trade date, i.e., the date that the Group commits itself to purchase or sell the asset. Financial liabilities are derecognised if the Group's obligations specified in the contract expire or are discharged or cancelled.

Cash and cash equivalents comprise cash balances and call deposits. Bank overdrafts that are repayable on demand, and form an integral part of the Group's cash management are included as a component of cash and cash equivalents for the purpose of the statement of cash flows.

Accounting for finance income and expense is discussed in note 3(o).

Held-to-maturity-investments

If the Group has the positive intent and ability to hold debt securities to maturity, then they are classified as held-to-maturity. Held-to-maturity investments are measured at amortised cost using the effective interest method, less any impairment losses.

Available-for-sale financial assets

The Group's investments in equity securities and certain debt securities are classified as available-for-sale financial assets. Subsequent to initial recognition, they are measured at fair value and changes therein, other than impairment losses, and foreign exchange gains and losses on available-for-sale monetary items, are recognised directly in equity. When an investment is derecognised, the cumulative gain or loss in equity is transferred to profit or loss.

Financial assets at fair value through profit or loss

An instrument is classified as at fair value through profit or loss if it is held for trading or is designated as such upon initial recognition. Financial instruments are designated at fair value through profit or loss if the Group manages such investments and makes purchase and sale decisions based on their fair value in accordance with the Group's documented risk management and investment strategy. Upon initial recognition attributable transaction costs are recognised in profit or loss when incurred. Financial instruments at fair value through profit or loss are measured at fair value, and changes therein are recognised in profit or loss.

Other

Other non-derivative financial instruments are measured at amortised cost using the effective interest method, less any impairment losses.

(ii) Derivative financial instruments

The Group holds derivative financial instruments to hedge its foreign currency risk exposures.

Derivatives are recognised initially at fair value and attributable transaction costs are recognised in profit or loss when incurred. Subsequent to initial recognition, derivatives are measured at fair value. Forward exchange contracts are used to hedge its foreign currency risk. Fair value gains and losses are recognised directly in profit or loss.

(iii) Share capital

Ordinary shares

Ordinary shares are classified as equity. Incremental costs directly attributable to the issue of ordinary shares and share options are recognised as a deduction from equity.

Notes to the Financial Statements (continued)

for the year ended 31 December 2008

Repurchase of share capital

When share capital recognised as equity is repurchased, the amount of the consideration paid, including directly attributable costs, is recognised as a deduction from equity. Repurchased shares are classified as treasury shares and are presented as a deduction from total equity. When treasury shares are sold or re-issued subsequently, the amount received is recognised as an increase in equity.

(d) Property, plant and equipment

(i) Recognition and measurement

Items of property, plant and equipment, with the exception of land and buildings, are measured at cost less accumulated depreciation and impairment losses. Land and buildings are revalued annually by independent valuers. Additions are financed under instalment sales agreements and therefore borrowing costs are not capitalised.

Cost includes expenditure that is directly attributable to the acquisition of the items of property, plant and equipment. The cost of self-constructed items of property, plant and equipment includes the cost of materials and direct labour, any other costs directly attributable to bringing the items of property, plant and equipment to a working condition for its intended use, and the costs of dismantling and removing the items and restoring the site on which they are located. Purchased software that is integrated to the functionality of the equipment is capitalised as part of that equipment.

When parts of an item of property, plant and equipment have different useful lives, they are accounted for as separate items (major components) of property, plant and equipment.

(ii) Subsequent costs

The cost of replacing part of an item of property, plant and equipment is recognised in the carrying amount of the item if it is probable that the future economic benefits embodied within the part will flow to the Group and its cost can be measured reliably. The carrying value of the replaced part is derecognised. The costs of the day-to-day servicing of property, plant and equipment are recognised in profit or loss as incurred.

(iii) Depreciation

Depreciation is recognised in profit or loss on a straight-line basis over the estimated useful lives of each part of an item of property, plant and equipment. Leased assets are depreciated over the shorter of the lease term and their useful lives. Land is not depreciated.

The estimated useful lives for the current and comparative periods are as follows:

• Plant and equipment	5 – 15 years
• Motor vehicles	4 – 5 years
• Furniture and fittings	5 – 10 years
• Office equipment	5 – 10 years
• Computer equipment	2 – 5 years
• Computer software	2 – 3 years
• Leasehold improvements	Over the period of the lease

Depreciation methods, useful lives and residual values are reviewed at each reporting date.

(iv) Derecognition

The gain or loss arising from the disposal 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 disposal of an item of property, plant and equipment is determined as the difference between the net disposal proceeds, if any, and the carry amount of the item of property, plant and equipment and are recognised net within "other income" in profit or loss. When revalued assets are sold, the amounts included in the revaluation surplus reserve are transferred to retained earnings.

(e) Intangible assets

(i) Goodwill

Goodwill (negative goodwill) arises on the acquisition of subsidiaries, associates and joint ventures.

For acquisitions on or after 1 January 2003, goodwill represents the excess of the cost of the acquisition over the Group's interest in the net fair value of the identifiable assets, liabilities and contingent liabilities of the acquiree. When the excess is negative (negative goodwill), it is recognised immediately in profit or loss.

Notes to the Financial Statements (continued)

for the year ended 31 December 2008

Acquisition of minority interests

Goodwill arising on the acquisition of a minority interest in a subsidiary represents the excess of the cost of the additional investment over the carrying amount of the net assets acquired at the date of exchange.

Subsequent measurement

Goodwill is not amortised but is tested for impairment annually, or more frequently if events or changes in circumstances indicate that carrying value may be impaired. Goodwill is measured at cost less accumulated impairment losses. In respect of associates, the carrying amount of goodwill is included in the carrying amount of the investment.

(ii) Research and development

Expenditure on research activities, undertaken with the prospect of gaining new technical knowledge and understanding, is recognised in profit or loss when incurred.

Development activities involve a plan or design for the production of new or substantially improved products and processes. Development expenditure is capitalised only if development costs can be measured reliably, the product or process is technically and commercially feasible, future economic benefits are probable, and the Group intends to, and has sufficient resources to complete development and to use or sell the asset. The expenditure capitalised includes the cost of materials, direct labour and overhead costs that are directly attributable to preparing the asset for its intended use. Other development expenditure is recognised in profit or loss as incurred.

Capitalised development expenditure is measured at cost less accumulated amortisation and accumulated impairment losses.

(iii) Other intangible assets

Other intangible assets that are acquired by the Group, which have finite useful lives, are measured at cost less accumulated amortisation and accumulated impairment losses.

(iv) Subsequent expenditure

Subsequent expenditure is capitalised only when it increases the future economic benefits embodied in the specific asset to which it relates. All other expenditure, including expenditure on internally generated goodwill and brands, is recognised in profit or loss as incurred.

(v) Amortisation

Amortisation is recognised in profit or loss on a straight-line basis over the estimated useful lives of intangible assets, other than goodwill, from the date that they are available for use. The estimated useful lives for the current and comparative periods are as follows:

• Brand names	Indefinite
• Computer software	3 - 5 years
• Customer relationships	2 - 4 years
• Patents, trademarks and other rights	10 years to indefinite
• Intellectual property	Indefinite

Amortisation methods, useful lives and residual values are reviewed at the reporting date.

An intangible asset is regarded as having an indefinite useful life when, based on all relevant factors, there is no foreseeable limit to the period over which the asset is expected to generate net cash inflows. Amortisation is not provided for these intangible assets but they are tested for impairment annually, or more frequently if events or changes in circumstances indicate that the carrying value may be impaired, and it is subsequently carried at cost less accumulated impairment losses.

(f) Leased assets

Leases in terms of which the Group assumes substantially all the risks and rewards of ownership are classified as finance leases. Upon initial recognition the leased asset is measured at an amount equal to the lower of its fair value and the present value of the minimum lease payments. Subsequent to initial recognition, the asset is accounted for in accordance with the accounting policy applicable to that asset.

Other leases are operating leases and the leased assets are not recognised on the Group's balance sheet.

Notes to the Financial Statements (continued)

for the year ended 31 December 2008

(g) Inventories

Inventories are measured at the lower of cost and net realisable value. The cost of inventories is based on the weighted average cost principle, and includes expenditure incurred in acquiring the inventories and bringing them to their existing location and condition. In the case of manufactured inventories and work in progress, cost includes an appropriate share of production overheads based on normal operating capacity. Net realisable value is the estimated selling price in the ordinary course of business, less the estimated costs of completion and selling expenses.

Where necessary, provision is made for obsolete, slow-moving and defective inventories.

(h) Impairment

(i) Financial assets

A financial asset is assessed at each reporting date to determine whether there is any objective evidence that it is impaired. A financial asset is considered to be impaired if objective evidence indicated that one or more events had a negative effect on the estimated future cash flows of that asset.

An impairment loss in respect of a financial asset measured at amortised cost is calculated as the difference between its carrying amount, and the present value of the estimated future cash flows discounted at the original effective interest rate. An impairment loss in respect of an available-for-sale financial asset is calculated by reference to its current fair value.

Individually significant financial assets are tested for impairment on an individual basis. The remaining financial assets are assessed collectively in groups that share similar credit risk characteristics.

All impairment losses are recognised in profit or loss. Any cumulative loss in respect of an available-for-sale financial asset recognised previously in equity is transferred to profit or loss.

An impairment loss is reversed if the reversal can be related objectively to an event occurring after the impairment loss was recognised. For financial assets measured at amortised cost and available-for-sale financial assets that are debt securities, the reversal is recognised in the profit or loss. For available-for-sale financial assets that are equity securities, the reversal is recognised directly in equity.

(ii) Non-financial assets

The carrying amount of the Group's non-financial assets, other than inventories and deferred tax assets, are reviewed at each reporting date to determine whether there is any indication of impairment. If any such indication exists then the asset's recoverable amount is estimated. For goodwill and intangible assets that have indefinite lives or that are not yet available for use, the recoverable amount is estimated at each reporting date.

An impairment loss is recognised if the carrying amount of an asset or its cash-generating unit exceeds its recoverable amount. A cash-generating unit is the smallest identifiable asset group that generates cash flows that largely are independent from other assets and groups.

Impairment losses are recognised in profit or loss. Impairment losses recognised in respect of cash-generating units are allocated first to reduce the carrying amount of any goodwill allocated to the units and then to reduce the carrying amount of the other assets in the group on a *pro rata* basis.

The recoverable amount of an asset or cash-generating unit is the greater of its value in use and its fair value less cost to sell. In assessing value in use, the estimated future cash flows are discounted to their present value using a pre-tax discount rate that reflects current market assessments of the time value of money and the risks specific to the asset.

For the purpose of impairment testing, assets are grouped together into the smallest group of assets that generates cash inflows from continuing use that are largely independent of cash inflows of other assets ("cash-generating unit"). The goodwill acquired in a business combination, for the purpose of impairment testing, is allocated to cash-generating units that are expected to benefit from the synergies of the combination.

An impairment loss in respect of goodwill is not reversed. In respect of other assets, impairment losses recognised in prior periods are assessed at each reporting date for any indications that the loss has decreased or no longer exists. An impairment loss is reversed if there has been a change in the estimates used to determine the recoverable amount.

Notes to the Financial Statements (continued)

for the year ended 31 December 2008

An impairment loss is reversed only to the extent that the asset's carrying amount does not exceed the carrying amount that would have been determined, net of depreciation or amortisation, if no impairment loss had been recognised.

(i) Non-current assets held for sale

Non-current assets (or disposal groups comprising assets and liabilities) that are expected to be recovered primarily through sale rather than through continuing use, are classified as held for sale. Immediately before classification as held for sale, the assets (or components of a disposal group) are remeasured in accordance with the Group's accounting policies. Thereafter the assets (or disposal group) are measured at the lower of their carrying amount and fair value less cost to sell. Any impairment loss on a disposal group is first allocated to goodwill, and then to remaining assets and liabilities on a *pro rata* basis, except that no loss is allocated to inventories, financial assets or deferred tax assets, which continue to be measured in accordance with the Group's accounting policies. Impairment losses on initial classification as held for sale and subsequent gains or losses on remeasurement are recognised in profit or loss. Gains are not recognised in excess of any cumulative impairment loss.

(j) Employee benefits

(i) Defined contribution plans

A defined contribution plan is a post-employment benefit plan under which an entity pays fixed contributions into a separate entity and will have no legal or constructive obligation to pay further amounts. Obligations for contributions to defined contribution plans are recognised as an employee expense in profit or loss when they are due.

(ii) Defined benefit plans

A defined benefit plan is a post-employment plan other than a defined contribution plan. The Group's net obligation in respect of defined benefit plans is calculated separately for each plan by estimating the amount of future benefits that employees have earned in return for their service in the current and prior periods; those benefits are discounted to determine the present value. Any unrecognised past service costs and the fair value of any plan assets are deducted. The calculation is performed annually by a qualified actuary using the projected unit credit method. When the calculation results in a benefit to the Group, the recognised asset is limited to the net total of any unrecognised past service costs and the present value of any future refunds from the plan or reductions in future contributions to the plan.

When the benefits of a plan are improved, the portion of the increased benefit relating to past service by employees is recognised in profit or loss on a straight-line basis over the average period until the benefits become vested. To the extent that the benefits vest immediately, the expense is recognised immediately in profit or loss.

(iii) Termination benefits

Termination benefits are recognised as an expense when the Group is demonstrably committed, without realistic possibility of withdrawal, to a formal detailed plan to either terminate employment before the normal retirement date or to provide termination benefits as a result of an offer made to encourage voluntary redundancy. Termination benefits for voluntary redundancies are recognised as an expense if the Group has made an offer of voluntary redundancy, it is probable that the offer will be accepted, and the number of acceptances can be estimated reliably.

(iv) Short-term benefits

Short-term employee benefit obligations are measured on an undiscounted basis and are expensed as the related service is provided.

A liability is recognised for the amount expected to be paid under short-term cash bonuses or profit-sharing plans if the Group has a present legal or constructive obligation to pay this amount as a result of past service provided by the employee and the obligation can be estimated reliably.

(v) Share-based payment transactions

The grant date fair value of options granted to employees is recognised as an employee expense, with a corresponding increase in equity, over the period in which the employees become unconditionally entitled to the options. The amount recognised as an expense is adjusted to reflect the actual number of share options, for which the related service and non-market conditions are met.

(k) Provisions

A provision is recognised if, as a result of a past event, the Group has a present legal or constructive obligation that can be estimated reliably, and it is probable that an outflow of economic benefits will be required to settle the obligation. Provisions are

Notes to the Financial Statements (continued)

for the year ended 31 December 2008

determined by discounting the expected future cash flows at a pre-tax rate that reflects current market assessments of the time value of money and the risks specific to the liability.

(l) Revenue

(i) Goods sold

Revenue from the sale of goods is measured at the fair value of the consideration received or receivable, net of returns, trade discounts and volume rebates. Revenue is recognised when the significant risks and rewards of ownership have been transferred to the buyer, recovery of the consideration is probable, the associated costs and possible return of goods can be estimated reliably, and there is no continuing management involvement with the goods, and the amount of revenue can be measured reliably.

(ii) Services

Revenue from services rendered is recognised in profit or loss in proportion to the stage of completion of the transaction at the reporting date. The stage of completion is assessed by reference to surveys of work performed.

(m) Government grants

Grants that compensate the Group for expenses incurred are recognised in profit or loss on a systematic basis in the same periods in which the expenses are recognised. Grants that compensate the Group for the cost of an asset are recognised in profit or loss on a systematic basis over the useful life of the asset.

(n) Lease payments

Payments made under operating leases are recognised in profit or loss on a straight-line basis over the term of the lease. Lease incentives received are recognised as an integral part of the total lease expense, over the term of the lease.

Minimum lease payments made under finance leases are apportioned between the finance expense and the reduction of the outstanding liability. The finance expense is allocated to each period during the lease term so as to produce a constant periodic rate of interest on the remaining balance of the liability. Contingent lease payments are accounted for by revising the minimum lease payments over the remaining term of the lease when the lease adjustment is confirmed.

(o) Finance income and expenses

Finance income comprises interest income on funds invested, dividend income, gains on the disposal of available-for-sale financial assets, changes in the fair value of financial assets at fair value through profit or loss, foreign currency gains on forward exchange contracts recognised in profit or loss. Interest income is recognised as it accrues in profit or loss, using the effective interest method. Dividend income is recognised in profit or loss on the date that the Group's right to receive payment is established, which in the case of quoted securities is the ex-dividend date.

Finance expenses comprise interest expense on borrowings, unwinding of discount on provisions, changes in fair value of financial assets at fair value through profit or loss, impairment losses recognised on financial assets and losses on forward exchange contracts that are recognised in profit or loss. All borrowing costs are recognised in profit or loss using the effective interest method.

(p) Income tax expenses

Income tax expense comprises current and deferred tax. Income tax expense is recognised in profit or loss, except to the extent that it relates to items recognised directly in equity, in which case it is recognised in equity.

Current tax is the expected tax payable on the taxable income for the year, using tax rates enacted or substantively enacted at the reporting date, and any adjustment to tax payable in respect of previous years.

Deferred tax is recognised using the balance sheet method, providing for temporary differences between the carrying amounts of assets and liabilities for financial reporting purposes and the amounts used for taxation purposes. Deferred tax is not recognised for the following temporary differences: the initial recognition of goodwill, the initial recognition of assets or liabilities in a transaction that is not a business combination and that affects neither accounting nor taxable profit, and differences relating to investments in subsidiaries to the extent that they probably will not reverse in the foreseeable future. Deferred tax is measured at the tax rate expected to be applied to the temporary differences when they reverse, based on the laws that have been enacted or substantively enacted by the reporting date.

Notes to the Financial Statements (continued)

for the year ended 31 December 2008

Deferred tax assets and liabilities are offset if there is a legally enforceable right to offset current tax liabilities and assets, and they relate to income taxes levied by the same tax authority on the same taxable entity, or on different tax entities, but they intend to settle current tax liabilities and assets on a net basis or their tax assets and liabilities will be realised simultaneously.

A deferred tax asset is recognised to the extent that it is probable that future taxable profits will be available against which temporary differences can be utilised. Deferred tax assets are reviewed at each reporting date and are reduced to the extent that it is no longer probable that the related tax benefit will be realised.

Additional income taxes that arise from the distribution of dividends are recognised at the same time as the liability to pay the relevant dividend is recognised.

(q) Earnings per share

The Group presents basic and diluted earnings per share (EPS) data for its ordinary shares. Basic EPS is calculated by dividing the profit or loss attributable to ordinary shareholders of the company by the weighted average number of ordinary shares outstanding during the period. Diluted EPS is determined by adjusting the profit or loss attributable to ordinary shareholders and the weighted average number of ordinary shares outstanding for the effects of all dilutive potential ordinary shares, which comprises share options granted to employees.

(r) Segment reporting

A segment is a distinguishable component of the Group that is engaged either in providing related products or services (business segment), or in providing products or services within a particular economic environment (geographical segment), which is subject to risks and returns that are different from those of the other segments. The Group's primary format for segment reporting is based on business segments. The business segments are determined based on the industry that the operations are linked to.

No secondary geographical segment analysis has been included as geographical location does not play a significant role in the Group's operations and thus this information will not be beneficial.

Segment revenue

Segment revenue represents the gross value of services invoiced and goods sold excluding value added taxation, which is directly attributable and reasonably allocated to each business segment.

Investment income is included in the segment where the business activity holding the investment is situated.

Segment results

Segment results equal segment revenue less segment expenses before any adjustment to minority interests.

Segment assets and liabilities

Segment assets and liabilities include direct and reasonable allocable operating assets, investments in associates and liabilities. Segment assets comprise total assets less deferred tax assets, investments in associates, tax receivable assets and loans receivable from Group companies. Segment liabilities comprise total liabilities less deferred tax liabilities, tax payable liabilities and loans payable to Group companies.

(s) New standards and interpretations not yet adopted

At the date of authorisation of the financial statements of the Group for the year ended 31 December 2008, the following Standards and Interpretations were in issue but not yet effective:

Notes to the Financial Statements (continued)

for the year ended 31 December 2008

	Standard/Interpretation	Effective date
IAS 1	<i>Presentation of Financial Statements</i>	Annual period commencing 1 January 2009*
IAS 23	<i>Borrowing Costs</i>	Annual period commencing 1 January 2009*
IAS 32 & IAS 1 amendment	<i>IAS 32 Financial Instruments: Presentation and IAS 1 Presentation of Financial Statements: Puttable Financial Instruments and Obligations Arising on Liquidation</i>	Annual period commencing 1 January 2009*
IAS 39 amendment	<i>Eligible hedged items</i>	Annual period commencing 1 July 2009*
IFRS 1 (IAS 27 amendment)	<i>Cost of an Investment in a Subsidiary, Jointly Controlled Entity or Associate</i>	Annual period commencing 1 July 2009*
IFRS 2 amendment	<i>IFRS 2 Share-based Payment: Vesting Conditions and Cancellations</i>	Annual period commencing 1 January 2009*
IFRS 5	<i>Non-Current Assets Held for Sale and Discontinued Operations</i>	Annual period commencing 1 July 2009*
IFRS 8	<i>Operating Segments</i>	Annual period commencing 1 January 2009*
IFRIC 12	<i>Service Concession Arrangements</i>	Annual period commencing 1 January 2008*
IFRIC 13	<i>Customer Loyalty Programmes</i>	Annual period commencing on or after 1 July 2008*
IFRIC 15	<i>Agreements for the construction of real estate</i>	Annual period commencing 1 January 2009*
IFRIC 16	<i>Hedges of a net investment in a foreign operation</i>	Annual period commencing 1 October 2008*
IFRIC 17	<i>Distribution of non-cash assets to owners</i>	Annual period commencing 1 July 2009*
IFRIC 18	<i>Transfer of assets from customers</i>	Annual period commencing 1 July 2009*
* All Standards and Interpretations will be adopted at their effective date (except for those Standards and Interpretations that are not applicable to the Group).		

IFRIC 12, IFRIC 13, IFRIC 15, IFRIC 16, IFRIC 17 and IFRIC 18 are not applicable to the business of the Group and will therefore have no impact on future financial statements. The directors are of the opinion that the impact of the application of the remaining Standards and Interpretations will be as follows:

IAS 1

The Group will present all non-owner changes in equity in a single statement of comprehensive income (which will include the current income statement) and owner changes in equity in the statement of changes in equity.

Reclassification adjustments and income tax relating to each component of other comprehensive income will be disclosed on the face of the statement of comprehensive income. Currently these components are available-for-sale fair value gains or losses reserve and the foreign currency translation reserve.

IAS 23

The revised IAS 23 will become mandatory for the Group's 2009 consolidated annual financial statements and will constitute a change in accounting policy for the Group.

The Group will capitalise borrowing costs that are directly attributable to the acquisition, construction or production of qualifying assets that commence on or after 1 January 2009. Currently these borrowing costs are expensed. Qualifying assets are assets that necessarily take a substantial period of time to get ready for their intended use or sale.

IAS 32 and IAS 1 amendments

The amendment to IAS 32 and IAS 1 will be adopted by the Group for the first time for its financial reporting period ending 31 December 2009. The Group will reclassify a financial liability as equity from the date when the instrument has all of the features and meets the conditions set out in IAS 32. An equity instrument shall be measured at the carrying value of the financial liability at the date of reclassification.

IFRS 1

IFRS 1 relates to the first time adoption of IFRS. As the Group is entirely IFRS compliant, the only potential effects will be on future additions.

Notes to the Financial Statements (continued)

for the year ended 31 December 2008

IFRS 2 amendment

The amendments to the standard require that vesting and non-vesting conditions are taken into account in accounting for share-based payments. Non-vesting conditions are taken into account in measuring the grant date fair value and there is no “true-up” for differences between expected and actual outcomes.

The Group’s current share-based payments are all linked to a period of service as a vesting condition and thus there will be no effect on the consolidated annual financial statement as a result of the amendment to IFRS 2.

IFRS 5 amendments

IFRS 5 will be adopted by the Group for the first time for its financial reporting period ending 31 December 2009.

In terms of this IFRS, the results of a discontinued operation are to be shown separately on the statement of comprehensive income, as introduced by the changes to IAS 1. Further the requirements over the timing of recognising assets held for sale and discontinued operations have changed.

IFRS 8

IFRS 8 will be adopted by the Group for the first time for its financial reporting period ending 31 December 2009.

In terms of this IFRS, presentation and disclosure of segment information will be based on the internal reports regularly reviewed by the Group’s Chief Operating Decision maker in order to assess each segment’s performance and to allocate reserves to them. Such information may be different from what is used to prepare the income statement and balance sheet.

The operating segments of the Group are the same as the current business segments based on IAS 14.

The accounting policies of these operating segments are the same as those described in the summary of significant accounting policies.

4. Determination of fair values

A number of the Group’s accounting policies and disclosures require the determination of fair value, for both financial and non-financial assets and liabilities. Fair values have been determined for measurement and / or disclosure purposes based on the following methods. Where applicable, further information about the assumptions made in determining fair values is disclosed in the notes specific to that asset or liability.

(i) Property, plant and equipment

The fair value of property, plant and equipment recognised as a result of a business combination is based on market values. The market value of property is the estimated amount for which a property could be exchanged on the date of valuation between a willing buyer and a willing seller in an arm’s length transaction after proper marketing wherein the parties had each acted knowledgeably, prudently and without compulsion. The market value of items of plant, equipment, fixtures and fittings is based on the quoted market prices for similar items.

(ii) Intangible assets

The fair value of brand names acquired in a business combination is based on the discounted estimated royalty payments that have been avoided as a result of the brand name being owned. The fair value of other intangible assets is based on the discounted cash flows expected to be derived from the use of and eventually sale of the assets.

(iii) Inventory

The fair value of inventory acquired in a business combination is determined on its estimated selling price in the ordinary course of business less the estimated costs of completion and sale, and a reasonable profit margin based on the effort required to complete and sell the inventory.

(iv) Investments in equity and debt securities

The fair value of financial assets at fair value through profit or loss, held-to-maturity investments and available-for-sale financial assets is determined by reference to their quoted closing bid prices at the reporting date.

(v) Trade and other receivables

The fair value of trade and other receivables is estimated as the present value of future cash flows, discounted at the market rate of interest at the reporting date.

Notes to the Financial Statements (continued)

for the year ended 31 December 2008

(vi) **Derivatives**

The fair value of forward exchange contracts is based on the market related forward rate as quoted by the banks for an instrument issued on the reporting date with a similar expiry date.

(vii) **Share-based payment transactions**

The fair value of employee share options is measured using the Black-Scholes formula. Measurement inputs include share price on measurement date, exercise price of the instrument, expected volatility (based on weighted average historic volatility adjusted for changes expected due to publicly available information), weighted average expected life of the instrument (based on the rules of the share incentive scheme), expected dividends, and the risk-free interest rate (based on government bonds). Service and non-market performance conditions attached to the transactions are not taken into account in determining fair value.

5. Property plant and equipment

	Cost / Valuation	2008 Accumulated depreciation and impairment losses	Carrying value	Cost / Valuation	2007 Accumulated depreciation and impairment losses	Carrying value
	R'000	R'000	R'000	R'000	R'000	R'000
GROUP						
Land and buildings	27 990	-	27 990	6 250	-	6 250
Plant and equipment	14 514	5 107	9 407	8 119	3 440	4 679
Motor vehicles	10 353	4 146	6 207	9 591	3 392	6 199
Furniture and fittings	4 647	1 943	2 704	4 188	1 871	2 317
Office equipment	2 332	1 282	1 050	2 617	1 442	1 175
Computer equipment	14 638	8 604	6 034	12 254	8 422	3 832
Computer software	1 235	520	715	593	340	253
Leasehold improvements	1 816	742	1 074	1 147	655	492
	77 525	22 344	55 181	44 759	19 562	25 197

Included in the figures above are the following in terms of assets leased under finance leases.

	Cost	2008 Accumulated depreciation and impairment losses	Carrying value	Cost	2007 Accumulated depreciation and impairment losses	Carrying value
	R'000	R'000	R'000	R'000	R'000	R'000
GROUP						
Leased assets						
Office equipment under finance leases	124	50	74	124	27	97

Notes to the Financial Statements (continued)

for the year ended 31 December 2008

5. Property plant and equipment (continued)

The carrying value of property, plant and equipment can be reconciled as follows:

	Carrying value at the beginning of the year	Additions	Additions through business combinations	Disposals	Transfers to non-current assets held for sale	Impairment reversal	Depreciation	Carrying value at end of year
	R'000	R'000	R'000	R'000	R'000	R'000	R'000	R'000
GROUP								
2008								
Land and buildings	6 250	40	21 700	-	-	-	-	27 990
Plant and equipment	4 679	9 725	31 918	(41)	(30 325)	123	(6 672)	9 407
Motor vehicles	6 199	1 866	341	(504)	-	-	(1 695)	6 207
Furniture and fittings	2 317	929	15	(73)	(6)	-	(478)	2 704
Office equipment	1 175	479	355	(286)	(230)	-	(443)	1 050
Computer equipment	3 832	5 194	23	(102)	(9)	-	(2 904)	6 034
Computer software	253	765	4	(3)	(129)	-	(175)	715
Leasehold improvements	492	857	-	-	-	-	(275)	1 074
	25 197	19 855	54 356	(1 009)	(30 699)	123	(12 642)	55 181

	Carrying value at the beginning of the year	Additions	Additions through business combinations	Disposals	Transfers	Revaluation	Depreciation	Carrying value at end of year
	R'000	R'000	R'000	R'000	R'000	R'000	R'000	R'000
2007								
Land and buildings	5 380	4	-	-	-	866	-	6 250
Plant and equipment	4 463	1 113	117	(49)	108	-	(1 073)	4 679
Motor vehicles	4 687	2 166	867	(124)	-	-	(1 397)	6 199
Furniture and fittings	1 459	1 278	144	(38)	-	-	(526)	2 317
Office equipment	647	849	141	(101)	(29)	-	(332)	1 175
Computer equipment	3 062	2 610	152	(246)	(18)	-	(1 728)	3 832
Computer software	207	131	-	-	18	-	(103)	253
Leasehold improvements	347	396	1	-	(79)	-	(173)	492
	20 252	8 547	1 422	(558)	-	866	(5 332)	25 197

Certain property, plant and equipment is encumbered as stated in note 21 - Borrowings.

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

Notes to the Financial Statements (continued)

for the year ended 31 December 2008

5. Property plant and equipment (continued)

	2008			2007		
	Cost	Accumulated depreciation and impairment losses	Carrying value	Cost	Accumulated depreciation and impairment losses	Carrying value
	R'000	R'000	R'000	R'000	R'000	R'000
COMPANY						
Motor vehicles	266	66	200	269	27	242
Furniture and fittings	701	536	165	583	444	139
Office equipment	433	175	258	354	256	98
Computer equipment	997	808	189	864	719	145
Leasehold improvements	824	539	285	650	460	190
	3 221	2 124	1 097	2 720	1 906	814

The carrying amount of property, plant and equipment can be reconciled as follows:

	Carrying value at the beginning of the year	Additions	Additions through combinations	Disposals	Transfers	Revaluation	Depreciation	Carrying value at end of year
	R'000	R'000	R'000	R'000	R'000	R'000	R'000	R'000
COMPANY								
2008								
Motor vehicles	242	50	-	(40)	-	-	(52)	200
Furniture and fittings	139	118	-	-	-	-	(92)	165
Office equipment	98	228	-	-	-	-	(68)	258
Computer equipment	145	146	-	(10)	-	-	(92)	189
Leasehold improvements	190	173	-	-	-	-	(78)	285
	814	715	-	(50)	-	-	(382)	1 097
2007								
Motor vehicles	72	217	-	(15)	-	-	(32)	242
Furniture and fittings	113	118	-	-	-	-	(92)	139
Office equipment	99	34	-	-	-	-	(35)	98
Computer equipment	146	105	-	-	-	-	(106)	145
Leasehold improvements	67	180	-	-	-	-	(57)	190
	497	654	-	(15)	-	-	(322)	814

Certain property, plant and equipment is encumbered as stated in note 21 – Borrowings.

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

Notes to the Financial Statements (continued)

for the year ended 31 December 2008

5. Property plant and equipment (continued)

	Group		Company	
	2008 R'000	2007 R'000	2008 R'000	2007 R'000

Land and buildings comprise of the following:

Land and buildings situated on Erf 581 and Erf 582, Elsburg Extension 1, Registration Division I.R. the province of Gauteng.

	3 312	3 300	-	-
At cost - 2001	911	911	-	-
Additions at cost - 2004	294	294	-	-
- 2005	292	292	-	-
- 2008	12	-	-	-
Revaluations - 2004	835	835	-	-
- 2005	668	668	-	-
- 2007	300	300	-	-

The land and buildings are jointly owned by MICROmega Investments (Proprietary) Limited and MICROmega Investment Portfolio (Proprietary) Limited.

The effective date of the revaluation was 31 December 2007. The valuation was performed by Rike Real Estate CC. The valuation was based upon recent sales of similar buildings in Elsburg.

Erf 30366 Kimberly, the province of the Northern Cape

	950	950	-	-
At cost - 2005	277	277	-	-
Additions at cost - 2006	222	222	-	-
Revaluations - 2006	381	381	-	-
- 2007	70	70	-	-

The effective date of the revaluation was 31 December 2007. Valuations were performed by an independent valuer, Gariep Valuers.

Factory and office buildings situated on remaining Extent of Stand 140, Wynberg

	2 028	2 000	-	-
At cost - 2005	1 203	1 203	-	-
Additions at cost - 2006	34	34	-	-
- 2007	4	4	-	-
- 2008	28	-	-	-
Revaluations - 2005	115	115	-	-
- 2006	148	148	-	-
- 2007	496	496	-	-

The effective date of the revaluation was 01 November 2007. The valuation was performed by Watprop Industrial & Commercial Property Consultants.

Notes to the Financial Statements (continued)

for the year ended 31 December 2008

5. Property plant and equipment (continued)

	Group		Company	
	2008 R'000	2007 R'000	2008 R'000	2007 R'000
Factory and office buildings situated at 6 Liebenberg Street, Alrode, Erf 1599	21 700	-	-	-
At cost - 2008	21 700	-	-	-
Total	27 990	6 250	-	-

The effective date of the valuation was 24 October 2008. The valuation was performed by C P F Valuers (Proprietary) Limited. The valuation was based upon market value.

6. Intangible assets

	2008			2007		
	Cost R'000	Accumulated impairment / amortisation R'000	Carrying value R'000	Cost R'000	Accumulated impairment / amortisation R'000	Carrying value R'000
GROUP						
Patents, trademarks and other rights	1 012	(2)	1 010	1 012	(1)	1 011
Brand names	9 689	-	9 689	9 689	-	9 689
Computer software, internally generated	6 204	(64)	6 140	5 009	(24)	4 985
Intellectual property	250	-	250	250	-	250
Customer relationships	3 296	(2 601)	695	3 296	(2 230)	1 066
Goodwill	59 693	(13 009)	46 684	55 770	(13 009)	42 761
	80 144	(15 676)	64 468	75 026	(15 264)	59 762

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

	Carrying value at the beginning of the year	Additions	Additions through business combinations	Purchase price adjust- ments	Impairments	Amortisation	Carrying value at end of year
	R'000	R'000	R'000	R'000	R'000	R'000	R'000
GROUP							
2008							
Patents, trademarks and other rights	1 011	-	-	-	-	(1)	1 010
Brand names	9 689	-	-	-	-	-	9 689
Computer software, internally generated	4 985	1 195	-	-	-	(40)	6 140
Intellectual property	250	-	-	-	-	-	250
Customer relationships	1 066	-	-	-	-	(371)	695
Goodwill	42 761	-	4 923	(1 000)	-	-	46 684
	59 762	1 195	4 923	(1 000)	-	(412)	64 468

Notes to the Financial Statements (continued)

for the year ended 31 December 2008

6. Intangible assets (continued)

	Carrying value at the beginning of the year	Additions	Additions through business combinations	Purchase price adjust- ments	Impairments	Amortisation	Carrying value at end of year
	R'000	R'000	R'000	R'000	R'000	R'000	R'000
2007							
Patents, trademarks and other rights	1 000	12	-	-	-	(1)	1 011
Brand names	6 160	-	3 529	-	-	-	9 689
Computer software, internally generated	4 913	96	-	-	-	(24)	4 985
Intellectual property	250	-	-	-	-	-	250
Customer relationships	729	-	1 513	-	(122)	(1 054)	1 066
Goodwill	37 254	-	6 884	(1 377)	-	-	42 761
	50 306	108	11 926	(1 377)	(122)	(1 079)	59 762

Purchase price adjustments represent changes to the initial purchase consideration, deferred until such time that the acquired subsidiary exceeds or fails to meet a pre-determined profit target.

The recoverable amounts of the intangible assets were assessed for impairment at 31 December 2008 by calculating the fair value of the cash generating units (CGU's) to which the goodwill and other intangible assets relate. The valuations of the CGU's reflected fair values in excess of the attributable tangible assets, intangible assets and related goodwill.

Value in use was determined by discounting the future cash flows of the CGU's generated from the continuing use of the intangible assets and was based on the following key assumptions:

- Cash flows were projected on actual operating results and the 5 year business plan. Cash flows were extrapolated into perpetuity using a terminal growth rate of 2%. Management believes that this was justified due to the nature of the business industries the subsidiaries operate in.
- Revenue was projected for each subsidiary related to the intangible asset. The anticipated revenue growth included in the cash flow projections was 5%.
- A pre-tax discount rate of 13,41% was applied in determining the recoverable amount of the intangibles. The discount rate was estimated as the company's weighted average cost of capital which was based on a debt leveraging of 14,5% and a required rate of return on equity estimated at the R153 bond rate increased at a market rate of 7%.

The values assigned to the key assumptions represent management's assessment of future trends in the industries in which the Group operates and are based on both external sources and internal sources (historical data).

	Cost	2008 Accumulated impairment / amortisation	Carrying value	Cost	2007 Accumulated impairment / amortisation	Carrying value
	R'000	R'000	R'000	R'000	R'000	R'000
COMPANY						
Patents, trademarks and other rights	1 000	-	1 000	1 000	-	1 000
	1 000	-	1 000	1 000	-	1 000

Notes to the Financial Statements (continued)

for the year ended 31 December 2008

6. Intangible assets (continued)

	Carrying value at the beginning of the year	Additions	Additions through combinations of business	Disposals	Transfers	Revaluation	Amortisation	Carrying value at end of year
	R'000	R'000	R'000	R'000	R'000	R'000	R'000	R'000
COMPANY								
2008								
Patents, trademarks and other rights	1 000	-	-	-	-	-	-	1 000
	1 000	-	-	-	-	-	-	1 000
2007								
Patents, trademarks and other rights	1 000	-	-	-	-	-	-	1 000
	1 000	-	-	-	-	-	-	1 000

7. Investment in subsidiaries

	Group		Company	
	2008	2007	2008	2007
	R'000	R'000	R'000	R'000
Shares at cost	-	-	167 706	159 546
Impairment of investments	-	-	(40 946)	(40 946)
	-	-	126 760	118 600

Each investment is reviewed annually for impairment by assessing the carrying value of the investment against the value in use.

Value in use was determined by discounting the future cash flows generated from the subsidiary and was based on the following key assumptions:

- Cash flows were projected on actual operating results and the 5 year business plan. Cash flows were extrapolated into perpetuity using a terminal growth rate of 2%. Management believes that this was justified due to the nature of the business industries the subsidiaries operate in.
- A pre-tax discount rate of 13,41% was applied in determining the recoverable amount of the intangibles. The discount rate was estimated as the company's weighted average cost of capital which was based on a debt leveraging of 14,5% and a required rate of return on equity estimated at the R153 bond rate increased at a market rate of 7%.

The values assigned to the key assumptions represent management's assessment of future trends in the industries in which the Group operates and are based on both external sources and internal sources (historical data).

A list of the subsidiaries is included in the director's report.

Notes to the Financial Statements (continued)

for the year ended 31 December 2008

8. Investment in associates

	Group		Company	
	2008 R'000	2007 R'000	2008 R'000	2007 R'000
Carrying value of investment:				
Shares at cost	320	320	-	-
Carrying value at beginning of the year	809	622	-	-
Equity accounted earnings/(losses) since acquisition	99	(162)	-	-
Loan to associate	4 619	349	-	-
	5 527	809	-	-

GCM Meter Reading Services (Proprietary) Limited

50% interest in the unlisted shares of GCM Meter Reading Services (Proprietary) Limited, a company involved in meter reading services.

Carrying value of investment:				
Shares at cost	1	1	-	-
Equity accounted earnings since acquisition	174	179	-	-
	175	180	-	-

Summary financial information for equity accounted investees not adjusted for the percentage ownership held by the Group.

Assets				
Current assets	354	435	-	-
	354	435	-	-
<i>Equity and liabilities</i>				
Equity and reserves	348	360	-	-
Current liabilities	6	75	-	-
	354	435	-	-
Revenue	508	93	-	-
Net (loss)/profit before tax	(12)	13	-	-

Petrolmecs LDA

49% interest in the unlisted shares of Petrolmecs LDA, a company incorporated in Angola, providing labour solutions.

Carrying value of investment:				
Shares at cost	319	319	-	-
Equity accounted earnings/(losses) since acquisition	65	(39)	-	-
Loan to associate	4 968	349	-	-
	5 352	629	-	-

Notes to the Financial Statements (continued)

for the year ended 31 December 2008

8. Investment in associates (continued)

	Group		Company	
	2008	2007	2008	2007
	R'000	R'000	R'000	R'000
The loan is unsecured and bear interest at rates determined periodically at the discretion of the Board of Directors. The loan is repayable at the discretion of the Board of Directors. In the absence of contractual repayment dates, the fair value and carrying value of the loan is deemed to be similar.				
Summary financial information for equity accounted investees not adjusted for the percentage ownership held by the Group:				
<i>Assets</i>				
Non-current assets	1 266	744	-	-
Current assets	17 533	11 270	-	-
	18 799	12 014	-	-
<i>Equity and liabilities</i>				
Equity and reserves	270	368	-	-
Non-current liabilities	1 373	349	-	-
Current liabilities	17 156	11 297	-	-
	18 799	12 014	-	-
Revenue	25 791	22 085	-	-
Net profit/(loss) before tax	212	(427)	-	-

9. Other investments

	Group		Company	
	2008	2007	2008	2007
	R'000	R'000	R'000	R'000
<i>Financial assets designated at fair value through profit or loss</i>				
Listed shares	84	263	-	-
Unlisted investments	6 653	7 027	6 473	6 847
	6 737	7 290	6 473	6 847

The Group held the following investments:

Number of ordinary shares

Listed shares

Kelly Group Limited	2 600	2 600	-	-
Sentula Mining Limited	2 000	4 011	-	-
Sanlam Limited	3 610	2 000	-	-

Notes to the Financial Statements (continued)

for the year ended 31 December 2008

10. Loans receivable (continued)

	Group		Company	
	2008	2007	2008	2007
	R'000	R'000	R'000	R'000
<i>Instalment sale assets</i>	1 038	450	-	-
Assets under instalment sale agreements repayable over 3 years at effective interest rates ranging from prime lending rate plus 3,5% per annum to prime lending rate plus 4,5% per annum. The loans are secured by the assets subject to the agreement.	1 038	3 888	-	3 281
Less: Current portion included in current assets	689	168	-	-
	349	3 720	-	3 281

All loans are Rand denominated.

11. Deferred taxation

	Group		Company	
	2008	2007	2008	2007
	R'000	R'000	R'000	R'000
Deferred tax assets and liabilities are attributable to the following:				
<i>Deferred tax assets</i>				
Property, plant and equipment	(6 995)	(134)	-	-
Investments	400	266	-	-
Prepayments	(41)	11	-	-
Loans receivable	8	-	-	-
Income received in advance	450	178	-	-
Finance lease liabilities	38	31	-	-
Allowances for credit losses	1 463	259	-	-
Accruals for leave pay	1 117	1 173	23	13
Provisions	670	131	-	-
Tax loss carry-forwards	15 282	5 992	1 569	4 520
	12 392	7 907	1 592	4 533
<i>Deferred tax liabilities</i>				
Property, plant and equipment	(7 411)	(1 128)	-	-
Intangible assets	(195)	(309)	-	-
Allowances for credit losses	35	13	-	-
Accruals for leave pay	81	100	-	-
Provisions	(1)	-	-	-
	(7 491)	(1 324)	-	-
	4 901	6 583	1 592	4 533

Deferred tax assets and liabilities are only offset when the income tax relates to the same legal entity or fiscal authority or they intend to settle the assets and liabilities on a net basis.

Notes to the Financial Statements (continued)

for the year ended 31 December 2008

11. Deferred taxation (continued)

The movements in the deferred tax amount on the balance sheet can be reconciled as follows (amounts are shown on a net basis):

	Carrying value at the beginning of the year	Recognised in the income statement	Change in tax rate through income statement	Directly through equity	Acquisition on business combinations	Carrying value at end of year
	R'000	R'000	R'000	R'000	R'000	R'000
GROUP						
2008						
Property, plant and equipment	(1 262)	834	39	(102)	(13 915)	(14 406)
Intangible assets	(309)	104	10	-	-	(195)
Investments	266	142	(8)	-	-	400
Loans receivable	-	-	-	-	8	8
Prepayments	11	(52)	-	-	-	(41)
Income received in advance	178	278	(6)	-	-	450
Finance lease liabilities	31	8	(1)	-	-	38
Allowances for credit losses	272	1 228	(12)	-	10	1 498
Accruals for leave pay	1 273	(236)	119	-	42	1 198
Provisions	131	149	(168)	-	557	669
Tax loss carry-forwards	5 992	99	(206)	-	9 397	15 282
	6 583	2 554	(233)	(102)	(3 901)	4 901

	Carrying value at the beginning of the year	Recognised in the income statement	Directly through equity	Acquisition on business combinations	Carrying value at end of year
	R'000	R'000	R'000	R'000	R'000

GROUP

2007

Property, plant and equipment	(1 038)	8	(169)	(63)	(1 262)
Intangible assets	(211)	306	-	(404)	(309)
Investments	(161)	427	-	-	266
Prepayments	-	11	-	-	11
Income received in advance	148	30	-	-	178
Finance lease liabilities	29	2	-	-	31
Allowances for credit losses	413	(323)	-	182	272
Accruals for leave pay	1 279	(80)	-	74	1 273
Provisions	471	(340)	-	-	131
Tax loss carry-forwards	6 491	(1 550)	-	1 051	5 992
	7 421	(1 509)	(169)	840	6 583

Notes to the Financial Statements (continued)

for the year ended 31 December 2008

11. Deferred taxation (continued)

	Carrying value at the beginning of the year	Recognised in the income statement	Change in tax through the income statement	Carrying value at end of year
	R'000	R'000	R'000	R'000
COMPANY				
2008				
Accruals for leave pay	13	10	-	23
Tax loss carry-forwards	4 520	(2 795)	(156)	1 569
	<u>4 533</u>	<u>(2 785)</u>	<u>(156)</u>	<u>1 592</u>

	Carrying value at the beginning of the year	Recognised in the income statement	Carrying value at end of year
	R'000	R'000	R'000
COMPANY			
2007			
Accruals for leave pay	9	4	13
Tax loss carry-forwards	6 489	(1 969)	4 520
	<u>6 498</u>	<u>(1 965)</u>	<u>4 533</u>

12. Non-current assets held for sale

	Cost	2008 Accumulated depreciation and impairment losses	Carrying value
	R'000	R'000	R'000
Plant and equipment	79 046	48 721	30 325
Furniture and fittings	75	69	6
Office equipment	523	293	230
Computer equipment	641	632	9
Computer software	603	474	129
	<u>80 888</u>	<u>50 189</u>	<u>30 699</u>

The plant and machinery of Kolbenco (Proprietary) Limited, a manufacturer of pistons, is presented as a disposal group held for sale following the commitment of the Group's management, on 15 December 2008 to sell the plant and machinery and cease manufacturing following the down-turn in the automotive sector. The plant and machinery has been advertised on the market and management have commenced with a formal structured plan to dispose of the assets.

Notes to the Financial Statements (continued)

for the year ended 31 December 2008

13. Inventories

	Group		Company	
	2008	2007	2008	2007
	R'000	R'000	R'000	R'000
The amounts attributable to the different categories are as follows:				
Raw materials	20 398	6 163	-	-
Consumables	1 872	527	-	-
Work in progress	5 227	3 937	-	-
Finished goods	19 252	9 056	-	-
Merchandise	37 093	19 568	12	31
Goods in transit	16 514	1 770	-	-
	100 356	41 021	12	31
Inventory write-downs (adjustments to carrying value for obsolete and slow moving inventory)	(9 297)	(1 743)	-	-
	91 059	39 278	12	31

14. Retirement benefits

Defined benefit plan

Kolbenco (Proprietary) Limited, a wholly owned subsidiary, makes contributions to one defined benefit plan that provides pension benefits for employees upon retirement. The plan entitles a retired employee to receive an annual payment equal to 2% of the employee's highest annual salary for each year of pensionable service.

The defined benefit fund was acquired through the acquisition of Kolbenco (Proprietary) Limited on 1 February 2008 and thus no comparative information has been presented.

	Group		Company	
	2008	2007	2008	2007
	R'000	R'000	R'000	R'000
<i>Balance sheet reconciliation</i>				
Present value of funded obligations	24 352	-	-	-
Active members	17 247	-	-	-
Current pensioners	6 743	-	-	-
Risk reserve account	362	-	-	-
Present value of unfunded obligations	-	-	-	-
Total present value of the defined benefit obligation	24 352	-	-	-
Fair value of plan assets	(42 323)	-	-	-
Total employer surplus	(17 971)	-	-	-

Notes to the Financial Statements (continued)

for the year ended 31 December 2008

14. Retirement benefits (continued)

	Group		Company	
	2008 R'000	2007 R'000	2008 R'000	2007 R'000
<i>Movement in the present value of the defined benefit obligation</i>				
Defined benefit obligations at 1 February 2008, date of acquisition	24 414	-	-	-
Interest cost	185	-	-	-
Current service cost	82	-	-	-
Employee contributions paid into the plan	37	-	-	-
Benefits paid by the plan	(259)	-	-	-
Actuarial gain on obligation	(107)	-	-	-
Defined benefit obligation at 31 December 2008	24 352	-	-	-
<i>Movement in the present value of plan assets</i>				
Fair value of plan assets at 1 February 2008, date of acquisition	43 044	-	-	-
Expected return on plan assets	433	-	-	-
Contributions paid into the plan	87	-	-	-
Benefits paid by the plan	(259)	-	-	-
Actuarial loss on plan assets	(982)	-	-	-
Fair value of plan assets at 31 December 2008	42 323	-	-	-
<i>Income recognised in profit or loss</i>				
Current service cost	(82)	-	-	-
Interest cost	(185)	-	-	-
Expected returns on plan assets	433	-	-	-
Actuarial losses	(875)	-	-	-
Contributions paid into the plan	50	-	-	-
Income recognised in profit or loss	(659)	-	-	-

<i>Membership statistics</i>	2008	2007
Number of members	21	28
Annual salary (R'000)	5 914	6 754
Salary weighted average age	51,50	51,10
Salary weighted average service	13,40	13,10
Number of pensioners	11	11
Annual pension (R'000)	609	591
Pension weighted average age	69,60	68,50

<i>Actuarial assumptions</i>	2008	2007
General inflation rate	4,04%	5,05%
Discount rate	7,29%	8,14%
Expected investment return	8,04%	9,05%
Salary inflation	5,04%	6,05%

The general inflation rate was calculated taking into account the difference between the yield on the R186 fixed interest government bond and the R197 index linked government bond.

The discount rate was based on the yield of the R186 government bond.

Notes to the Financial Statements (continued)

for the year ended 31 December 2008

14. Retirement benefits (continued)

Sensitivity analysis

A percentage point change in the assumptions would have the following effect:

	One Percentage point increase	One Percentage point decrease
Change in the discount rate	1 112	(1 148)

Projection of defined benefit fund for a period of one year

Movement in the present value of the defined benefit obligation

Defined benefit obligations at 1 January 2009	24 352
Interest cost	1 805
Current service cost	975
Employee contributions paid into the plan	409
Benefits paid by the plan	(548)
Actuarial gain on obligation	-
Defined benefit obligation at 31 December 2009	26 993

Movement in the present value of plan assets

Fair value of plan assets at 1 January 2009	42 323
Expected return on plan assets	3 418
Contributions paid into the plan	963
Benefits paid by the plan	(548)
Actuarial loss on plan assets	-
Fair value of plan assets at 31 December 2009	46 156
Net surplus	19 163

Plan assets comprise

Cash in money market accounts	42 323
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Notes to the Financial Statements (continued)

for the year ended 31 December 2008

15. Trade and other receivables

	Group		Company	
	2008	2007	2008	2007
	R'000	R'000	R'000	R'000
Trade and other receivables	117 943	77 950	216	359
VAT receivable	1 847	-	-	-
Prepayments	3 737	3 316	115	167
Deposits	1 037	402	286	-
	124 564	81 668	617	526

At 31 December 2008 Group trade receivables are shown after impairment adjustments of R5 891 139 (2007: R1 277 798).

Trade receivables have been ceded as security for banking facilities granted to certain subsidiaries (see note 18 - Cash and cash equivalents).

16. Amounts owing by subsidiary companies

	Group		Company	
	2008	2007	2008	2007
	R'000	R'000	R'000	R'000
<i>Unencumbered loans</i>				
Automobile Radio Dealers Association 1989 (Proprietary) Limited	-	-	7 566	2 079
BTM Manufacturing (Proprietary) Limited	-	-	7 216	4 326
Deltec Power Distributors (Proprietary) Limited	-	-	15 318	5 348
Essential Power Services (Proprietary) Limited	-	-	855	-
Lubrication Equipment (Proprietary) Limited	-	-	1 361	1 140
MICROmega Investment Portfolio (Proprietary) Limited	-	-	328	328
MICROmega Investments (Proprietary) Limited	-	-	454	454
MICROmega National Certification Authority (Proprietary) Limited	-	-	2 665	3 966
MICROmega Professional Risk Solutions (Proprietary) Limited	-	-	412	2 280
MICROmega Technologies (Proprietary) Limited	-	-	3 525	44
MICROmega Treasury Solutions (Proprietary) Limited	-	-	12 837	11 030
Mzimkhulu Financial Investments (Proprietary) Limited	-	-	35 794	35 793
NOSA Namibia (Proprietary) Limited	-	-	549	-
SA Meter Reading Services (Proprietary) Limited	-	-	2	-
SaleScience (Proprietary) Limited	-	-	152	-
Stable-Net (Proprietary) Limited	-	-	7 461	675
Tiseletso Investments (Proprietary) Limited	-	-	11 695	11 679
<i>Encumbered loans</i>				
MICROmega Revenue Management Services (Proprietary) Limited	-	-	6 803	7 212
MECS Africa (Proprietary) Limited	-	-	4 328	3 648
<i>Interest-bearing loans</i>				
TTSA Securities (Proprietary) Limited	-	-	2 051	8 340
	-	-	121 372	98 342

Amounts owing by subsidiary companies are carried at amortised cost.

The loan to MECS Africa (Proprietary) Limited has been ceded to First Rand Bank Limited as security for facilities granted to MECS Africa (Proprietary) Limited.

Notes to the Financial Statements (continued)

for the year ended 31 December 2008

16. Amounts owing by subsidiary companies (continued)

The loan to MICROmega Revenue Management Services (Proprietary) Limited has been ceded to First Rand Bank Limited as security for facilities granted to MICROmega Revenue Management Services (Proprietary) Limited.

The loan to TTSA Securities (Proprietary) Limited is unsecured, bears interest at the call account rate and has no fixed terms of repayment.

The remaining loans are unsecured and bear interest at rates determined periodically at the discretion of the Board of Directors. The loans are repayable at the discretion of the Board of Directors. In the absence of contractual repayment dates, the fair values and carrying values of these loans are deemed to be similar.

17. Derivatives

	Group		Company	
	2008	2007	2008	2007
	R'000	R'000	R'000	R'000

The Group reviews its foreign currency exposure, including commitments, on an ongoing basis. The Group makes use of forward exchange contracts to hedge its exposure on an ongoing basis.

No other derivatives were in use during the year.

Forward exchange contracts (liabilities)/assets	(282)	186	-	-
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18. Cash and cash equivalents

	Group		Company	
	2008	2007	2008	2007
	R'000	R'000	R'000	R'000

The amounts attributable to the different categories are as follows:

Cash on hand	438	-	-	-
Current account balances	11 150	18 588	180	2 501
Investment trading accounts	1 254	1 065	-	-
Call account balances	17 523	32 987	1 549	4 509
	30 365	52 640	1 729	7 010
Bank overdrafts used for cash management purposes	(13 025)	(1 345)	-	-
	17 340	51 295	1 729	7 010

Included in bank and cash for the Group are amounts which have been ceded as follows:

BTM Manufacturing (Proprietary) Limited

- Trade receivables have been ceded for banking facilities of R5 000 000 granted by First National Bank.
- An unlimited suretyship is given by MICROmega Holdings Limited in favour of the bank for all obligations.

Notes to the Financial Statements (continued)

for the year ended 31 December 2008

18. Cash and cash equivalents (continued)

MECS Africa (Proprietary) Limited

- A suretyship in the amount of R8 000 000 has been given by MICROmega Holdings Limited in favour of the bank for all obligations.
- Loan account to the amount of R3 000 000 owing to MICROmega Holdings Limited has been ceded, by MICROmega Holdings Limited, to FirstRand Bank Limited for security of facilities.
- Trade receivables have been ceded for banking facilities granted.

MICROmega Revenue Management Solutions (Proprietary) Limited and its subsidiary companies

- A suretyship in the amount of R1 500 000 has been given by MICROmega Holdings Limited in favour of the bank for all obligations.
- Loan account to the amount of R3 173 153 owing to MICROmega Holdings Limited has been ceded, by MICROmega Holdings Limited, to FirstRand Bank Limited for security of facilities.

MICROmega Securities (Proprietary) Limited and its subsidiary companies

- Fixed deposits held with FirstRand Bank Limited amounting to R520 000 have been ceded as security for the facilities granted to the company.
- An amount of R3 000 000 on call has been ceded to Rand Merchant Bank as security against a broking facility.
- An amount of R1 000 000 has been ceded to ABSA Corporate & Merchant Bank Limited as security against a broking facility.
- A guarantee to the amount of R100 000 has been given to FirstRand Bank Limited as security for facilities.
- A suretyship in the amount of R420 000 in favour of the bank facilities granted by First National Bank.

NOSA – MICROmega National Certification Authority (Proprietary) Limited

- A guarantee to the amount of R74 000 has been given to FirstRand Bank Limited as security for rental of premises.

Automobile Radio Dealers Association (1989) (Proprietary) Limited

- Trade receivables have been ceded for banking facilities granted.

Sebata Municipal Solutions (Proprietary) Limited and its subsidiary companies

- Trade receivables have been ceded for banking facilities granted. This facility has not been taken up at year end.

Kolbenco (Proprietary) Limited

- An unlimited suretyship is given by MICROmega Holdings Limited in favour of the bank for all obligations.
-

Notes to the Financial Statements (continued)

for the year ended 31 December 2008

19. Share capital and share premium

	Group		Company	
	2008 R'000	2007 R'000	2008 R'000	2007 R'000
<i>Authorised</i>				
200 000 000 ordinary shares of 1 cent each	2 000	2 000	2 000	2 000
<i>Issued</i>				
Balance at beginning of year - 99 144 569 (2007: 97 969 569)	982	963	992	980
Issued during the year - 1 658 055 (2007: 1 175 000)	16	12	16	12
Balance at end of year	998	975	1 008	992
Less treasury shares repurchased during the year	(27)	-	-	-
Add treasury shares sold during the year	-	7	-	-
Balance at the end of year	971	982	1 008	992
<i>Share premium</i>				
Balance at beginning of year	193 138	187 168	187 844	184 462
Issued during the year	3 543	3 391	3 806	3 391
Share issue costs	(12)	(9)	(12)	(9)
Share options exercised	95	45	95	-
Balance at end of the year	196 764	190 595	191 733	187 844
Less treasury shares repurchased during the year	(6 086)	-	-	-
Add treasury shares sold during the year	-	2 543	-	-
Balance at end of the year	190 678	193 138	191 733	187 844
	191 649	194 120	192 741	188 836

The directors are authorised, until the forthcoming annual general meeting, to dispose of the unissued shares for any purpose and upon such terms and conditions as they deem fit, subject to the provision of section 221 and 222 of the Companies Act and the requirements of the JSE Securities Exchange South Africa.

The Group has also issued share options (see note 37 - Share-based payments).

20. Non-distributable reserves

The Group had the following non-distributable reserves at year end:

Revaluation reserve

The revaluation reserve comprises all revaluation surpluses relating to the revaluation of owner occupied property.

Foreign currency translation reserve

The foreign currency translation reserve comprises all foreign currency differences arising from the translation of the financial statements of foreign operations.

Deal differences reserve

The deal difference reserve comprises a retention amount to cover any unmatched trades that may occur in the broking businesses.

Share-based payments reserve

The share-based payments reserve represents the vested fair value of services provided in exchange for share options.

Notes to the Financial Statements (continued)

for the year ended 31 December 2008

21. Borrowings

	Group		Company	
	2008	2007	2008	2007
	R'000	R'000	R'000	R'000
<i>EMPOWERisk (Proprietary) Limited</i>	-	653	-	653
The loan was unsecured and bore interest at a rate linked to the call deposit interest rate of FirstRand Bank Limited. The loan was repayable upon demand.				
<i>Instalment sale liabilities</i>	10 164	5 389	90	116
Liabilities under instalment sale agreements repayable over periods from two to five years at effective interest rates ranging from prime lending rate less 2% to prime lending rate plus 4% per annum. Secured by property, plant and equipment with a carrying value of R10 073 436 (2007: R2 999 915).				
<i>Finance lease liability</i>	103	126	-	-
Liability under a finance lease agreement repayable over 3 years at an effective interest rate of prime lending rate plus 1,5% per annum. Secured by property, plant and equipment with a carrying value of R73 692 (2007: R97 470).				
<i>Mortgage bond</i>	284	321	-	-
Loan bearing interest at prime rate per annum secured by mortgage over Erf 30366 Kimberley, with a carrying value of R950 000 (2007: R950 000), and repayable in monthly instalments of approximately R3 000 per month.				
<i>Anglo American Corporation</i>	2 000	-	-	-
The loan is interest free and repayable in 2 equal instalments of R1 000 000 each, the instalments are payable in January and June of each year and will commence at the end of January 2009. The loan is unsecured.				
<i>Daimler Chrysler South Africa</i>	13 796	-	-	-
The loan from DCSA is repayable on the basis of units invoiced in relation to the total units per the contract. Payment commences on the 15th of the month following the first delivery. The loan bears interest at the prime bank lending rate less 2%. The current portion has been calculated based on the unit projections for the following financial year. The loan is secured by plant and equipment with a carrying value of R7 059 141.				
<i>John Newbury Investments (Proprietary) Limited</i>	1 635	-	-	-
The loan is unsecured, bears interest at the prime bank lending rate and has to be repaid on or before 1 January 2012.				
	27 982	6 489	90	769
Less: Current portion included in current liabilities	(19 193)	(1 677)	(28)	(25)
	8 789	4 812	62	744

All the liabilities are Rand denominated.

Please refer to note 5 - Property, plant and equipment, for disclosure on assets held under finance leases.

Notes to the Financial Statements (continued)

for the year ended 31 December 2008

21. Borrowings (continued)

The fair values of the borrowings have been assessed taking into account their effective interest rates and maturity periods. None of the fair values differ materially from the corresponding carrying values.

For an analysis of the maturity of these borrowings, please refer to note 38.

22. Deferred vendor payments

	Group		Company	
	2008 R'000	2007 R'000	2008 R'000	2007 R'000
The amount due to vendors represents the balance of the purchase consideration owing in respect of acquisitions. The loans are settled through the issue of shares and cash resources upon achievement of profit warranties.	4 598	11 580	2 798	11 580
Less: Amount payables within 12 months included in liabilities	(4 598)	(10 580)	(2 798)	(10 580)
	-	1 000	-	1 000
<i>Amounts to be settled:</i>				
Through the issue of shares	-	6 200	-	6 200
Through the distribution of cash resources	4 598	5 380	2 798	5 380
	4 598	11 580	2 798	11 580

Deferred vendor payments are recognised when there is a reasonable expectation that the predetermined profit warranties will be achieved.

23. Trade and other payables

	Group		Company	
	2008 R'000	2007 R'000	2008 R'000	2007 R'000
Trade and other payables	72 847	41 923	953	3 350
VAT payable	6 023	1 856	1 858	875
Income received in advance	5 757	2 741	-	-
Leave pay accrual	6 460	4 470	81	46
Payroll accruals	26 686	6 896	1 818	-
	117 773	57 886	4 710	4 271

Notes to the Financial Statements (continued)

for the year ended 31 December 2008

24. Amounts owing to subsidiary companies

	Group		Company	
	2008	2007	2008	2007
	R'000	R'000	R'000	R'000
B&B Software (Proprietary) Limited	-	-	4 305	4 305
EMPOWERisk (Proprietary) Limited	-	-	1 280	-
Intermap (Proprietary) Limited	-	-	889	3 955
Kolbenco (Proprietary) Limited	-	-	1 802	-
SA International Capital & Market Brokers (Proprietary) Limited	-	-	18 875	10 801
Sebata Municipal Solutions (Proprietary) Limited	-	-	8 925	1 998
Stable-Net (Proprietary) Limited	-	-	2 874	-
Swazi Occupational Safety & Health (Proprietary) Limited	-	-	71	71
	-	-	39 021	21 130

Amounts owing to subsidiary companies are carried at amortised cost.

The loan from Sebata Municipal Solutions (Proprietary) Limited is unsecured, bears interest at the ruling call deposit rate of First National Bank and has no fixed terms of repayment.

The remaining loans are unsecured and bear interest at rates determined periodically by the board of MICROmega Holdings Limited. The loans are repayable at the discretion of the board of MICROmega Holdings Limited. In the absence of a contractually agreed repayment date, the fair values and carrying values of these loans are deemed to be similar.

25. Provisions

	Carrying amount at the beginning of the year	Additional provisions raised	Used during year	Unused amounts reversed during the year	Carrying value at end of year
	R'000	R'000	R'000	R'000	R'000
GROUP					
2008					
Provision for labour dispute	300	62	-	(300)	62
Provision for loyalty payment	150	-	(148)	-	2
	450	62	(148)	(300)	64

Notes to the Financial Statements (continued)

for the year ended 31 December 2008

25. Provisions (continued)

	Carrying amount at the beginning of the year	Additional provisions raised	Used during year	Unused amounts reversed during the year	Carrying value at end of year
	R'000	R'000	R'000	R'000	R'000
GROUP					
2007					
Provision for labour dispute	300	-	-	-	300
Provision for loyalty payment	325	-	(175)	-	150
Provision for deal differences	1 000	-	-	(1 000)	-
	<u>1 625</u>	<u>-</u>	<u>(175)</u>	<u>(1 000)</u>	<u>450</u>

Labour disputes

The provision that related to the legal action instituted against the Group by 37 ex-employees who were dismissed in the prior year was reversed, due to the court ruling against the appeal, after the employees lost and appealed the initial case. A new provision was raised in the current year that relates to CCMA matters that were outstanding at year end.

Loyalty payments

The Group makes provision for accumulated payments due to specific employees in terms of loyalty programmes which become payable after five years from the 2004 financial year. The balance represents amounts payable to individuals still in the employment of the Group as per amounts agreed in their employment contracts.

26. Revenue

	Group		Company	
	2008	2007	2008	2007
	R'000	R'000	R'000	R'000
The amounts attributable to the different categories are as follows:				
Sale of goods	393 209	186 144	-	-
Rendering of services	450 563	297 030	20 008	14 677
	<u>843 772</u>	<u>483 174</u>	<u>20 008</u>	<u>14 677</u>
Revenue from continuing operations	703 045	483 174	20 008	14 677
Revenue from discontinued operations	140 727	-	-	-
	<u>843 772</u>	<u>483 174</u>	<u>20 008</u>	<u>14 677</u>

Revenue comprises turnover, which excludes value added tax (VAT) and represents the invoiced value of goods and services less any settlement discounts granted.

Notes to the Financial Statements (continued)

for the year ended 31 December 2008

27. Other income

	Group		Company	
	2008	2007	2008	2007
	R'000	R'000	R'000	R'000
Bad debts recovered	68	310	-	-
Commission received	-	81	-	-
Conference income	3 190	-	-	-
Membership fee income	46	97	-	-
Negative goodwill	20 820	-	-	-
Other income	457	1 180	4	-
Profit on disposals of property, plant and equipment	140	160	144	-
Profit on disposal of subsidiaries	-	2 993	-	2 993
Profit on write-off of loan	-	109	-	-
Rent received	126	-	-	-
SMEDP grant income	5 239	501	-	-
Warranty income	802	353	-	-
Reversal of impairment on property, plant and equipment	123	30	-	-
	31 011	5 814	148	2 993

28. Other (income)/expenses

	Group		Company	
	2008	2007	2008	2007
	R'000	R'000	R'000	R'000
Impairment of investment in subsidiary	-	-	-	40 946
Reversal of impairment	-	-	-	(32 652)
	-	-	-	8 294

29. Auditors remuneration

	Group		Company	
	2008	2007	2008	2007
	R'000	R'000	R'000	R'000
Auditor remuneration	3 371	2 372	619	525
Adjustment for previous year	366	39	294	9
Tax and secretarial services	42	71	5	34
	3 779	2 482	918	568

Notes to the Financial Statements (continued)

for the year ended 31 December 2008

30. Administration expenses

	Group		Company	
	2008 R'000	2007 R'000	2008 R'000	2007 R'000
Included in administrative expenses are the following expenses:				
Movements in allowance for credit losses	4 613	(615)	-	-
Bad debt expense	863	-	-	-
Consulting fees	872	718	38	72
Depreciation of property, plant and equipment	12 642	5 332	382	322
Amortisation of intangible assets	412	1 079	-	-
Reversal of provision for deal differences	-	(1 000)	-	-
Operating lease charges	9 990	7 468	113	78
- Premises	9 226	6 697	113	78
- Equipment	764	771	-	-

31. Personnel expenses

	Group		Company	
	2008 R'000	2007 R'000	2008 R'000	2007 R'000
Salaries and wages – senior management	18 316	11 114	2 014	1 878
Salaries and wages – other	129 267	93 629	2 417	512
Contributions to pension and provident funds	5 960	3 328	89	51
Contributions to medical aids	3 486	562	80	4
Contributions to life cover	1 580	1 011	42	15
Share-based payments expense	939	692	626	625
Expenses recognised on defined benefit fund - refer note 14	659	-	-	-
	160 207	110 336	5 268	3 085

32. Directors emoluments

	Basic salary	Allowances	Bonuses	Provident fund	Directors fees	Total 2008	Total 2007
	R'000	R'000	R'000	R'000	R'000	R'000	R'000
I G Morris	1 601	120	-	-	-	1 721	1 360
R C Lewin	-	-	-	-	51	51	6
E S Mpanza	-	-	-	-	-	-	-
D M Carson	-	-	-	-	30	30	6
J E Newbury	-	-	-	-	-	-	-
P V Henwood	-	-	-	-	40	40	-
	1 601	120	-	-	121	1 842	1 372

None of the directors have been granted any share options in terms of the Group's share incentive scheme.

Notes to the Financial Statements (continued)

for the year ended 31 December 2008

33. Net finance income/(expense)

	Group		Company	
	2008	2007	2008	2007
	R'000	R'000	R'000	R'000
Interest income on bank deposits	4 471	3 056	133	50
Interest income from subsidiary companies	-	-	1 618	888
Dividend income from listed investments	1	6	-	-
Fair value adjustment on investments	(61)	292	-	-
Interest waived on SARS liability	-	525	-	-
Profit on foreign exchange	6 436	-	-	-
Finance income	10 847	3 879	1 751	938
Interest expense on bank deposits	(2 010)	(792)	(31)	(69)
Interest expense on instalment sale liabilities	(1 177)	(718)	(9)	(4)
Interest expense on finance lease liabilities	(23)	(21)	-	-
Interest expense on other borrowings	(2 996)	-	-	-
Loss on foreign exchange	(361)	(550)	-	-
Interest expense on loans from subsidiary companies	-	-	(657)	(3 168)
Finance costs	(6 567)	(2 081)	(697)	(3 241)
Net finance income/(expenses)	4 280	1 798	1 054	(2 303)

34. Income tax expense

	Group		Company	
	2008	2007	2008	2007
	R'000	R'000	R'000	R'000
South African normal tax	15 891	12 891	-	-
- Current tax	15 909	12 891	-	-
- Current tax prior year adjustments	(18)	-	-	-
- Deferred tax	(2 321)	1 509	2 941	1 965
Current year	(2 554)	1 509	2 785	1 965
Change in tax rate	233	-	156	-
Tax for the year	13 570	14 400	2 941	1 965

No accruals for normal tax has been raised by the company as the company has a estimated taxable loss of R5 601 699 (2007: R15 584 549) available for set off against future periods' taxable earnings.

Notes to the Financial Statements (continued)

for the year ended 31 December 2008

34. Income tax expense (continued)

Reconciliation of rate of tax	%	%	%	%
South African normal tax rate	28,0	29,0	28,0	29,0
Adjusted for:				
Disallowable expenditure	0,2	0,1	2,2	-
Exempt income	(11,0)	(0,7)	-	-
Utilisation of assessed losses	(0,1)	(2,2)	-	-
Investment and other allowances	(0,5)	(0,5)	-	-
Impairment charges and other capital profits	-	0,1	-	(307,3)
Change in tax rate	0,3	-	1,7	-
Net increase	(11,1)	(4,0)	3,9	(307,3)
Effective rate	16,9	25,0	31,9	(278,3)

Refer to the statement of changes in equity for taxes recognised directly in equity.

35. Discontinued operation

On 15 December 2008 management of the Group committed to ceasing the manufacture of pistons in Kolbenco (Proprietary) Limited due to the downturn in the automotive sector. The plan to cease local manufacturing was communicated to employees in December 2008. Management have commenced with a formal structured plan to dispose of the assets and settle outstanding liabilities.

No comparatives have been presented as Kolbenco (Proprietary) Limited was acquired during the current financial year on 1 February 2008.

	Group		Company	
	2008	2007	2008	2007
	R'000	R'000	R'000	R'000
<i>Results of discontinued operation</i>				
Revenue	140 727	-	-	-
Cost of sales	(83 983)	-	-	-
Gross profit	56 744	-	-	-
Operating expenses	(53 023)	-	-	-
Profit before tax	3 721	-	-	-
Taxation expense	686	-	-	-
Profit after tax	4 407	-	-	-
<i>Cash flows from/(used) in discontinued operation</i>				
Net cash from operating activities	19 422	-	-	-
Net cash from investing activities	5 456	-	-	-
Net cash used in financing activities	(23 457)	-	-	-
Net cash from discontinued operation	1 421	-	-	-

As at year end none of the property, plant and equipment of Kolbenco (Proprietary) Limited had been disposed of.

This property, plant and equipment is classified as non-current assets held for sale (refer to note 12).

Notes to the Financial Statements (continued)

for the year ended 31 December 2008

36. Earnings per share

GROUP

The calculation of earnings per ordinary share of 61,82 cents (2007: 41,45 cents) is based on the earnings attributable to ordinary shareholders of R60 241 197 (2007: R40 400 333) and a weighted average of 97 438 314 (2007: 97 464 330) ordinary shares in issue throughout the year.

The calculation of diluted earnings per ordinary share of 61,35 cents (2007: 40,96 cents) is based on earnings attributable to ordinary shareholders of R60 241 197 (2007: R40 400 333) and a diluted weighted average of 98 197 660 (2007: 98 644 303) ordinary shares in issue throughout the year.

Reconciliation between weighted average ordinary shares and diluted weighted average ordinary shares:

	2008	2007
Weighted average ordinary shares	97 438 314	97 464 330
Share options	759 346	1 179 973
Weighted average diluted ordinary shares	98 197 660	98 644 303

The weighted average number of shares is the number of shares outstanding at the beginning of the year adjusted for any additional shares issued during the period appropriately weighted for the time the shares are outstanding. Furthermore, any treasury shares held by the Group are deducted from this amount.

The calculation of headline earnings per share of 40,26 cents (2007: 41,91 cents) is based on earnings of R39 232 354 (2007: R40 849 602) and a weighted average of 97 438 314 (2007: 97 464 330) ordinary shares in issue throughout the year.

Reconciliation between earnings and headline earnings:

	Profit before taxation R'000	Taxation R'000	Minorities interest R'000	Net profit	
				2008 R'000	2007 R'000
Per the income statement	75 496	(13 570)	(1 685)	60 241	40 401
Profit on disposal of property, plant and equipment	(140)	39	-	(101)	(114)
Income from write off of loan accounts	-	-	-	-	(77)
Reversal of impairment of property, plant and equipment	(123)	35	-	(88)	-
Profit on disposal of shares	-	-	-	-	(464)
Profit on sale of subsidiaries	-	-	-	-	(2 559)
Impairment of intangible assets	-	-	-	-	122
Impairment of investments	-	-	-	-	32 500
Reversal of prior period impairment of loan	-	-	-	-	(28 959)
Negative goodwill	(20 820)	-	-	(20 820)	-
	54 413	(13 496)	(1 685)	39 232	40 850

COMPANY

The calculation of profit per ordinary share of 6,43 cents (2007: loss 2,74 cents) is based on a profit attributable to ordinary shareholders of R6 268 800 (2007: loss of R2 671 662) and a weighted average of 97 438 314 (2007: 97 464 330) ordinary shares in issue throughout the year.

The calculation of diluted profit per ordinary share of 6,38 cents (2007: loss 2,71 cents) is based on a profit attributable to ordinary shareholders of R6 268 800 (2007: loss of R2 671 662) and a diluted weighted average of 98 197 660 (2007: 98 644 303) ordinary shares in issue throughout the year.

Notes to the Financial Statements (continued)

for the year ended 31 December 2008

36. Earnings per share (continued)

Reconciliation between weighted average ordinary shares and diluted weighted average ordinary shares:

	2008	2007
Weighted average ordinary shares	97 438 314	97 464 330
Share options	759 346	1 179 973
Weighted average diluted ordinary shares	98 197 660	98 644 303

The weighted average number of shares is the number of shares outstanding at the beginning of the year adjusted for any additional shares issued during the period appropriately weighted for the time the shares are outstanding. Furthermore, any treasury shares held by the Group are deducted from this amount.

The calculation of headline earnings per share of 6,33 cents (2007: 6,94 cents) is based on earnings of R6 164 320 (2007: R6 757 249) and a weighted average of 97 438 134 (2007: 97 464 330) ordinary shares in issue throughout the year.

Reconciliation between earnings and headline earnings:

	Profit before taxation R'000	Taxation R'000	Net profit 2008 R'000	2007 R'000
Per the income statement	9 209	(2 941)	6 268	(2 671)
Profit on disposal of property, plant and equipment	(144)	40	(104)	-
Profit on sale of subsidiaries	-	-	-	(2 559)
Impairment of investment in subsidiary	-	-	-	40 946
Reversal of prior period impairment of loan	-	-	-	(28 959)
	9 065	(2 901)	6 164	6 757

37. Share-based payments

The Group established the MICROmega Share Incentive Trust in 2001 together with a detailed share incentive scheme. The purpose of this scheme is to provide employees of the Group with the opportunity to acquire an interest in the equity of the Group, thereby providing such employees with a further incentive to advance the Group's interests and promoting an identity of interests between such employees and the shareholders of the Group. This trust is not owned by MICROmega Limited and has no assets and liabilities nor are any shares held by the trust. Therefore, the trust has not been consolidated as a part of the Group annual financial statements.

In terms of the scheme, share options may not be exercised until after the period, provided that the employee remains in the employment of the Group, calculated from the acceptance date, of:

- more than 3 years shall have elapsed, in which event not more than one third thereof;
- more than 4 years shall have elapsed, in which event not more than a further one third thereof representing two thirds thereof cumulatively;
- more than 5 years shall have elapsed, in which event not more than a further one third thereof representing 100% thereof cumulatively.

The share options lapse if employment terminates before the share options have vested.

The share options expire upon the expiry of the option period, being 8 years from the grant date.

Notes to the Financial Statements (continued)

for the year ended 31 December 2008

37. Share-based payments (continued)

Outstanding options

The following options have been granted in terms of MICROmega Share Incentive Trust to employees and are still outstanding:

	Number of ordinary share options			
	Group		Company	
	2008	2007	2008	2007
Options granted at beginning of year	2 917 184	2 220 271	1 300 000	-
Movement during year:				
- New options granted during the year	2 100 000	1 300 000	-	1 300 000
- Options exercised during the year	(293 204)	(185 814)	-	-
- Options lapsed during the year	(633 666)	(417 273)	-	-
- Options granted at end of year	4 090 314	2 917 184	1 300 000	1 300 000
<i>Comprising:</i>				
Share options available at an issue price of R 0,45 per share	415 841	627 378	-	-
Share options available at an issue price of R 0,85 per share	495 200	587 200	-	-
Share options available at an issue price of R 0,90 per share	250 000	250 000	-	-
Share options available at an issue price of R 1,00 per share	29 873	63 206	-	-
Share options available at an issue price of R 1,80 per share	220 000	-	-	-
Share options available at an issue price of R 2,00 per share	1 379 400	89 400	-	-
Share options available at an issue price of R 3,70 per share	1 300 000	1 300 000	1 300 000	1 300 000
	4 090 314	2 917 184	1 300 000	1 300 000

Group share-based payment expenditure amounting to R939 072 (2007: R692 114) related to equity-settled share-based payment transactions were recognised directly in the income statement.

Company share-based payment expenditure amounting to R625 528 (2007: R625 528) related to equity-settled share-based payment transactions was recognised directly in the income statement.

Information on options granted during the year ended 31 December 2008

Fair value was determined by the use of the Black-Scholes Model. The following inputs were used:

- Weighted average share price – R2,08
- Exercise price – R2,00 and R1,80
- Expected volatility – 60%
- Option life – 3 to 5 years
- Expected dividends – 0%
- Risk-free interest rate – 7,53%

38. Financial risk management

38.1 Overview

The Group has exposure to the following risks from its use of financial instruments:

- credit risk
- liquidity risk
- currency risk

This note presents information about the Group's exposure to each of the above risks, the Group's objectives, policies and processes for measuring and managing risk, and the Group's management of capital. Further quantitative disclosures are included throughout these financial statements.

Notes to the Financial Statements (continued)

for the year ended 31 December 2008

38. Financial risk management (continued)

38.1 Overview (continued)

The Board of Directors has overall responsibility for the establishment and oversight for the Group's risk management framework. The board is responsible for developing and monitoring the Group's risk management policies.

The Group's risk management policies are established to identify and analyse the risk faced by the Group, to set appropriate risk limits and controls, and to monitor risks and adherence to limits. Risk management policies and systems are reviewed regularly to reflect changes in market conditions and the Group's activities.

The board oversees how management monitors compliance with the Group's risk management policies and procedures and reviews the adequacy of the risk management framework in relation to the risks faced by the Group.

38.2 Credit risk

Credit risk is the risk of financial loss to the Group if a customer or counterparty to a financial instrument fails to meet its contractual obligations, and arises principally from the Group's receivables from customers.

Trade and other receivables

The Group's exposure to credit risk is influenced mainly by the individual characteristics of each customer. The demographics of the Group's customer base, including the default risk of the industry and country, in which customers operate, has less of an influence on credit risk. There is no concentration of credit risk in a single customer.

The Board of Directors has established a credit policy under which each new customer is analysed individually for creditworthiness before the Group's standard payment and delivery terms and conditions are offered. Customers that fail to meet the Group's benchmark creditworthiness may transact with the Group only on a prepayment basis.

The Group establishes an allowance for impairment that represents its estimate of incurred losses in respect of trade and other receivables and investments. The main components of this allowance are a specific loss component that relates to individually significant exposures, and a collective loss component established for Groups of similar assets in respect of losses that have been incurred but not yet identified.

38.3 Liquidity risk

Liquidity risk is the risk that the Group will not be able to meet its financial obligations as they fall due. The Group's approach to managing liquidity is to ensure, as far as possible, that it will always have sufficient cash/liquid assets to meet its liabilities when due, under both normal and stressed conditions, without incurring unacceptable losses or risking damage to the Group's reputation.

Typically the Group ensures that it has sufficient cash on demand to meet expected operational expenses for a period of 60 days, including the servicing of financial obligations; this excludes the potential impact of extreme circumstances that cannot reasonably be predicted, such as natural disasters. In addition, the Group's balance sheet remains lowly geared and thus the directors are comfortable with the ability to receive lines of credit.

38.4 Currency risk

The Group is exposed to currency risk on sales and purchases that are denominated in a currency other than the respective functional currency of the Group. The currencies in which these transactions primarily are denominated are the US Dollar and the Euro.

The Group hedges 100% of all foreign purchases. These purchases occur in Deltec Power Distributors (Proprietary) Limited and Lubrication Equipment (Proprietary) Limited. Forward exchange contracts are used to hedge its currency risk, with a maturity of less than one year from reporting date. When necessary, forward exchange contracts are rolled over at maturity. The Group only hedges through forward exchange contracts and all gains or losses are measured directly in profit or loss.

There were foreign receivables and payables outstanding at 31 December 2008. Refer to note 38.6 - Financial risk management - Exposure to credit risk.

Notes to the Financial Statements (continued)

for the year ended 31 December 2008

38. Financial risk management (continued)

38.5 Capital management

The board's policy is to maintain a strong capital base so as to maintain creditor and shareholder confidence and to sustain future development of the business. The Board of Directors monitors the return on capital, which the Group defines as net operating income divided by total shareholders' equity. The Board of Directors also monitors the level of dividends to ordinary shareholders. There were no changes in the Group's approach to capital management during the year. The Group is not subject to externally imposed capital requirements.

38.6 Exposure to credit risk

The carrying amounts of financial assets represent the maximum exposure to credit risk as shown below:

	Group		Company	
	2008 R'000	2007 R'000	2008 R'000	2007 R'000
Loans receivable	1 038	3 888	-	3 281
Trade and other receivables	124 564	81 668	617	526
Cash and cash equivalents	30 365	52 640	1 729	7 010
Loans to subsidiaries	-	-	121 372	98 342
Loans to associates	4 901	349	-	-
	155 967	138 545	123 718	109 159

The maximum exposure to credit risk for trade receivables at the reporting date by geographic region was:

	Group		Company	
	2008 R'000	2007 R'000	2008 R'000	2007 R'000
Domestic	102 449	63 617	216	359
Foreign	15 494	14 333	-	-
	117 943	77 950	216	359
Other receivables	6 621	2 440	401	167
Total trade and other receivables	124 564	80 390	617	526

Due to the wide spectrum of industries in which the Group operates, information on the maximum exposure to credit risk for trade receivables at the reporting date by type of customer has not been disclosed.

Refer to note 18 – Cash and cash equivalents, for trade receivable offered as security for banking facilities.

Notes to the Financial Statements (continued)

for the year ended 31 December 2008

38. Financial risk management (continued)

38.6 Exposure to credit risk (continued)

The ageing of trade and other receivables at reporting date was:

	2008 Group		2008 Company	
	Gross R'000	Impairment R'000	Gross R'000	Impairment R'000
Not past due	75 099	-	216	-
Past due 30 days	19 076	-	-	-
Past due 30 – 120 days	29 659	(5 891)	-	-
	<u>123 834</u>	<u>(5 891)</u>	<u>216</u>	<u>-</u>

	2007 Group		2007 Company	
	Gross R'000	Impairment R'000	Gross R'000	Impairment R'000
Not past due	52 923	-	359	-
Past due 30 days	7 422	-	-	-
Past due 30 – 120 days	18 883	(1 278)	-	-
	<u>79 228</u>	<u>(1 278)</u>	<u>359</u>	<u>-</u>

38.7 Liquidity risk

The following are the contractual maturities of financial liabilities:

	Group				Company			
	Carrying amount R'000	1 year R'000	2-5 years R'000	Greater than 5 years R'000	Carrying amount R'000	1 year R'000	2-5 years R'000	Greater than 5 years R'000
2008								
<i>Non-derivative liabilities</i>								
Interest bearing borrowings	25 982	17 193	8 789	-	90	28	62	-
Non-interest bearing borrowings	2 000	2 000	-	-	-	-	-	-
Trade and other payables	117 773	117 773	-	-	4 710	4 710	-	-
Deferred vendor payments	4 598	4 598	-	-	2 798	2 798	-	-
Bank overdraft	13 025	13 025	-	-	-	-	-	-
Loans to subsidiary companies	-	-	-	-	39 021	39 021	-	-
	<u>163 378</u>	<u>154 589</u>	<u>8 789</u>	<u>-</u>	<u>46 619</u>	<u>46 557</u>	<u>62</u>	<u>-</u>
2007								
<i>Non-derivative liabilities</i>								
Interest bearing borrowings	6 489	1 677	4 812	-	769	25	744	-
Trade and other payables	57 886	57 886	-	-	4 271	4 271	-	-
Deferred vendor payments	11 580	10 580	1 000	-	11 580	10 580	1 000	-
Bank overdraft	1 345	1 345	-	-	-	-	-	-
Loans to subsidiary companies	-	-	-	-	21 130	21 130	-	-
	<u>77 300</u>	<u>71 488</u>	<u>5 812</u>	<u>-</u>	<u>37 750</u>	<u>36 006</u>	<u>1 744</u>	<u>-</u>

Notes to the Financial Statements (continued)

for the year ended 31 December 2008

38. Financial risk management (continued)

38.7 Liquidity risk (continued)

The maximum exposure to credit risk for trade payables at the reporting date by geographic region was:

	Group		Company	
	2008	2007	2008	2007
	R'000	R'000	R'000	R'000
Domestic	58 672	33 588	953	3 350
Foreign	14 175	8 335	-	-
	72 847	41 923	953	3 350
Other payables (refer note 23 - Trade and other payables)	44 926	15 963	3 756	921
Total trade and other payables	117 773	57 886	4 709	4 271

38.8 Exposure to currency risk

	Rand	Euro	Group 2008		Total
			US Dollar	Other	
	R'000	R'000	R'000	R'000	R'000
Trade receivables	102 449	121	15 373	-	117 943
Trade payables	58 672	9 824	3 772	579	72 847

Sensitivity analysis

The Group is exposed to currency risk to the extent that trade receivable and trade payable foreign currency balances would fluctuate. A 10 percent movement in currencies held on the reporting date would have increased/(decreased) profit or loss as follows:

		10 percent	10 percent
		strengthening	weakening
		R'000	R'000
Euro	(Decrease)/increase in profit	(970)	970
US Dollar	(Decrease)/increase in profit	1 160	(1 160)
Other (GBP)	(Decrease)/increase in profit	(58)	58

	Rand	Euro	Group 2007		Total
			US Dollar	Other	
	R'000	R'000	R'000	R'000	R'000
Trade receivables	64 895	-	11 662	2 671	79 228
Trade payables	33 588	6 595	1 622	118	41 923

Sensitivity analysis

The Group is exposed to currency risk to the extent that trade receivable and trade payable foreign currency balances would fluctuate. A 10 percent movement in currencies held on the reporting date would have increased/(decreased) profit or loss as follows:

Notes to the Financial Statements (continued)

for the year ended 31 December 2008

38. Financial risk management (continued)

38.8 Exposure to currency risk (continued)

		10 percent strengthening	10 percent weakening
		R'000	R'000
Euro	(Decrease)/increase in profit	(660)	660
US Dollar	(Decrease)/increase in profit	1 004	(1 004)
Other	(Decrease)/increase in profit	255	(255)

38.9 Interest rate risk

Profile

The interest rate profile of the interest bearing financial instruments was:

	Interest rate	Group		Company	
		2008	2007	2008	200
		R'000	R'000	R'000	R'000
Variable rate instruments					
- Bank overdraft	15,50%	13 025	1 345	-	-
- Interest bearing liabilities		25 982	6 489	9 015	2 767
- Instalment sales agreements	11,50% - 13,50%	10 164	5 389	90	116
- Finance lease liabilities	17,00%	103	126	-	-
- Loan from EMPOWERisk (Proprietary) Limited	4,50%	-	653	-	653
- Loan from Sebata Municipal Solutions (Proprietary) Limited	15,00%	-	-	8 925	1 998
- Mortgage bond	15,50%	284	321	-	-
- Daimler	13,50%	13 796	-	-	-
- J Newbury Investments (Proprietary) Limited	15,00%	1 635	-	-	-

Sensitivity analysis

The Group does not account for any fixed rate financial assets and liabilities at fair value through profit and loss. Therefore a change in interest rates at the reporting date would not affect profit and loss.

A change in 100 basis points in interest rates on the reporting date would have increased/(decreased) profit or loss as follows:

		10 percent strengthening	10 percent weakening
		R'000	R'000
2008	(Decrease)/increase in profit	(390)	390
2007	(Decrease)/increase in profit	(78)	78

Notes to the Financial Statements (continued)

for the year ended 31 December 2008

38. Financial risk management (continued)

38.10 Financial risk management

	Fair value analysis			
	2008		2007	
	Carrying Value R'000	Fair Value R'000	Carrying Value R'000	Fair Value R'000
GROUP				
Assets				
Other investments	6 737	6 737	7 290	7 290
Loan to associate company	4 968	4 968	349	349
Loans receivable	1 038	1 038	3 888	3 888
Trade and other receivables	124 564	124 564	81 668	81 668
Derivatives	-	-	186	186
Cash and cash equivalents	30 365	30 365	52 640	52 640
Liabilities				
Interest bearing borrowings	25 982	25 982	6 489	6 489
Non-interest bearing borrowings	2 000	2 000	-	-
Trade and other payables	117 773	117 773	57 886	57 886
Deferred vendor payments	4 598	4 598	11 580	11 580
Derivatives	282	282	-	-
Bank overdraft	13 025	13 025	1 345	1 345

Estimation of fair values

The method of estimation of fair values has been detailed in note 4 - Determination of fair values.

	Fair value analysis			
	2008		2007	
	Carrying Value R'000	Fair Value R'000	Carrying Value R'000	Fair Value R'000
COMPANY				
Assets				
Other investments	6 473	6 473	6 847	6 847
Amounts owing by subsidiary companies	121 372	121 372	98 342	98 342
Loans receivable	-	-	3 281	3 281
Trade and other receivables	617	617	526	526
Cash and cash equivalents	1 729	1 729	7 010	7 010
Liabilities				
Interest bearing borrowings	90	90	769	769
Amounts owing to subsidiary companies	39 021	39 021	21 130	21 130
Trade and other payables	4 710	4 710	4 271	4 271
Deferred vendor payments	2 798	2 798	11 580	11 580

38.11 Equity price risk

The Group is not exposed to equity price risk.

Notes to the Financial Statements (continued)

for the year ended 31 December 2008

39. Acquisitions of subsidiaries and minority interests

Business combinations

On 1 February 2008, the Group acquired all of the shares of Kolbenco (Proprietary) Limited for R5 190 935 payable in cash. The subsidiary contributed a profit of R4 407 354 to total Group profit for 2008.

	Acquired assets and liabilities R'000	Fair value of assets and liabilities R'000
Property, plant and equipment	40 269	32 269
Deferred tax asset	5 022	2 046
Retirement benefit surplus	-	18 630
Inventories	21 509	21 509
Trade and other receivables	20 422	20 422
Trade and other payables	(17 976)	(17 976)
Borrowings	(44 205)	(44 205)
Cash	(8 836)	(8 836)
Total net assets acquired	16 205	23 859
Negative goodwill		(18 668)
Consideration paid		5 191
Cash		5 191
Total consideration		5 191
Cash acquired		(8 836)
Cash portion of consideration		(5 191)
Net cash outflow		(14 027)

Summarised income statement

	11 months R'000	12 months R'000
Revenue	140 727	153 098
Cost of sales	(83 983)	(94 378)
Gross profit	56 744	58 720
Operating expenses	(53 023)	(54 815)
Profit before tax	3 721	3 905
Taxation expense	686	634
Profit after tax	4 407	4 539

Notes to the Financial Statements (continued)

for the year ended 31 December 2008

39. Acquisitions of subsidiaries and minority interests (continued)

On 1 March 2008, the Group acquired all of the shares in Essential Power Services Close Corporation for R1 500 000 payable in cash (R600 000) and in a profit warranty (R900 000). The subsidiary contributed a loss of R229 639 to total Group profit for 2008.

	Acquired assets and liabilities	Fair value of assets and liabilities
	R'000	R'000
Property, plant and equipment	363	363
Deferred tax asset	68	68
Inventories	237	237
Trade and other receivables	332	332
Trade and other payables	(185)	(185)
Tax assets	10	10
Borrowings	(376)	(376)
Cash	(5)	(5)
Total net assets acquired	444	444
Goodwill		1 056
Consideration paid		1 500
Cash		600
Profit warranty		900
Total consideration		1 500
Cash acquired		(5)
Cash portion of consideration		(600)
Net cash outflow		(605)

Summarised income statement

	10 months	12 months
	R'000	R'000
Revenue	2 864	3 312
Cost of sales	(2 112)	(2 363)
Gross profit	752	949
Operating expenses	(1 027)	(1 252)
Operating loss	(275)	(303)
Finance costs	(44)	(44)
Loss before taxation	(319)	(347)
Taxation	89	97
Loss for the year	(230)	(250)

Notes to the Financial Statements (continued)

for the year ended 31 December 2008

39. Acquisitions of subsidiaries and minority interests (continued)

On 1 March 2008, the Group acquired all of the shares in Redback (Proprietary) Limited for R900 000, the full amount payable in a profit warranty. The subsidiary contributed a profit of R419 230 to total Group profit for 2008.

	Acquired assets and liabilities	Fair value of assets and liabilities
	R'000	R'000
Shareholders loan acquired	(1 871)	(1 871)
Inventories	825	825
Trade and other receivables	748	748
Trade and other payables	(183)	(183)
Tax assets	8	8
Cash	431	431
Total net assets acquired	(42)	(42)
Goodwill		942
Consideration paid		900
Profit warranty		900
Total consideration		900
Cash acquired		431
Net cash inflow		431

Summarised income statement

	10 months	12 months
	R'000	R'000
Revenue	4 190	4 673
Cost of sales	(2 293)	(2 567)
Gross profit	1 897	2 106
Operating expenses	(1 295)	(1 424)
Operating profit	602	682
Finance income	14	15
Finance costs	(50)	(64)
Profit before taxation	566	633
Taxation	(147)	(166)
Profit for the year	419	467

Notes to the Financial Statements (continued)

for the year ended 31 December 2008

39. Acquisitions of subsidiaries and minority interests (continued)

On 1 November 2008, the Group acquired 50% of the shares in Ocneblok Properties (Proprietary) Limited for R3 673 567 payable in cash (R868 000), a profit warranty (R1 000 000) and a cession of a loan account (R1 805 567). The subsidiary contributed profit of R205 801 to total Group profit for 2008.

	Acquired assets and liabilities R'000	Fair value of assets and liabilities R'000
Property, plant and equipment	21 700	21 700
Deferred tax liabilities	(4 554)	(6 076)
Trade and other payables	91	91
Tax liabilities	(452)	(452)
Borrowings	(3 611)	(3 611)
Minority Interest	(6 587)	(5 826)
Total net assets acquired	6 587	5 826
Negative goodwill		(2 152)
Consideration paid		3 674
Cash		868
Loans ceded		1 806
Profit warranty		1 000
Total consideration		3 674
Cash acquired		-
Cash portion of consideration		(868)
Net cash outflow		(868)

Summarised income statement

	2 months R'000	12 months R'000
Revenue	367	701
Operating expenses	(4)	(24)
Operating profit	363	677
Fair value adjustments	-	(2 300)
Finance costs	(78)	(481)
Profit/(loss) before taxation	285	(2 104)
Taxation	(80)	589
Profit/(loss) for the year	205	(1 515)

Notes to the Financial Statements (continued)

for the year ended 31 December 2008

39. Acquisitions of subsidiaries and minority interests (continued)

On 1 January 2008, the Group acquired 100% of the shares of Lwanlerato (Proprietary) Limited payable in cash (R3 000 000) and obtained control of the board of EMPOWERisk (Proprietary) Limited. The subsidiary contributed a profit of R1 697 919 to total Group profit for 2008.

	Acquired assets and liabilities	Fair value of assets and liabilities
	R'000	R'000
Property plant and equipment	15	15
Deferred tax asset	61	61
Trade and other receivables	975	975
Trade and other payables	(373)	(373)
Tax assets	11	11
Borrowings	372	372
Cash	69	69
Minority interest	(565)	(565)
Total net assets acquired	565	565
Goodwill		2 435
Consideration paid		3 000
Cash		3 000
Total consideration		3 000
Cash acquired		69
Cash portion of consideration		(3 000)
Net cash outflow		(2 931)

Notes to the Financial Statements (continued)

for the year ended 31 December 2008

39. Acquisitions of subsidiaries and minority interests (continued)

On 1 March 2008, the Group acquired 100% of the shares of NOSA Namibia (Proprietary) Limited for no consideration. The subsidiary contributed a profit of R184 534 to total Group profit for 2008.

	Acquired assets and liabilities	Fair value of assets and liabilities
	R'000	R'000
Property plant and equipment	9	9
Trade and other receivables	333	333
Trade and other payables	(135)	(135)
Borrowings	(553)	(553)
Cash	154	154
Total net assets acquired	(192)	(192)
Goodwill		192
Consideration paid		-
Cash acquired		154
Consideration paid		-
Net cash inflow		154

Summarised income statement

	10 months	12 months
	R'000	R'000
Revenue	1 637	1 865
Cost of sales	(681)	(827)
Gross profit	956	1 038
Operating expenses	(772)	(875)
Operating profit	184	163
Finance income	-	1
Profit before taxation	184	164
Taxation	-	(9)
Profit after taxation	184	155

Notes to the Financial Statements (continued)

for the year ended 31 December 2008

40. Commitments

	Group		Company	
	2008	2007	2008	2007
	R'000	R'000	R'000	R'000
<i>Operating lease commitments</i>				
The future minimum lease payments under non-cancelable operating leases are as follows:				
Premises and office equipment				
Not later than 1 year	5 729	5 506	-	-
Later than 1 year and not later than 5 years	15 905	9 889	-	-
	21 634	15 395	-	-
Finance lease liability on office equipment				
Not later than 1 year	27	23	-	-
Later than 1 year and not later than 5 years	76	103	-	-
	103	126	-	-

Capital commitments

The Group had made no capital commitments as at date of the annual financial statements

41. Related parties

During the year there were transactions amongst Group companies. These companies are described in the director's report. All intercompany transactions and balances are eliminated on consolidation.

50% of the issued share capital of Ocneblok Properties (Proprietary) Limited was purchased from John Newbury Investments (Proprietary) Limited which is a related party through J E Newbury being a non-executive director of MICROmega Holdings Limited. An independent fairness opinion was obtained from KPMG Inc. who found that "the terms and conditions of the transaction are fair to MICROmega shareholders." A copy of this opinion is available for inspection at the registered office of the Group. All necessary JSE Limited approvals were obtained for this transaction. There were no other related party transactions with directors or key management for the period under review.

Management fees allocated to the subsidiary companies were as follows:

	2008	2007
	R'000	R'000
Management fees	18 200	10 500

Dividends received from subsidiary companies in 2008 amounted to R52 493 (2007: Rnil).

Notes to the Financial Statements (continued)

for the year ended 31 December 2008

42. Notes to the cash flow

	Group		Company	
	2008	2007	2008	2007
	R'000	R'000	R'000	R'000
42.1 Cash generated by operating activities				
Profit/(loss) before taxation	75 496	55 990	9 209	(706)
Adjustments for:				
Depreciation and amortisation	13 054	6 411	382	322
Profit on disposals of property, plant and equipment	(140)	(160)	(144)	-
Profit on disposals of subsidiaries	-	(2 993)	-	(2 993)
Write off of loan accounts	-	(109)	-	-
Finance income	(10 847)	(3 879)	(1 751)	(938)
Finance expenses	6 567	2 081	697	3 241
(Reversal of impairment loss)/impairment loss raised	(123)	(30)	-	8 294
Movement in retirement benefit assets and liabilities	659	-	-	-
Movement in provisions	(386)	(1 175)	-	-
Movement in derivatives	468	(294)	-	-
Share of (profit)/loss of equity accounted associates	(99)	162	-	-
Negative goodwill	(20 820)	-	-	-
Movement in share-based payments reserve	939	692	721	625
	64 768	56 696	9 114	7 845
Movements in working capital	(8 172)	(17 748)	367	651
(Increase)/decrease in inventories	(29 211)	(11 557)	19	(31)
(Increase)/decrease in trade and other receivables	(20 087)	(14 515)	(91)	357
Increase in trade and other payables	41 126	8 324	439	325
	56 596	38 948	9 481	8 496

42.2 Taxation paid

Balance at beginning of the year	(5 868)	(6 394)	-	-
Current tax for the year recognised in the income statement	(15 891)	(12 891)	-	-
Adjustment in respect of businesses sold and acquired during the year	(423)	21	-	-
Balance at end of the year	8 538	5 868	-	-
	(13 644)	(13 396)	-	-

Notes to the Financial Statements (continued)

for the year ended 31 December 2008

42. Notes to the cash flow (continued)

42.3 Acquisition of subsidiaries

During the current year the Group acquired the following entities:

1 January 2008

100% of the issued share capital of Lwanelerato (Proprietary) Limited

1 February 2008

100% of the issued share capital of Kolbenco (Proprietary) Limited

1 March 2008

100% of the issued share capital of Essential Power Services (Proprietary) Limited

100% of the issued share capital of Redback SA (Proprietary) Limited

1 November 2008

50% of the issued share capital of Ocneblok (Proprietary) Limited

	Group		Company	
	2008	2007	2008	2007
	R'000	R'000	R'000	R'000
<i>Fair value of assets acquired</i>				
Property, plant and equipment	54 356	1 422	-	-
Intangible asset	-	5 042	-	-
Deferred taxation	(3 901)	840	-	-
Investment in subsidiaries	-	-	8 160	19 426
Other investments	-	32 500	-	-
Retirement benefit	18 630	-	-	-
Inventory	22 570	9 423	-	-
Trade receivables	22 809	19 518	-	-
Bank and cash	(8 187)	(3 581)	-	-
Borrowings	(50 245)	(36 759)	-	-
Trade and other payables	(18 761)	(14 304)	-	-
Taxation	(423)	21	-	-
Minority interest	(6 391)	-	-	-
Assets acquired	30 457	14 122	8 160	19 426
Goodwill	4 923	6 884	-	-
Negative goodwill	(20 820)	-	-	-
Purchase consideration	14 560	21 006	8 160	19 426
Add: Bank and cash (net overdraft)	8 187	3 581	-	-
Gross cash outflow on acquisition	22 747	24 587	8 160	19 426
Less: Equity to be issued	-	(6 227)	-	(5 690)
Less: Cession of loan account	(1 805)	-	-	-
Less: Amounts to be paid based on profit targets	(2 800)	(5 000)	(1 000)	(5 000)
Net cash outflow on acquisition	18 142	13 360	7 160	8 736

Notes to the Financial Statements (continued)

for the year ended 31 December 2008

42. Notes to the cash flow (continued)

42.4 Disposal of subsidiaries

During the previous year the Group disposed of the following entities:

1 January 2007

100% of the issued share capital of Lwanelerato (Proprietary) Limited

	Group		Company	
	2008 R'000	2007 R'000	2008 R'000	2007 R'000
Profit on disposal of subsidiary	-	2 993	-	2 993
Net cash inflow on disposal	-	2 993	-	2 993

Notes to the Financial Statements (continued)

for the year ended 31 December 2008

43. Segmental analysis

	Operating Segments Information about reportable segments									
	Financial Services		Support Services		Information Technology		Automotive Components		Total	
	2008	2007	2008	2007	2008	2007	2008	2007	2008	2007
R'000	R'000	R'000	R'000	R'000	R'000	R'000	R'000	R'000	R'000	R'000
Total external revenues	40 759	34 696	359 770	189 984	102 964	72 165	365 276	185 637	868 770	482 482
Finance Income	2 058	2 138	5 292	226	2 740	376	1 910	316	12 000	3 056
Finance Expenses	(865)	(903)	(736)	265	(768)	(488)	(6 473)	(696)	(8 842)	(1 822)
Depreciation and amortisation	375	(459)	1 156	(599)	3 336	(2 031)	7 983	(1 139)	12 850	(4 228)
Reportable segment profit before income tax	7 889	13 735	23 205	19 337	11 645	14 265	9 838	19 630	52 578	66 967
Share of profit/(loss) of associates	-	-	104	(209)	(5)	47	-	-	99	(162)
Reportable segment assets	235 380	37 239	59 075	35 048	71 181	53 920	203 079	88 588	568 714	214 795
Investment in associates	-	-	5 352	629	175	180	-	-	5 527	809
Capital expenditure	1 812	266	3 158	2 319	2 847	3 050	10 756	2 682	18 573	8 317
Reportable segment liabilities	15 639	8 089	26 992	8 368	34 501	23 331	110 433	31 310	187 564	71 098

Notes to the Financial Statements (continued)

for the year ended 31 December 2008

43. Segmental analysis (continued)

Reconciliations of reportable segment revenues, profit, assets and liabilities and other material items:

	2008	2007
	R'000	R'000
Revenue		
Total revenue for reportable segments	868 770	482 482
Consolidated adjustments	(24 997)	692
Consolidated revenue	<u>843 772</u>	<u>483 174</u>
Profit		
Total profit for reportable segments	52 578	66 967
Share of profit/(loss) of associates	99	(162)
Consolidation adjustments	22 819	(10 815)
Consolidated profit before income tax	<u>75 496</u>	<u>55 990</u>
Assets		
Total assets for reportable segments	568 714	214 795
Intangible assets arising on consolidation	58 328	50 554
Investments in associates	5 527	809
Other unallocated amounts	10 152	7 907
Consolidation adjustments	(202 720)	4 560
Consolidated total assets	<u>440 001</u>	<u>278 625</u>
Liabilities		
Total liabilities for reportable segments	187 564	71 098
Other unallocated amounts	16 029	7 192
Consolidation adjustments	(23 840)	6 652
	<u>179 753</u>	<u>84 942</u>

Notes to the Financial Statements (continued)

for the year ended 31 December 2008

43. Segmental analysis (continued)

	Reportable segment totals	Adjustments	Consolidated totals
	R'000	R'000	R'000
Other material items 2008			
Finance income	12 000	(1 153)	10 847
Finance expenses	(8 842)	2 275	(6 567)
Capital expenditure	18 573	2 477	21 050
Depreciation and amortisation	12 850	204	13 054

	Reportable segment totals	Adjustments	Consolidated totals
	R'000	R'000	R'000
Other material items 2007			
Finance income	3 056	823	3 879
Finance expenses	(1 822)	(259)	(2 081)
Capital expenditure	8 317	230	8 547
Depreciation and amortisation	(4 228)	(2 183)	(6 411)

Notes to the Financial Statements (continued)

for the year ended 31 December 2008

43. Segmental analysis (continued)

	Financial Services		Support Services		Information Technology		Automotive Components		Consolidation Adjustment		Total	
	2008	2007	2008	2007	2008	2007	2008	2007	2008	2007	2008	2007
	R'000	R'000	R'000	R'000	R'000	R'000	R'000	R'000	R'000	R'000	R'000	R'000
Reportable segment results	8 679	12 500	18 649	18 846	9 694	14 377	14 402	20 010	19 693	(11 379)	71 117	54 354
Share of profit/(loss) of associates	-	-	(5)	(209)	104	47	-	-	-	-	99	(162)
Finance income	2 058	2 138	5 292	226	2 740	376	1 910	316	(1 153)	823	10 847	3 879
Finance expenses	(865)	(903)	(736)	265	(768)	(488)	(6 473)	(696)	2 275	(259)	(6 567)	(2 081)
Income tax expense	(2 839)	(4 121)	(6 587)	(5 549)	(3 559)	(3 630)	(698)	(5 515)	112	4 415	(13 570)	(14 400)
Minority interest	121	-	(705)	(1 189)	-	-	-	-	(1 101)	-	(1 685)	(1 189)
Contributions to earnings per segment	7 155	9 614	15 908	12 390	8 211	10 682	9 140	14 115	19 827	(6 400)	60 241	40 401
Loss/(profit) on disposal of property, plant and equipment	210	19	10	11	(5)	(44)	(315)	(100)	-	-	(101)	(114)
Profit on disposal of listed investments	-	(464)	-	-	-	-	-	-	-	-	-	(464)
Profit on write-back of loans	-	-	-	-	-	-	-	(77)	-	-	-	(77)
Profit on sale of subsidiary	-	-	-	-	-	-	(88)	-	-	(2 559)	-	(2 559)
Reversal of impairment of property, plant and equipment	-	-	-	-	-	-	-	-	(88)	-	(88)	-
Negative goodwill	-	-	-	-	-	-	-	-	(20 820)	-	(20 820)	-
Impairment of intangible assets	-	-	-	-	-	-	-	122	-	-	-	122
Impairment of investment	-	-	-	-	-	-	-	-	-	32 500	-	32 500
Impairment of loan receivable	-	-	-	-	-	-	-	-	-	(28 959)	-	(28 959)
Contribution to headline earnings per segment	7 364	9 169	15 918	12 401	8 206	10 638	8 737	14 060	(993)	(5 418)	39 232	40 850

Notes to the Financial Statements (continued)

for the year ended 31 December 2008

44. Shareholder's information

Analysis of the share register at 31 December 2008

Portfolio size	Number of shareholders	Percentage of shareholders	Number of shares	Percentage of share capital
1 to 50 000	1 029	94,40%	3 533 999	3,50%
50 001 to 250 000	38	3,49%	4 119 688	4,09%
Over 250 000	23	2,11%	93 148 990	92,41%
	1 090	100,00%	100 802 677	100,00%

Non-public & public shareholders	Number of shares	Percentage of share capital
Non-public shareholders		
HSBC Investment Management	22 055 199	21,88%
Insight Communications Limited	16 876 000	16,74%
Alpha Management Limited	14 300 000	14,19%
Insight Corp	12 625 921	12,52%
Subsidiary companies	3 692 749	3,66%
Directors (Direct & indirect beneficial interest)	1 791 148	1,78%
Directors - Subsidiary companies (Direct & indirect beneficial interest)	1 488 350	1,48%
Trustee of The MICROmega Share Incentive Scheme	185 380	0,18%
Total non-public shareholders	73 014 747	72,43%
Total public shareholders	27 787 930	27,57%
Total	100 802 677	100,00%

Major shareholders	Number of shares	Percentage of share capital
HSBC Investment Management	22 055 199	21,88%
Insight Communications Limited	16 876 000	16,74%
Alpha Management Limited	14 300 000	14,19%
Insight Corp	12 625 921	12,52%
Robel Management Limited	9 000 000	8,93%
T TSA Securities (Proprietary) Limited	3 692 749	3,66%
Mr Charles Lawrence Levy	3 439 653	3,41%
Enigma Investments Holdings Limited	3 000 000	2,98%
Ross Lewin Family Trust	1 427 493	1,42%

	2008		2007	
	Direct	Indirect	Direct	Indirect
I G Morris (Chairman)	-	15 890	-	15 890
R C Lewin	-	1 427 493	-	1 523 000
D M Carson	25 000	-	25 000	-
J E Newbury	-	322 765	-	-

There was no change in these shareholdings to the date of the notice of the annual general meeting.

Notice of Annual General Meeting

MICROmega HOLDINGS LIMITED
(Incorporated in the Republic of South Africa)
(Registration number 1998/003821/06)
(Share code: MMG ISIN: ZAE000034435)
("MICROmega" or "the Company")

Notice of Annual General Meeting

NOTICE is hereby given that the annual general meeting of shareholders of MICROmega Holdings Limited will be held in the boardroom, Block C, Chislehurst Office Park, 19 Impala Road, Chislehurst, Sandton at 10h00 on Friday, 24 July 2009 for the purpose of considering, and if deemed fit, passing, with or without modification, the following ordinary resolutions.

The conditions precedent to each of the resolutions becoming effective are:

- each of the resolutions set out below is passed in their current form or any modified form approved by the meeting.

ORDINARY RESOLUTION NUMBER 1

To receive and adopt the Annual Financial Statements for the year ended 31 December 2008, together with the reports of directors and auditors.

ORDINARY RESOLUTION NUMBER 2

To re-elect Messrs I G Morris, D S E Carlisle, P V Henwood, R C Lewin and J E Newbury as directors, who are eligible and offer themselves for re-election.

ORDINARY RESOLUTION NUMBER 3

To re-appoint KPMG Inc. as auditors and to authorise the directors to determine the remuneration of the auditors.

ORDINARY RESOLUTION NUMBER 4

To authorise the remuneration committee to determine the remuneration of the directors.

SPECIAL BUSINESS

To consider and if deemed to fit to pass the following special and ordinary resolutions:

ORDINARY RESOLUTION NUMBER 5

"RESOLVED THAT the entire authorised but unissued share capital of the company, from time to time, be placed under the control of the directors of the company until the next annual general meeting with the authority to allot and issue all or part thereof in their discretion, subject to Sections 221 and 222 of the Companies Act 61, of 1973, as amended, and in terms of the Listing Requirements of the JSE Limited."

ORDINARY RESOLUTION NUMBER 6

"RESOLVED THAT in terms of the Listing Requirements of the JSE Limited (JSE), the directors are hereby authorised to be given general authority to allot and issue unissued ordinary shares in the company for cash as and when suitable situations arise, subject to the following conditions:

- 1) that this authority shall only be valid until the next annual general meeting but shall not extend beyond 15 months;
- 2) that the shares may only be issued to public shareholders as defined by paragraph 4.26 of the Listing Requirements of the JSE and not to related parties;
- 3) that a paid press announcement giving full details, including the impact on net asset value and earnings per share be published after any issue representing, on a cumulative basis within one financial year, 5% or more of the number of shares in issue prior to the issue concerned;
- 4) that the issues in the aggregate in any one financial year shall not exceed 15% of the number of shares of the company's issued ordinary share capital;
- 5) that in determining the price at which an issue of shares will be made in terms of this authority, the maximum discount shall be 10% of the weighted average traded price of the shares on the JSE, as determined over 30 business days prior to the date the price of the issue is determined or agreed by the directors."

The approval of a 75% majority of the votes cast by the shareholders present or represented by proxy at this meeting is required for this ordinary resolution to become effective.

Notice of Annual General Meeting (continued)

SPECIAL RESOLUTION NUMBER 1

“RESOLVED THAT the directors of the company be and they hereby are authorised by a way of general authority contemplated in Sections 85 and 89 of the Companies Act, 61 of 1973, as amended (the Act), up to and including the date of the following annual general meeting, to approve the repurchase by the company of its own shares, but subject to the provisions of the Act and the JSE Limited (JSE) Listing Requirements and provided that:

1. the general authority shall only be valid until the next annual general meeting, but in any event shall not extend beyond 15 months from the date of this resolutions;
2. any such acquisition of ordinary shares shall be effected through the order book operated by the JSE trading system and done without any prior understanding or arrangement;
3. authorisation has been given by the company’s Articles of Association;
4. the general authority to repurchase be limited to maximum of 20% of the company’s issued share capital in any financial year;
5. repurchases shall not be made at a price of more than 10% above the weighted average of the market value at which such ordinary shares are traded on the JSE for the five business days immediately preceding the date on which the transaction is agreed;
6. an announcement will be published as soon as the company has acquired ordinary shares constituting, on a cumulative basis, 3% of the number of ordinary shares in issue at the time the general is granted, which announcement shall contain full details of such acquisition;
7. the repurchase shall be implemented on the JSE (“Open Market”), but subject to the company’s sponsor having furnished the JSE with prior, written confirmation of the company’s working capital adequacy.

The directors of MICROmega Holdings Limited have no specific intention, at present, for the company to repurchase any of its shares but consider such a general authority should be put in place should an opportunity present itself to do so during the year which is in the best interests of the company and its shareholders.

The directors are of the opinion, after considering the effect of such maximum repurchase of shares, that for a period of 12 months following the decision to use this authority:

1. the company and the Group will be able, in the ordinary course of business, to pay its debts;
2. the assets of the company and Group, fairly valued in accordance with International Financial Reporting Standards, will be in excess of the liabilities of the company;
3. the company and the Group will have adequate capital and reserves for purposes of their business for the foreseeable future; and
4. the working capital of the company and the Group will be adequate.

Disclosure in terms of section 11.26 of the JSE Limited (JSE) Listing Requirements

The JSE Listings Requirements require the following disclosures, which appear elsewhere in the annual report of which this notice forms part, as set out below:

- Directors page 17
- Major shareholders page 86
- Director’s interests in securities page 86
- Share capital of the company page 54

Material changes

Other than the facts and developments reported on in the annual report, there have been no material changes in the affairs or financial position of MICROmega Holdings Limited and its subsidiaries since the date of signature of the audit report and up to date of this notice.

Director’s responsibility statement

The directors, whose names are provided on page 17 of the annual report, collectively and individually accept full responsibility for the accuracy of the information pertaining to this special resolution and certify that to the best of their knowledge and belief no facts have been omitted, which would make any statement false or misleading and that all reasonable enquiries to ascertain such facts have been made and that the special resolution contains all information required by law and the JSE Listing Requirements.

Litigation statement

In terms of section 11.26 of the JSE Listing Requirements, the directors, whose names are provided on page 17 of the annual report of which this notice forms part, are not aware of any legal or arbitration proceedings, including proceedings pending or threatened, that may have or have had in the recent past, being at least the previous 12 months, a material effect on the Group’s financial position.

PROXY VOTING PROCEDURES

In terms of the Companies Act (Act 61 of 1973) as amended, any member entitled to attend and vote at the above meeting may appoint one or more persons as proxy, to attend and speak and vote in his stead. A proxy need not be a member of the company. Forms of proxy must be

deposited at the office of the transfer secretaries not later than 48 hours before the time fixed for the meeting (excluding Saturdays, Sundays and public holidays).

If your MICROmega shares have been dematerialised and are held in a nominee account, then your Central Securities Depository Participant ("CSDP") or broker, as the case may be, should contact you to ascertain how you wish to cast your vote at the annual general meeting and thereafter cast your vote in accordance with your instructions. If you have not been contacted it would be advisable for you to contact your CSDP or broker, as the case may be, and furnish them with your instructions. If your CSDP or broker, as the case may be, does not obtain instructions from you, they will be obliged to act in terms of your mandate furnished to them, or if the mandate is silent in this regard to abstain from voting. Dematerialised shareholders whose shares are held in a nominee account must not complete the attached form of proxy.

Unless you advise your CSDP or broker timeously, in terms of the agreement between yourself and your CSDP or broker, by the cut-off time advised by them that you wish to attend the annual general meeting or send a proxy to represent you at the annual general meeting, your CSDP or broker will assume you do not wish to attend the annual general meeting or send a proxy. If you wish to attend the annual general meeting, your CSDP or broker will issue the necessary letter of authority to you to attend the annual general meeting.

Shareholders who have dematerialised their shares through a CSDP or broker, other than "own name" registered dematerialised shareholders, who wish to attend the annual general meeting, must request their CSDP or broker to issue them with a letter of representation, or they must provide the CSDP or broker with their voting instructions in terms of the relevant custody agreement/mandate entered into between them and the CSDP or broker.

By order of the board



G W Schnehage
Company Secretary
30 March 2009

Corporate Information

as at 30 June 2009

Registration Number

1998/003821/06

Registered Office

Block C, Chislehurst Office Park, 19 Impala Road, Chislehurst, Sandton, 2196, South Africa

Telephone and Fax Number

Telephone: 011 783 4000

Facsimile: 011 783 2992

E-mail: info@micromega.co.za

Website: www.micromega.co.za

Directors

Mr I G Morris (Executive Chairman)

Mr D S E Carlisle

Mr P V Henwood

Mr R C Lewin

Mr J E Newbury

Sponsor

Investec Bank Limited, 100 Grayston Drive, Sandown, 2196

PO Box 785700, Sandton, 2146, South Africa

Transfer Secretaries

Computershare Investor Services 2004 (Proprietary) Limited, 70 Marshall Street, Johannesburg, 2001

PO Box 61051, Marshalltown, 2107, South Africa

Auditors

KPMG Inc., KPMG Crescent, 85 Empire Road, Parktown, 2193

Private Bag X9, Parkview, 2122

Company Secretary

Mr G W Schnehage

Block A, Chislehurst Office Park, 19 Impala Road, Chislehurst, Sandton, 2196, South Africa

Private Bag X9966, Sandton, 2146

Telephone: 011 883 1106

Facsimile: 011 783 0490

Group Directory

Company Name	Contact Person	Designation	Telephone number
Sector: Financial Services			
MICROmega Securities	Anton Vercueil	Managing Director	011 277 5300
MICROmega Africa Money Brokers	Konrad Rodrigues	Director	011 277 5300
Sector: Support Services			
MECS Africa	Roland Glass	Managing Director	011 883 1106
NOSA	Justin Hobday	Managing Director	012 683 0200
NQA Africa	Mike Timberlake	Chairman	012 683 0216
EMPOWERisk	Karl Bailey	Managing Director	011 883 8775
RiskWorks	Danie Williams	Managing Director	012 683 0200
Sector: Information Technology			
Intermap	Dylan Strydom	Managing Director	033 345 6981
MICROmega Revenue Management Solutions	Mpho Mofokeng	Chief Executive Officer	011 827 3455
MICROmega Technologies	Matthew Woodcock	Managing Director	011 704 0780
Sebata Municipal Solutions	Dylan Strydom	Managing Director	012 682 9800
Stable-Net	Matthew Woodcock	Managing Director	011 704 0780
SaleScience	Matthew Woodcock	Managing Director	011 704 0780
SciAM	Matthew Woodcock	Managing Director	011 704 0780
Sector: Automotive			
BTM Manufacturing	Bruce Carolin	Managing Director	016 362 0311
Deltec Power Distributors	Clive Guest	Managing Director	011 786 4911
Pro-Fit	Clive Guest	Managing Director	011 493 2002
Kolbenco	Colin Eddey	Managing Director	011 864 7930
Redback	Bruce Carolin	Managing Director	011 864 3629
Lubrication Equipment	Pierre Duvenhage	Managing Director	011 493 8235

Proxy Form

MICROmega HOLDINGS LIMITED
(Incorporated in the Republic of South Africa)
(Registration number 1998/003821/06)
(Share code: MMG ISIN: ZAE000034435)
("MICROmega" or "the Company")

Directors

I G Morris, D S E Carlisle, P V Henwood, R C Lewin, J E Newbury

FORM OF PROXY

This form is only for the use by registered shareholders of MICROmega Holdings Limited in certificated ordinary shares or in dematerialised ordinary shares in their own name, at the annual general meeting to be held at 10h00 on Friday, 24 July 2009 in the MICROmega boardroom ("the annual general meeting").

Holders of dematerialised ordinary shares in the company which shares are not registered in their own names must not complete this form of proxy but should timeously inform the Central Securities Depository Participant ("CSDP") or stock broker of their intention to attend the annual general meeting and request such CSDP or stockbroker to issue them with the necessary authorisation to attend or provide such CSDP with their voting instructions should they not wish to attend the general meeting in person.

Such ordinary shareholders must not return this form of proxy to the transfer secretaries. Holders of certificated ordinary shares in the company through a nominee must provide such nominee with their voting instructions in terms of the custody agreement entered into with such nominees. If such holders wish to attend the annual general meeting in person, then they will need to request such nominee to provide them with the necessary authority to attend and vote such shares.

I/We (name in full)

of (address)

being the holders of ordinary shares in MICROmega, hereby appoint (see note 1)

..... or failing him/her

..... or failing him/her

the Chairman of the annual general meeting as my/our proxy to attend and speak and vote for me/us on my/our behalf at the annual general meeting which will be held for the purpose of consideration, and if deemed fit, passing with or without modification, the ordinary and special resolutions to be proposed at the annual general meeting and at each adjournment of the annual general meeting and to vote for or against the ordinary and special resolutions or to abstain from voting in respect of the ordinary shares in the issued share capital of MICROmega registered in my/our name/s, in accordance with the following instructions (see note 2).

	Insert an "X" or the number or ordinary shares (see note 2)		
	For	Against	Abstain
Ordinary resolution number 1: (Received and adopt the Annual Report 31 December 2008.)			
Ordinary resolution number 2: (To re-elect Messrs I G Morris; D S E Carlisle; P V Henwood; R C Lewin; J E Newbury			
Ordinary resolution number 3: (To re-appoint KPMG Inc. as auditors.)			
Ordinary resolution number 4: (To authorise the remuneration committee to determine the remuneration of the directors.)			
Ordinary resolution number 5: (Place the unissued share capital under the control of the directors until next annual general meeting.)			
Ordinary resolution number 6: (To give the directors general authority to allot and issue unissued ordinary shares in the company for cash.)			
Special resolution 1: (To give the directors general authority, up to and including the date of the following annual general meeting, to approve the purchase by the company of its own shares.)			

Insert an "X" in the relevant spaces above 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 ordinary shares than you own in MICROmega, insert the number of ordinary shares held in respect of which you desire to vote (see note 2).

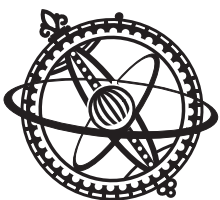
Signed at..... on 2009

Signature..... Assisted by me (Where applicable)

Each member is entitled to appoint a proxy (who need not be a member of MICROmega) to attend, speak and, on a poll, vote in place of that member in the annual general meeting.

NOTES

1. An ordinary shareholder may insert the name of proxy or the names of one alternative proxy of the ordinary shareholder's choice in the space/s provided, with or without deleting "the Chairman of the annual general meeting", but any such deletion must be initialled by the ordinary shareholder. The person whose name stands first on the form of proxy and who is present at the annual general meeting will be entitled to act as proxy to the exclusion of those whose names follow.
2. Please insert an "X" in the relevant space 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 ordinary shares than you own in MICROmega, insert the number of ordinary shares held in respect of which you wish 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 ordinary shareholder's votes exercisable at the annual general meeting. An ordinary shareholder or his/her proxy is not obliged to use all the votes exercisable by the ordinary shareholder or by his/her proxy, but the total of the votes cast in respect of which abstention is recorded may not exceed the total number of votes exercisable by the ordinary shareholder or by his/her proxy.
3. **Forms of proxy must be received by the transfer secretaries, Computershare Investor Services 2004 (Proprietary) Limited, 70 Marshall Street, Johannesburg, 2001 (PO Box 61051, Marshalltown, 2107), by no later than 10h00 on Wednesday, 22 July 2009.**
4. Where there are joint holders of any ordinary shares, only that holder whose name appears first in the register in respect of such ordinary shares, need to sign this form of election.
5. The completion and lodging of this form of proxy will not preclude the relevant ordinary shareholder from attending the annual general meeting and speaking and voting in person at the annual general meeting to the exclusion of any proxy appointed in terms of this form.
6. Any alteration to this form must be initialled by the shareholder concerned.
7. If this form of proxy is signed under a power of attorney, then such power of attorney or of a notarially certified copy thereof must be sent with this form of proxy for noting (unless it has already been noted by the transfer secretaries).
8. 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.
9. The Chairman of the annual general meeting may accept any form of proxy which is completed other than in accordance with these notes if he is satisfied as to the manner in which the ordinary shareholder wishes to vote.



MICRO*mega*

The difference is in the detail

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