MICRO*mega* Holdings Limited

Annual Report 2009

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.

Wikipedia - 2009

Contents

** The 2009 annual report can be downloaded from our website at www.micromega.co.za*

Financial Highlights

-11%

Decrease in Revenue

-26%

Decrease in Net Cash from Operating Activities

-48%

Decrease in Headline Earnings per Share

8%

Increase in Net Asset Value per Share

Group Structure

MICRO*mega* delivers services across all continents, focusing on four main sectors:

Financial Services

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

Support Services

- MECS Africa
  - MECS Growth
  - NOSA Employment Agency
- NOSA
  - nqa africa
  - EMPOWERisk
  - RISKWORKS A NOSA Company
  - The RIPPLE EFFECT™

Information Technology

- MICRO*mega* TECHNOLOGIES
- SEBATA
  - INTERMAP technology excellence that delivers
  - MICRO*mega* Revenue Management Solutions (Pty) Ltd
- Stable-Net
  - CloudWare
  - SciAM

Automotive

- BTM Bullbar • Towbar Manufacturers
  - REDBACK
- Deltec
  - Deltec Africa
- KOLBENCO Automotive Piston Manufacturer
- Lubrication Equipment (Pty) Ltd
- PRO FIT High Quality Spares & Accessories

Board of Directors

EXECUTIVE DIRECTORS

IAN GREGORY MORRIS (42)
CA(SA)
Executive Chairman, appointed 1 June 2004

Greg has been with the Group since its incorporation and has been instrumental in the strategy of the Group since inception. Since his appointment to the main board the Group has followed a diversification strategy as a listed private equity firm. Greg is responsible for the corporate finance transactions of the Group and ensures that the growth strategy is sustainable. Greg has been a registered Chartered Accountant for 19 years. He is a director of numerous MICRO*mega* subsidiaries.

DUNCAN STUART EBDEN CARLISLE (34)
BCom (Hons)
Managing Director, appointed 30 March 2009

Duncan has been with the Group since 2001 and fulfilled a number of operational roles in the Group culminating in his appointment as NOSA managing director in 2005. His role changed to that of Chairman of NOSA following his appointment to the main board. Duncan is responsible for the extraction of earnings of the Group companies and revenue growth across all sectors. He is a director of numerous MICRO*mega* subsidiaries.

DAVID JOHN CASE (30)
CA(SA)
Financial Director, appointed 1 April 2010

David has been with the Group since 2006 following the completion of his articles. He has held the role of chief financial officer since 2007. David is responsible for the financial disciplines and control environment within the Group. David has been a registered Chartered Accountant for five years. He is a director of numerous MICRO*mega* subsidiaries.

NON-EXECUTIVE DIRECTOR

ROSS CHARLES LEWIN (42)
BSc.Eng (Hons)
Appointed 18 February 2004

Ross is an engineering professional who has had a successful career over more than 20 years in the engineering and information technology service provision fields. He successfully founded and developed a number of successful companies, including Intermap (Pty) Ltd which is part of the MICRO*mega* Group. Ross was appointed to the board in 2004 as a non-executive director and also fulfils the role of Chairman of the remuneration committee. Ross now resides in Australia where he is the CEO of a specialised remote sensing company.

INDEPENDENT NON-EXECUTIVE DIRECTOR

PETER VIVIAN HENWOOD (67)
CA(SA)
Appointed 23 June 2008

Peter is a former audit partner of KPMG Inc. who has 45 years of experience in the audit environment. He has been registered as a Chartered Accountant for the last 28 years. Peter has fulfilled the role of the Chairman of the risk and audit committee since his appointment to the main board and has significant expertise in the field.

Chairman's Report

The Group remains optimistic about its financial performance for the 2010 financial year and believes that the inherent balance sheet strength with low gearing will afford growth opportunities.

MICRO*mega* Holdings Limited is an investment holding company with a diversified portfolio of businesses. The Group's investments are focused in four sectors of the economy namely; financial services, support services, information technology and automotive components.

The Group reported a decline in headline earnings per share of 48% to 20.75 cents per share. This was the first decrease in headline earnings for 6 years and was as a result of a number of event risks that occurred during the year. In all instances risk reduction strategies were adopted to address these events and limit their impact on earnings in future periods.

Events that occurred during 2009:

- On 19 December 2008 Kolbenco (Proprietary) Limited closed its manufacturing activities. This was a direct result of the downturn experienced in the global automotive sector. Whilst significant write-offs were taken in the 2008 reported earnings, there was a need to further impair assets in 2009. In addition, a number of unforeseen expenses occurred during the financial year as a result of the closure of the production facility. The net impact in this year's results was a decrease in revenue of R115m, whilst earnings before tax were negatively impacted by R11.4m.

- Throughout 2009 the automotive component manufacturers struggled with new car sales and demand for product well down when compared to prior years. This had a direct impact on BTM Manufacturing (Proprietary) Limited, which reported a R6.8m decrease in revenue and a R8.2m decline in earnings before tax.

- The Group sustained a loss of R9.9m on foreign currency denominated trade receivables (2008: profit of R6.1m) due to the strengthening of the Rand against all major currencies. These trade receivables were not hedged during the year due to the nature of the trade agreements in place and the uncertainty surrounding cashflows from other African countries.

- During the course of the year, the Group was forced to collapse a failed BEE transaction, which resulted in an impairment of R7.5m against goodwill.

Accordingly, the aforementioned events negatively impacted the net profit before taxation figure by a sizeable R43.1m.

Notwithstanding this, the remaining three sectors performed relatively well despite the economic slowdown, with the information technology sector reflecting the highest growth in revenue and attributable profits. The services sector continued to perform in line with expectations and the increased spend in both the mining and petrochemical industries will have a positive impact on revenue and earnings for this sector in 2010. Whilst the financial services sector was directly affected by the global economic downturn, this sector performed relatively well, with earnings in line with the 2008 results.

The Group remains optimistic about its financial performance for the 2010 financial year and believes that the inherent balance sheet strength with low gearing will afford growth opportunities.

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

Mr I G Morris
Executive Chairman

Managing Director's Report

Support Services

The businesses within this sector are:
- EMPOWERisk (50%)
- NOSA
- NOSA Mozambique
- NOSA Namibia
- NOSA Zambia
- NQA Africa
- Riskworks
- Swaziland Occupational Safety & Health
- MECS Africa
- MECS Growth
- MECS Recruitment
- NOSA Employment Agency
- Petrolmecs LDA (49%)
- The Ripple Effect

The Support Services Sector is the second largest contributor to Group earnings accounting for 34.3% of total Group earnings in 2009.

The strong performance from the Support Services Sector was driven by the NOSA Group of Companies, which reported a 23% increase in earnings. NOSA is the leading provider of occupational risk management products in Africa and provides services through a national infrastructure of 20 offices, along with operations in Swaziland, Namibia, Zambia and Mozambique.

NOSA was established by the South African Government in 1951 and has been instrumental at reducing the injury and fatality rates in both the mining and general industry sectors of the market. NOSA's Training Division accounts for approximately 65% of revenue, training in the region of 20 000 students per annum. The demand for NOSA training courses continues to increase, particularly following the introduction in 2008 of the NEBOSH International General Certificate and the NEBOSH Construction Course, both of which are internationally recognised short courses. In addition, ongoing pressure on companies to comply with the Occupational Health and Safety Act and Mine Health and Safety Act will drive demand and revenue growth within NOSA Auditing, particularly given the reliance that companies place on the NOSA protocols to manage their occupational health and safety risks.

The information technology application which has been developed over the past three years has secured a number of new clients both in South Africa and abroad and the company is positive that the demand for its products will continue to grow. The application, which is housed in Riskworks, provides further assistance to companies in managing their health, safety and environmental risks and complements NOSA's existing products.

NOSA's operations in the SADC region performed within expectations and whilst it is unlikely that they will become significant contributors to earnings in the short to medium terms they remain strategically very important and provide a base for future expansion into Africa.

MECS Africa provides a flexible, alternative solution to permanent employment focusing predominantly on the mining and petrochemical industries. The global economic slowdown, coupled with a R5,3m foreign currency loss had a negative impact on MECS Africa's earnings. The foreign currency loss was as a result of the company's 49% shareholding in Petrolmecs LDA and the strengthening of the Rand during the course of the year. In the first quarter of 2010, the company has experienced an improvement in earnings following an increase in spending from the mining sector, coupled with the fact that the diversification strategy implemented in 2009, to diversify the company's revenue streams, is paying off.

During the course of 2009, MECS established a recruitment division focussing specifically on the occupational health and safety profession. The division, namely NOSA Employment Agency, has experienced solid growth in its first 6 months and the company is anticipating further growth given its access to the NOSA client base and the fact that there are few competitors within this market. The company has also recently established a recruitment arm focussing on permanent placements within all sectors of the economy and this division has secured a number of new clients.

Financial Services

The businesses within this sector are:
- MICRO*mega* Africa Money Brokers
- MICRO*mega* Financial Services
- MICRO*mega* Securities
- SA International & Capital Market Brokers
- TTSA Securities

The Financial Services Sector accounted for 15.7% of Group earnings, compared to 18.8% in 2008.

The sector was negatively impacted by the ongoing recession during the 2009 financial year. The companies within this sector provide a specialist intermediary broking service to commercial banks, investment banks, stock brokers as well as reputable trading entities in the wholesale financial markets. The global economic downturn has resulted in all financial institutions reassessing risk and they have all placed stricter regulations on their dealers and changed their systems accordingly. This has resulted in a decrease in liquidity in the markets, with the lower volume of deals negatively impacting on the brokerage earned by the various businesses.

MICRO*mega* Africa Money Brokers was established in 2007 and focuses primarily on the forward and spot foreign exchange markets in several African countries. The work that has gone into establishing the business and educating new clients is reaping benefits with the brokerage income increasing by approximately 60% year on year. MICRO*mega* Africa Money Brokers is expected to continue to grow as new markets are developed.

MICRO*mega* Financial Services was formed in November 2009, with the entity's focus being on developing new products and revenue streams, complementing the existing businesses. The entity will be aimed more at the retail market and related products, diversifying away from the reliance on the wholesale financial market.

Managing Director's Report (continued)

Information Technology

The businesses within this sector are:
- Cloudware
- Intermap
- MICRO*mega* Revenue Management Solutions
- MICRO*mega* Technologies
- SclAM Professional Solutions
- Sebata Municipal Solutions
- Stable-Net

The Information Technology Sector accounted for 69.6% of the Group's earnings, compared to 20.9% in 2008.

The sector is the highest growth sector within the MICRO*mega* Group, with a number of the businesses beginning to deliver on expectations. The increased contribution was largely driven by MICRO*mega* Technologies, with the company experiencing a 1 254% increase in earnings. MICRO*mega* Technologies is a specialist distributor of business network optimisation solutions. The products distributed by MICRO*mega* Technologies are used to optimise technology resources within an enterprise, including data centres, communications networks and business applications. Whilst Stable-Net was restructured towards the latter part of 2009 the Group is anticipating an improvement in the company's performance during 2010. Stable-Net is a CISCO Centre of Excellence and provides a comprehensive suite of services and products that analyse and improve all aspects of technology within their specific business frameworks, allowing them to achieve an optimised business network infrastructure.

The public sector businesses, namely Intermap, Sebata and MICRO*mega* Revenue Management Solutions experienced a decline in earnings during 2009, which was largely due to a slowdown in government spending following the elections and the change in Local Government Administration. Based on the first quarter of 2010, this trend has reversed, with an improvement in the municipal supply chain and tender process. In addition, Sebata has secured a number of new clients in Namibia, which will have a positive impact on earnings in the near future.

Going forward, the Group is anticipating a strong contribution to earnings from Cloudware towards the latter part of 2010 and into 2011. Cloudware offers a cost effective and low risk computing option to the broader market and the technology is unique both in South Africa and abroad.

Automotive Sector

The businesses within this sector are:
- BTM Manufacturing
- Deltec Power Distributors
- Deltec Africa
- Kolbenco
- Lubrication Equipment
- Pro-Fit
- Redback Africa

The Automotive Sector made a loss of R10,134m during the course of 2009, compared to a profit of R8,737m in 2008.

The sector was severely impacted by the decline in the global automotive industry, with the sales of both new passenger and commercial vehicles decreasing by approximately 25% during 2009. This resulted in the component manufacturers encountering very difficult trading conditions. Whilst the diverse nature of the businesses operating in this sector ensured that losses were contained, the companies with direct exposure to new car sales such as BTM Manufacturing, Redback Africa, Kolbenco and Pro-Fit, were severely impacted.

Deltec Power Distributors, a supplier of high quality imported sealed and semi-sealed maintenance-free batteries, performed solidly for the year, although market demand was not as high as in the previous year when the country experienced power outages and there was a significant increase in the demand for backup power supplies. Deltec experienced good growth in market share during 2009, which protected the company's earnings, and this growth has continued into 2010.

Lubrication Equipment also outperformed expectations for the year. The company's main source of revenue is through the installation of lubricant transfer systems at vehicle dealerships. Many of the automotive manufacturers consolidated their dealership network during 2009 due to the decreased demand, reducing the number of operational sites. Lubrication Equipment managed to retain their client base through quality of product and workmanship, and during the beginning of 2010 has secured a number of large contracts.

Whilst the Automotive Sector as a whole struggled during 2009 the individual companies are all well placed to take advantage of the expected recovery in the industry. Indications at this stage are that the recovery has slowly begun with vehicle production figures on the rise and a continued flow of new models into the market.

Any forecasts contained within this report have not been reviewed or reported on by the auditors.

Mr D S E Carlisle
Managing Director

Corporate Governance

OVERVIEW

By adhering to the King II Report, MICRO*mega* Holdings Limited (MICRO*mega*) 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 benchmark to ensure that we maintain high standards of good corporate governance throughout the Group.

MICRO*mega* 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. MICRO*mega* remains committed to achieving the highest standards of accountability, transparency and integrity in all matters concerning its stakeholders.

The directors believe that MICRO*mega* 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.

KING III REPORT

The King III Report was published on 1 September 2009 and is to be implemented for all financial years commencing after 1 March 2010. For MICRO*mega* this will require compliance for the year ended 31 December 2011. The third report on corporate governance in South Africa became necessary because of the new Companies Act no. 71 of 2008 and changes in international governance trends. In contrast to the King I and King II codes, King III applies to all entities regardless of the manner and form of incorporation or establishment and whether in the public, private sectors or non-profit sectors.

The board will assess the principles and practices contained in King III and where in the best interests of the company will implement the necessary changes. If any principles and practices are found to be inappropriate for the company, the board will disclose the reasons for non-compliance.

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 MICRO*mega* 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:

- corporate governance and ethics;
- developing and adopting strategic plans;
- monitoring operational performance and management;
- ensuring effective risk management and internal controls;
- selection, orientation and evaluation of directors;
- information technology governance;
- 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 MICRO*mega* 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; and
- 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 Managing Director and 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 are available to advise on and implement key decisions, to ensure 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 three executive directors, Mr I G Morris (Chairman), Mr D S E Carlisle (Managing Director), Mr D J Case (Financial Director) and two non-executive directors, Mr P V Henwood and Mr R C Lewin.

During the reporting period since the approval of the 2008 audited Group results, the board met four times, the following being the dates and major items on the agenda.

Date	Agenda
8 May 2009	Operating and financial review of the performance of the company and subsidiaries for the 1st Quarter 2009.
14 September 2009	Operating and financial review of the performance of the company and subsidiaries for the 2nd Quarter 2009. Approval of the unaudited interim results for the six months ended 30 June 2009.
19 November 2009	Operating and financial review of the performance of the company and subsidiaries for the 3rd Quarter 2009.

Corporate Governance (continued)

Date	Agenda
15 March 2010	Approval of the annual financial statements and the abridged financial statements for the year ended 31 December 2009.

Directors' attendance at meetings

Director	8 May 2009	14 September 2009	19 November 2009	15 March 2010
I G Morris	✔	✔	✔	✔
D S E Carlisle	✔	A	✔	✔
P V Henwood	✔	✔	✔	✔
R C Lewin	✔	✔	✔	✔
J E Newbury *	✔	✔	-	-
✔ = Present / A = Apologies				

Executive

I G Morris (Chairman)	4 out of 4
D S E Carlisle	3 out of 4

Non-Executive

P V Henwood	4 out of 4
R C Lewin	4 out of 4
J E Newbury*	2 out of 2 (Mr J E Newbury resigned from the Board on 5 November 2009)

Mr D J Case was appointed to the Board of Directors as Financial Director on 1 April 2010.

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 laws and codes of conduct;
- satisfying itself of the expertise, resources and experience of the Group's finance function;
- evaluating the effectiveness of the risk and compliance management functions in the Group;
- maintaining transparent 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;
- overseeing of integrated reporting;
- 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 directors 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	8 May 2009	14 September 2009	19 November 2009	15 March 2010
P V Henwood	✔	✔	✔	✔
R C Lewin	✔	✔	✔	✔
J E Newbury	✔	✔	-	-
By Invitation				
I G Morris	✔	✔	✔	✔
D S E Carlisle	✔	A	✔	✔
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. The risk and audit committee is satisfied with the expertise and experience of the financial director.

External audit

The Group's external auditors are KPMG Inc. (KPMG) and the report of the independent auditors is included on page 16.

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.

Corporate Governance (continued)

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 for the Group as approved by the board. The remuneration committee meets at least once a year in conjunction with a board meeting.

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, which are tabled for shareholder approval at the annual general meeting; 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 2009.

COMPANY SECRETARY
All directors have access to a suitably qualified and experienced Group secretary. The Group secretary provides guidance to the board as a whole and to individual directors with regard to how their responsibilities should be discharged in the best interests of the Group.

The Group secretary oversees the induction of new directors. The secretary also assists the Chairman and the Managing Director to determine the annual board plan and board agendas, as well as to formulate governance and board-related issues.

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 13 to 79 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 MICRO*mega* 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 cover 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

MICRO*mega* 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 MICRO*mega* 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 suppliers, as well as the communities which are supported by the MICRO*mega* Social Responsibility Fund. At MICRO*mega* 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 MICRO*mega* 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.

MICRO*mega* 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 their sponsoring brokers to ensure that MICRO*mega* is in the forefront of reporting to shareholders and the market in general.

CUSTOMERS

MICRO*mega* 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 - 2009	Number of Customers - 2008
Africa		
South Africa	12 158	10 319
Angola	6	2
Botswana	36	33
Democratic Republic of Congo	0	1
Egypt	2	0
Ghana	3	0
Kenya	17	14
Lesotho	5	7
Madagascar	0	1
Malawi	11	9
Mozambique	13	16
Namibia	26	16
Nigeria	2	1
Swaziland	14	12
Tanzania	20	11
Uganda	5	3
Zambia	11	8
Zimbabwe	19	19
Europe	8	9
North America	5	0
South America	1	1
Asia	9	0
Australasia	3	1
Total	**12 374**	**10 483**

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. MICRO*mega* is also striving to provide economic assurance and stability to all customers throughout the world, despite the current adverse economic conditions.

EMPLOYEES

MICRO*mega* is an equal opportunity employer and has developed a broad-based black economic empowerment strategy in terms of the codes that supports the transformation objectives of the country. MICRO*mega* 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 2009 financial year end are as follows:

Sustainability Report (continued)

Classification	31st December 2009		31st December 2008	
	Male	Female	Male	Female
White	208	151	161	142
African	254	92	334	98
Coloured	30	11	32	8
Indian	8	14	7	9
Total	**500**	**268**	**534**	**257**

At the end of the financial year 53% of the staff was historically disadvantaged individuals which is a reduction from the 62% of the prior year. Of the total staff complement 35% were female which is small increase from the prior year ratio of 32%.

Staff movements during the year:

Opening Balance	**791**
Appointments	99
Resignations	(42)
Dismissals	(34)
Expiry of Contract	(47)
Retrenchment	(78)
Death	(9)
Closing Balance	**768**

The above movements reflect a staff turnover of 27% which is a large reduction from 45% in the previous year.

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 2009 financial year was R1 035 291 (2008: R586 080) and MICRO*mega* will continue to encourage the growth of its employees' skills and knowledge bases through this staff training scheme. MICRO*mega* makes use of a share incentive scheme of which all employees are legible. 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 MICRO*mega* 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 MICRO*mega* Social Responsibility Fund was set up to benefit the communities in which the Group operates.

The MICRO*mega* 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.

MICRO*mega* 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 MICRO*mega* 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 MICRO*mega* and the Group realises their responsibilities and roles to be played in this development. It is a role that MICRO*mega* cherish and the Group is happy to be making a difference.

ENVIRONMENT

MICRO*mega* Holdings has an environmental campaign, "Greening MICRO*mega*", which was launched in 2008. 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 MICRO*mega* Holdings into a better and more accountable position for our stakeholders and society at large.

The current year has seen benefits with reduced energy costs. The continued education of staff in terms of this campaign remains a focus of the Group.

Annual Financial Statements

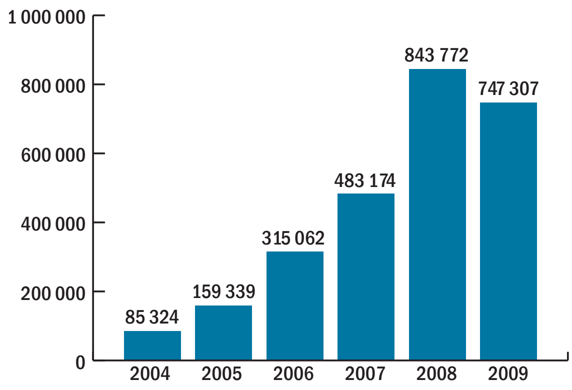
for the year ended 31 December 2009

Financial Contents

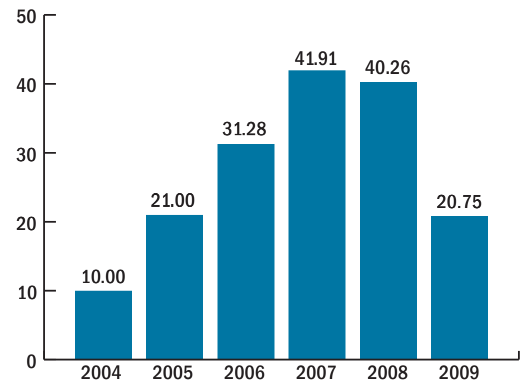
MICRO*mega* HOLDINGS LIMITED AND ITS SUBSIDIARY COMPANIES
(Registration number 1998/003821/06)

Salient Features

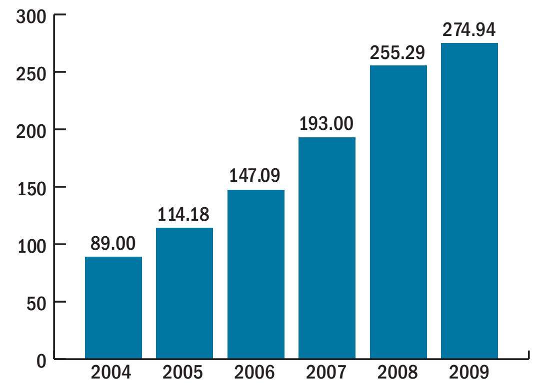
Revenue (R'000)



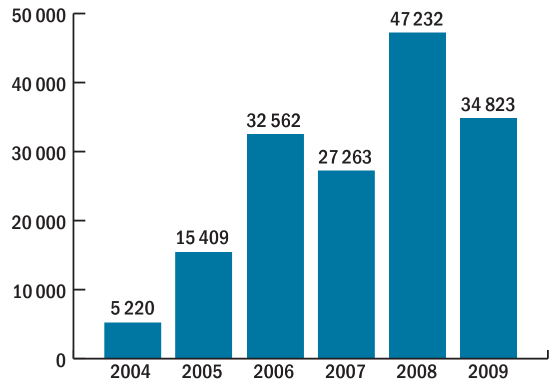
Headline Earnings per Share (cents)



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 MICRO*mega* Holdings Limited, comprising the statements of financial position at 31 December 2009, and the statements of comprehensive income, 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 MICRO*mega* 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 MICRO*mega* Holdings Limited as identified in the first paragraph, were approved by the Board of Directors on 15 March 2010 and are signed on its behalf by:

Mr I G Morris
Executive Chairman

Mr D S E Carlisle
Managing 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 2009, 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
15 March 2010

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 MICRO*mega* Holdings Limited, which comprise the statements of financial position at 31 December 2009, and the statements of comprehensive income, 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 17 to 79.

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 MICRO*mega* Holdings Limited at 31 December 2009, 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
15 March 2010

Report of the Directors

The directors present their report for the year ended 31 December 2009. This report forms part of the audited Group and separate financial statements of MICRO*mega* 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**
MICRO*mega* 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 Sector*
  - Manufacturer and distribution of automotive components
  - Importation and distribution of power supply solutions
  - Distribution of auto-electrical accessories
  - 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**
There were no changes in the issued share capital of the Group during the year under review.

During the year the Group repurchased 143 987 treasury shares on the open market at an average premium of 155 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.

6. **Events subsequent to the year end**
There were no subsequent events after the reporting 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	Managing Director	Appointed 30 March 2009
Mr D J Case	Financial Director	Appointed 1 April 2010
Mr D M Carson	Non-executive	Resigned 22 March 2009
Mr P V Henwood	Non-executive	
Mr R C Lewin	Non-executive	
Mr J E Newbury	Non-executive	Resigned 5 November 2009

Report of the Directors (continued)

8. Company Secretary

The company secretary of the Group is G W Schnehage, whose business and postal addresses are:
Block C
Chislehurston Office Park
19 Impala Road
Chislehurston
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.

9. Discontinued operations

In the prior year the Group had committed to ceasing the manufacture of pistons in Kolbenco (Proprietary) Limited due to the downturn in the automotive sector. A formal structured plan was commenced to dispose of the assets and settle the liabilities at the prior year end. The disposal of the assets has taken longer than initially expected due to the problems facing automotive component manufacturers world-wide. Formal structured plans are still in place for the disposal of the assets and discussions are ongoing with interested parties.

10. Special resolutions

A special resolution was passed at the annual general meeting of shareholders held on 24 July 2009 in regard to a general authority to enable the Company to acquire its own shares.

Special resolutions were passed by certain subsidiaries to amend articles of association and to change their names.

Report of the Directors (continued)

11. 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	
		2009	**2008**	**2009**	**2008**	**2009**	**2008**
MICRO*mega* Securities (Proprietary) Limited and its subsidiary companies	5 000 000	**100**	100	**53 912**	47 609	**(2 696)**	(16 824)
MICRO*mega* Treasury Solutions (Proprietary) Limited	943	**100**	100	**-**	-	**-**	12 837
MICRO*mega* Revenue Management Solutions (Proprietary) Limited and its subsidiary companies	100	**100**	100	**3 141**	3 141	**7 202**	6 803
MICRO*mega* Properties 2 (Proprietary) Limited	13 500	**100**	100	**92**	92	**454**	454
MICRO*mega* Investment Portfolio (Proprietary) Limited	13 500	**100**	100	**92**	92	**328**	328
SA Meter Reading Services (Proprietary) Limited	100	**100**	100	**180**	180	**-**	2
Intermap (Proprietary) Limited	100 000	**100**	50	**10 170**	5 046	**(5 240)**	(889)
Deltec Power Distributors (Proprietary) Limited and its subsidiary company	100	**100**	100	**14 788**	14 788	**2 408**	15 318
Sebata Municipal Solutions (Proprietary) Limited and its subsidiary companies	392	**74**	74	**8 000**	8 000	**(14 717)**	(13 230)
MICRO*mega* National Certification (Proprietary) Limited	120	**100**	100	**-**	-	**2 853**	2 665
MICRO*mega* Professional Risk Solutions (Proprietary) Limited and its subsidiary companies	120	**100**	100	**-**	-	**(8 820)**	(319)
Riskworks (Proprietary) Limited	120	**60**	60	**-**	-	**-**	-
MICRO*mega* Quality Assurance (Proprietary) Limited	100	**100**	100	**-**	-	**-**	-
MECS Africa (Proprietary) Limited and its subsidiary companies	4 500	**100**	100	**4 930**	4 930	**4 627**	4 328
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	**13 821**	7 216
Automobile Radio Dealers Association 1989 (Proprietary) Limited and its subsidiary company	16	**100**	100	**4 764**	7 093	**10 020**	8 421
Tiseletso (Proprietary) Limited	100	**100**	100	**-**	-	**231**	11 695
Mzimkhulu Financial Investments (Proprietary) Limited	100	**100**	100	**-**	-	**32 551**	35 794
Lubrication Equipment (Proprietary) Limited	5 000	**100**	100	**10 990**	9 524	**523**	1 361
Stable-Net (Proprietary) Limited	120	**85**	85	**200**	200	**16 182**	4 587
MICRO*mega* Technologies (Proprietary) Limited	100	**85**	85	**-**	-	**12 333**	3 525
Kolbenco (Proprietary) Limited	1 100	**100**	100	**5 223**	5 191	**6 989**	(1 802)
Ocneblok Properties (Proprietary) Limited	100	**50**	50	**3 747**	3 674	**-**	-
SciAM Professional Solutions (Proprietary) Limited	100	**50**	50	**-**	-	**-**	-
MICRO*mega* Financial Services (Proprietary) Limited	100	**100**	-	**-**	-	**-**	-
Tipulinx (Proprietary) Limited	100	**100**	-	**-**	-	**-**	-
Extriblox (Proprietary) Limited	100	**100**	-	**-**	-	**-**	-
Arbez Advanced Solutions and Services (Proprietary) Limited	1000	**50**	-	**-**	-	**-**	-
NOSA Namibia (Proprietary) Limited	100	**100**	-	**-**	-	**549**	-
NOSA Limited UK	100	**100**	-	**4**	-	**-**	-
				137 433	126 760	**79 527**	82 351

With the exception of Swazi Occupational Safety & Health (Proprietary) Limited, which is domiciled in Swaziland; NOSA Limited UK, which is domiciled in the United Kingdom; and NOSA Namibia (Proprietary) Limited, which is domiciled in Namibia, all of the above entities are domiciled in the Republic of South Africa.

All the above entities have the same year end as MICRO*mega* Holdings Limited.

The earnings of the subsidiaries attributable to MICRO*mega* Holdings Limited was R17 881 624.

Statements of Financial Position

as at 31 December 2009

		Group		Company	
		2009	2008	2009	2008
	Notes	R'000	R'000	R'000	R'000
ASSETS					
Non-current assets		**168 880**	144 654	**145 951**	136 922
Property, plant and equipment	5	**58 871**	55 181	**877**	1 097
Intangible assets	6	**61 434**	64 468	**1 000**	1 000
Investment in subsidiaries	7	**-**	-	**137 433**	126 760
Investment in associates	8	**3 747**	5 527	**-**	-
Other investments	9	**6 698**	6 737	**6 594**	6 473
Loans receivable	10	**21 891**	349	**-**	-
Deferred tax assets	11	**16 239**	12 392	**47**	1 592
Current assets		**251 906**	295 347	**112 548**	123 730
Inventories	13	**45 200**	91 059	**178**	12
Retirement benefits	14	**18 877**	17 971	**-**	-
Trade and other receivables	15	**123 976**	124 564	**700**	617
Amounts owing by subsidiary companies	16	**-**	-	**111 352**	121 372
Current portion of loans receivable	10	**5 497**	689	**-**	-
Cash and cash equivalents	18	**29 936**	30 365	**318**	1 729
Non-current assets classified as held for sale	12	**28 420**	30 699	**-**	-
Total assets		**420 786**	440 001	**258 499**	260 652
EQUITY					
Share capital and share premium	19	**191 440**	191 649	**192 756**	192 741
Non-distributable reserves	20	**8 196**	5 664	**2 018**	1 251
Retained earnings		**66 959**	50 597	**24 216**	20 041
Total equity attributable to equity holders of the company		**266 595**	247 910	**218 990**	214 033
Non-controlling interests		**13 455**	12 338	**-**	-
Total equity		**280 050**	260 248	**218 990**	214 033
LIABILITIES					
Non-current liabilities		**27 530**	16 280	**32**	62
Borrowings	21	**19 467**	8 789	**32**	62
Deferred tax liabilities	11	**8 063**	7 491	**-**	-
Current liabilities		**113 206**	163 473	**39 477**	46 557
Bank overdraft	18	**3 930**	13 025	**-**	-
Current portion of borrowings	21	**21 372**	19 193	**29**	28
Trade and other payables	23	**86 055**	117 773	**5 630**	4 710
Derivatives	17	**-**	282	**-**	-
Amounts owing to subsidiary companies	24	**-**	-	**31 825**	39 021
Deferred vendor payments	22	**871**	4 598	**871**	2 798
Provisions	25	**36**	64	**-**	-
Income tax payable		**942**	8 538	**1 122**	-
Total equity and liabilities		**420 786**	440 001	**258 499**	260 652

Statements of Comprehensive Income

for the year ended 31 December 2009

		Group		Company	
		2009	2008	2009	2008
	Notes	R'000	R'000	R'000	R'000
Revenue	26	**747 307**	843 772	**25 500**	20 008
Revenue from continuing operations	26	**721 900**	703 045	**25 500**	20 008
Revenue from discontinued operations	26, 35	**25 407**	140 727	**-**	-
Cost of sales		**(517 175)**	(573 043)	**-**	-
Gross profit		**230 132**	270 729	**25 500**	20 008
Gross profit from continuing operations		**227 428**	213 985	**25 500**	20 008
Gross profit from discontinued operations	35	**2 704**	56 744	**-**	-
Other income	27	**9 109**	31 406	**-**	148
Distribution expenses		**(5 578)**	(7 213)	**(15)**	(74)
Administrative expenses	30	**(196 616)**	(223 805)	**(15 756)**	(11 927)
Other expenses	28	**-**	-	**(1 903)**	-
Results from operations		**37 047**	71 117	**7 826**	8 155
Results from continuing operations		**43 947**	62 848	**7 826**	8 155
Results from discontinued operations		**(6 900)**	8 269	**-**	-
Finance income	33	**9 479**	10 847	**2 380**	1 751
Finance expenses	33	**(16 995)**	(6 567)	**(3 364)**	(697)
Net finance (expense)/income		**(7 516)**	4 280	**(984)**	1 054
Share of (loss)/profit of equity accounted associates		**(768)**	99	**-**	-
Profit before income taxation		**28 763**	75 496	**6 842**	9 209
Profit before taxation from continuing operations		**36 346**	71 775	**6 842**	9 209
(Loss)/profit before taxation from discontinued operations	35	**(7 673)**	3 721	**-**	-
Income tax expense	34	**(11 084)**	(13 570)	**(2 667)**	(2 941)
Profit for the year		**17 679**	61 926	**4 175**	6 268
Profit from continuing operations		**23 768**	57 519	**4 175**	6 268
(Loss)/profit from discontinued operations	35	**(6 089)**	4 407	**-**	-
Other comprehensive income					
Foreign currency translation differences		**42**	(23)	**-**	-
Revaluation of property, plant and equipment		**2 230**	-	**-**	-
Income tax on other comprehensive income		**(634)**	(102)	**-**	-
Other comprehensive income for the year, net of income tax		**1 638**	(125)	**-**	-
Total comprehensive income for the year		**19 317**	61 801	**4 175**	6 268
Profit attributable to:					
Owners of the company		**16 362**	60 241	**4 175**	6 268
Non-controlling interests		**1 317**	1 685	**-**	-
Profit for the year		**17 679**	61 926	**4 175**	6 268
Total comprehensive income attributable to:					
Owners of the company		**18 000**	60 116	**4 175**	6 268
Non-controlling interests		**1 317**	1 685	**-**	-
Total comprehensive income for the year		**19 317**	61 801	**4 175**	6 268
Earnings per share					
Basic earnings per share (cents)	36	**16,88**	61,82	**4,31**	6,43
Diluted earnings per share (cents)	36	**16,77**	61,35	**4,28**	6,38
Continuing operations					
Basic earnings per share (cents)		**23,16**	57,30	**4,31**	6,43
Diluted earnings per share (cents)		**23,01**	56,86	**4,28**	6,38

Statements of Changes in Equity

for the year ended 31 December 2009

	Share capital R'000	Share premium R'000	Revalua-tion reserve R'000	Foreign currency translation reserve R'000	Deal differen-ces reserve R'000	Share-based payments reserve R'000	Retained earnings/ (Accumu-lated loss) R'000	Total R'000	Non-controlling interests R'000	Total equity R'000
GROUP										
Balance at 01 January 2008	**982**	**193 138**	**2 490**	**2**	**1 000**	**1 453**	**(9 644)**	**189 421**	**4 262**	**193 683**
Total comprehensive income for the year										
Profit for the year	-	-	-	-	-	-	60 241	60 241	1 685	61 926
Other comprehensive income	-	-	(102)	(23)	-	-	-	(125)	-	(125)
Foreign currency translation differences	-	-	-	(23)	-	-	-	(23)	-	(23)
Deferred tax effect on revaluation of property, plant and equipment	-	-	(102)	-	-	-	-	(102)	-	(102)
Total comprehensive income for the year	-	-	(102)	(23)	-	-	60 241	60 116	1 685	61 801
Transactions with owners, recorded directly in equity										
Contributions by and distributions to owners	(11)	(2 460)	-	-	-	844	-	(1 627)	-	(1 627)
Issue of share capital	16	3 543	-	-	-	-	-	3 559	-	3 559
Share issue costs	-	(12)	-	-	-	-	-	(12)	-	(12)
Treasury shares purchase	(27)	(6 086)	-	-	-	-	-	(6 113)	-	(6 113)
Share-based payment transactions	-	95	-	-	-	844	-	939	-	939
Changes in ownership interests in subsidiaries that do not result in a loss of control	-	-	-	-	-	-	-	-	6 391	6 391
Business combinations	-	-	-	-	-	-	-	-	6 391	6 391
Total transactions with owners	(11)	(2 460)	-	-	-	844	-	(1 627)	6 391	4 764
Balance at 31 December 2008	**971**	**190 678**	**2 388**	**(21)**	**1 000**	**2 297**	**50 597**	**247 910**	**12 338**	**260 248**
Balance at 01 January 2009	**971**	**190 678**	**2 388**	**(21)**	**1 000**	**2 297**	**50 597**	**247 910**	**12 338**	**260 248**
Total comprehensive income for the year										
Profit for the year	-	-	-	-	-	-	16 362	16 362	1 317	17 679
Other comprehensive income	-	-	1 596	42	-	-	-	1 638	-	1 638
Foreign currency translation differences	-	-	-	42	-	-	-	42	-	42
Revaluation of property, plant and equipment	-	-	1 596	-	-	-	-	1 596	-	1 596
Total comprehensive income for the year	-	-	1 596	42	-	-	16 362	18 000	1 317	19 317
Transactions with owners, recorded directly in equity										
Contributions by and distributions to owners	(1)	(208)	-	-	-	894	-	685	(200)	485
Treasury shares purchase	(1)	(223)	-	-	-	-	-	(224)	-	(224)
Dividends paid to non-controlling interests	-	-	-	-	-	-	-	-	(200)	(200)
Share-based payment transactions	-	15	-	-	-	894	-	909	-	909
Total transactions with owners	(1)	(208)	-	-	-	894	-	685	(200)	485
Balance at 31 December 2009	**970**	**190 470**	**3 984**	**21**	**1 000**	**3 191**	**66 959**	**266 595**	**13 455**	**280 050**

Statements of Changes in Equity (continued)

for the year ended 31 December 2009

	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 2008	**992**	**187 844**	**625**	**13 773**	**203 234**
Total comprehensive income for the year					
Profit for the year	-	-	-	6 268	6 268
Total comprehensive income for the year	-	-	-	6 268	6 268
Transactions with owners, recorded directly in equity					
Contributions by and distributions to owners	16	3 889	626	-	4 531
Issue of share capital	16	3 806	-	-	3 822
Share issue costs	-	(12)	-	-	(12)
Share-based payment transactions	-	95	626	-	721
Total transactions with owners	16	3 889	626	-	4 531
Balance at 31 December 2008	**1 008**	**191 733**	**1 251**	**20 041**	**214 033**
Balance at 01 January 2009	**1 008**	**191 733**	**1 251**	**20 041**	**214 033**
Total comprehensive income for the year					
Profit for the year	-	-	-	4 175	4 175
Total comprehensive income for the year	-	-	-	4 175	4 175
Transactions with owners, recorded directly in equity					
Contributions by and distributions to owners	-	15	767	-	782
Share-based payment transactions	-	15	767	-	782
Total transactions with owners	-	15	767	-	782
Balance at 31 December 2009	**1 008**	**191 748**	**2 018**	**24 216**	**218 990**

Statements of Cash Flows

for the year ended 31 December 2009

	Notes	Group 2009 R'000	Group 2008 R'000	Company 2009 R'000	Company 2008 R'000
Cash flows for operating activities					
Cash generated by operating activities	42.1	**64 928**	56 596	**11 551**	9 481
Finance income		**9 479**	10 847	**2 380**	1 751
Finance costs		**(16 995)**	(6 567)	**(3 364)**	(697)
Taxation paid	42.2	**(22 589)**	(13 644)	**-**	-
Net cash inflows from operating activities		**34 823**	47 232	**10 567**	10 535
Cash outflow from investing activities					
Expenditure to maintain operating capacity					
Property, plant and equipment acquired		**(12 212)**	(19 855)	**(149)**	(715)
Intangible assets acquired		**(213)**	(1 195)	**-**	-
Proceeds of disposals of property, plant and equipment		**5 656**	1 149	**-**	194
Proceeds of disposals of intangible assets		**19**	-	**-**	-
Expenditure for expansion					
Acquisition of subsidiaries	42.3	**(1 578)**	(18 142)	**(12 576)**	(8 160)
Internally generated intangible assets		**(4 956)**	-	**-**	-
Investments sold/(acquired)		**2 359**	-	**(121)**	374
Loans receivable granted		**(26 350)**	(5 050)	**-**	-
Loans receivable repaid		**1 012**	553	**-**	3 281
Net cash used in investing activities		**(36 263)**	(42 540)	**(12 846)**	(5 026)
Cash flows from financing activities					
Treasury shares repurchased		**(224)**	(6 113)	**-**	-
Dividends paid to non-controlling interests		**(200)**	-	**-**	-
Borrowings raised/(repaid)		**12 857**	(29 099)	**(29)**	(679)
Deferred vendor payments raised		**-**	2 800	**-**	1 000
Deferred vendor payments repaid		**(2 327)**	(6 235)	**(1 927)**	(5 972)
Subsidiary company loans raised		**-**	-	**10 020**	17 891
Subsidiary company loans (granted)/repaid		**-**	-	**(7 196)**	(23 030)
Net cash generated/(used) in financing activities		**10 106**	(38 647)	**868**	(10 790)
Increase/(decrease) in cash and cash equivalents		**8 666**	(33 955)	**(1 411)**	(5 281)
Cash and cash equivalents at the beginning of the year		**17 340**	51 295	**1 729**	7 010
Cash and cash equivalents at the end of the year	18	**26 006**	17 340	**318**	1 729

Notes to the Financial Statements

for the year ended 31 December 2009

1. Reporting entity

MICRO*mega* Holdings Limited is a company domiciled in the Republic of South Africa. The address of the Company's registered office is Block C, Chislehurston Office Park, Chislehurston, Sandton. The consolidated financial statements of the Group as at and for the year ended 31 December 2009, 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 financial statements were approved by the Board of Directors on 15 March 2010.

(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; and
- The defined benefit asset is recognised as the net total of the plan assets, plus unrecognised past service cost and unrecognised actuarial losses, less unrecognised actuarial gains and the present value of the defined benefit obligation; and
- Owner occupied land and buildings are revalued to fair value where there is indication that there is a change from the prior year.

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) Changes in accounting policies due to compliance with revised standards

(i) Overview

Effective 1 January 2009, the Group has changed its accounting policies in the following areas:

- Accounting for borrowing costs
- Presentation of financial statements

Notes to the Financial Statements (continued)

for the year ended 31 December 2009

(ii) Accounting for borrowing costs

In respect of borrowing costs relating to qualifying assets for which the commencement date for capitalisation is on or after 1 January 2009, the Group now capitalises borrowing costs directly attributable to the acquisition, construction or production of a qualifying asset as part of the cost of the asset. Previously the Group immediately recognised all borrowing costs as an expense. This change in accounting policy was due to the adoption of IAS 23 *Borrowing Costs* (2007). In accordance with the transitional provisions of the standard; comparative figures have not been restated. The change in accounting policy had no material impact on earnings per share.

(iii) Presentation of financial statements

The Group has applied the revised IAS 1 *Presentation of Financial Statements* (2007), which became effective as of 1 January 2009. As a result, the Group presents in the consolidated statement of changes in equity all owner changes in equity, whereas all non-owner changes in equity are presented in the consolidated statement of comprehensive income.

Comparative information has been represented so that it also is in conformity with the revised standard. Since the change in accounting policy only impacts presentation aspects, there is no impact on earnings per share.

(iv) Determination and presentation of operating segments

As of 1 January 2009 the Group determines and presents operating segments based on the information that internally is provided to the Executive Chairman, who is the Group's chief operating decision maker. This change in accounting policy is due to the adoption of IFRS 8 *Operating Segments*. Previously operating segments were determined and presented in accordance with IAS 14 *Segment Reporting*. The adoption of the new accounting policy had no effect on the comparative figures due to the method that segments were determined in the past.

3. Significant accounting policies

The accounting policies set out below have been applied consistently to all periods presented in these financial statements, and have been applied consistently by Group entities, except as explained in note 2(e), which addresses changes in accounting policies.

(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 are currently 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 measured 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) Investments in associates and jointly controlled entities (equity accounted investees)

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.

Investments in associates are accounted for using the equity method (equity accounted investees) and are recognised initially at cost. The Group's investment includes goodwill identified on acquisition, net of any accumulated impairment losses. The consolidated financial statements include the Group's share of the income and expenses and equity movements of equity accounted investees, 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 investees, 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 investee.

(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.

Notes to the Financial Statements (continued)

for the year ended 31 December 2009

(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 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 transactions.

Foreign currency differences are recognised in other comprehensive income. 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 as part of the profit or loss on disposal.

When the settlement of a monetary item receivable from or payable to a foreign operation is neither planned nor likely in the foreseeable future, foreign exchange gains and losses arising from such a monetary item are considered to form part of a net investment in a foreign operation and are recognised in other comprehensive income, and are presented within equity in the foreign currency translation reserve.

(c) Financial instruments

(i) Non-derivative financial assets

The Group initially recognises loans and deposits on the date that they are originated. All other financial assets (including assets designated at fair value through profit or loss) are recognised initially on the trade date at which the Group becomes a party to the contractual agreements of the instrument.

The Group derecognises a financial asset when the contractual right to the cash flows from the asset expire, or it transfers the rights to receive the contractual cash flows on the financial asset in a transaction in which substantially all the risks and rewards of ownership of the financial asset are transferred. Any interest in transferred financial assets that is created or retained by the Group is recognised as a separate asset or liability.

Financial assets and liabilities are offset and the net amount presented in the statement of financial position when, and only when, the Group has a legal right to offset the amounts and intends either to settle on a net basis or to realise the asset and settle the liability simultaneously.

The Group has the following non-derivative financial assets: financial assets at fair value through profit or loss, held-to-maturity financial assets, loans and receivables and available-for-sale financial assets.

Held-to-maturity financial assets

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. Any sale or reclassification of more than a insignificant amount of held-to-maturity investments as available-for-sale, will prevent the Group from classifying investment securities as held-to-maturity for the current and the following two financial years.

Available-for-sale financial assets

Available-for-sale financial assets are non-derivative financial assets that are designated as available-for-sale and that are not classified in any of the previous categories. 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 (see note 3(h)(i)) and foreign currency differences in available-for-sale equity instruments (see note 3(b)(i)), are recognised in other comprehensive income and presented within equity in the fair value reserve. When an investment is derecognised, the cumulative gain or loss in other comprehensive income is transferred to profit or loss.

Financial assets at fair value through profit or loss
A financial asset is classified at fair value through profit or loss if it is classified as held for trading or is designated as such upon initial recognition. Financial assets are designated at fair value through profit of 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 or investment strategy. Upon initial recognition attributable transaction costs are recognised in profit of loss as incurred. Financial assets at fair value through profit or loss are measured at fair value, and changes therein are recognised in profit or loss.

Loans and receivables
Loans and receivables are financial assets with fixed or determinable payments that are not quoted in an active market. Such assets are recognised initially at fair value plus any directly attributable transaction costs. Subsequent to initial recognition loans and receivables are measured at amortised cost using the effective interest method, less any impairment losses.

Loans and receivables comprise instalment sale assets and trade and other receivables. Cash and cash equivalents comprise cash balances and call deposits with original maturities of three months or less. Bank overdrafts that are repayable on demand form an integral part of the Group's cash management and included as a component of cash and cash equivalents for the purpose of the statement of cash flows.

(ii) Non-derivative financial liabilities
The Group initially recognises debt securities issued and subordinated liabilities on the date that they are originated. All other financial liabilities (including liabilities designated at fair value through profit or loss) are recognised initially on the trade date at which the Group becomes a party to the contractual provisions of the instrument.

The Group derecognises a financial liability when its contractual obligations are discharged or cancelled or expire.

The Group has the following non-derivative financial liabilities: loans and borrowings, bank overdrafts, and trade and other payables.

Such financial liabilities are recognised initially at fair value plus any directly attributable transaction costs. Subsequent to initial recognition these financial liabilities are measured at amortised cost using the effective interest method.

(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.

Repurchase of share capital (treasury shares)
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, and the resulting surplus or deficit on the transaction is transferred to/from retained earnings.

(iv) Derivative financial instruments, including hedge accounting
The Group holds derivative financial instruments to hedge its foreign currency and interest rate risk exposure. Embedded derivatives are separated from the host contract and accounted for separately if the economic characteristics and risks of the host contract and the embedded derivative are not closely related, a separate instrument with the same terms as the embedded derivative would meet the definition of a derivative, and the combined instrument is not measured at fair value through profit or loss.

Derivatives are recognised initially at fair value; attributable transaction costs are recognised in profit or loss as incurred. Subsequent to initial recognition, derivatives are measured at fair value. Fair value gains and losses are recognised directly in profit or loss.

(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 at regular intervals, not exceeding 3 years, by independent valuers. Additions are financed under instalment sales agreements and therefore borrowing costs are not capitalised.

Notes to the Financial Statements (continued)

for the year ended 31 December 2009

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 integral 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 and adjusted if appropriate.

(e) Intangible assets

(i) Goodwill

Goodwill that arises upon the acquisition of subsidiaries is included in intangible assets. For measurement of goodwill at initial recognition, see note 3(a)(i).

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.

Acquisitions of non-controlling interests

Acquisitions of non-controlling interests are accounted for as transaction with equity holders in their capacity as equity holders and therefore no goodwill is recognised as a result of such transactions.

Subsequent measurement

Goodwill is measured at cost less accumulated impairment losses. In respect of equity accounted investees, the carrying amount of goodwill is included in the carrying amount of the investee, and an impairment loss on such an investment is not allocated to any asset, including goodwill, that forms part of the carrying amount of the equity accounted investee.

(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 and adjusted if appropriate.

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 statement of financial position.

(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 from 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.

Notes to the Financial Statements (continued)

for the year ended 31 December 2009

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 are largely independent from other assets and groups.

Impairment losses are recognised in profit or loss. Impairment losses recognised in respect of cash-generated 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 (the "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. 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 generally 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 pension plans are recognised as an employee benefit expense in profit or loss in the periods during which services are rendered by employees. Prepaid contributions are recognised as an asset to the extent that a cash refund or a reduction in future payments is available. Contributions to a defined contribution plan that are made more than 12 months after the end of the period in which the employees render the service are discounted to their present value.

(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.

The Group recognises all actuarial gains and losses arising from defined benefit plans 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. If benefits are payable more than 12 months after the reporting period, then they are discounted to their present value.

(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 vesting conditions are expected to be 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 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. The unwinding of the discount is recognised as finance cost.

(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. Discount is recognised as a reduction of revenue as the sales are recognised.

(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.

Notes to the Financial Statements (continued)

for the year ended 31 December 2009

(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 listed securities is the ex-dividend date.

Finance expenses comprise interest expense on borrowings, unwinding of discount on provisions, changes in the 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.

Foreign currency gains and losses are reported on a net basis.

(p) Income tax

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 provided for temporary differences. Temporary differences are 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 at the reporting date.

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

The Group determines and presents operating segments based on the information that is internally provided to the Executive Chairman, who is the chief operating decision maker. 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 2009, the following Standards and Interpretations were in issue but not yet effective:

	Standard/Interpretation	**Effective date**
Improvements to IFRSs 2009	*Improvement to International Financial Reporting Standards 2009*	Annual period commencing on or after 1 January 2010*
IAS 24 revision	*Related party disclosure*	Annual period commencing on or after 1 January 2011*
IAS 27 amendment	*Consolidated and separate financial statements*	Annual period commencing on or after 1 July 2009*
IAS 32 amendment	*IAS 32 Financial instruments: Presentation: Classification of rights issues*	Annual period commencing on or after 1 February 2010*
IAS 39 amendment	*Eligible hedged items*	Annual period commencing on or after 1 July 2009*
IFRS 1	*First-time adoption of International Financial Reporting Standards*	Annual period commencing on or after 1 July 2009*
IFRS 2 amendment	*Group cash-settled share-based payment*	Annual period commencing on or after 1 January 2010*
IFRS 9	*Financial instruments*	Annual period commencing on or after 1 January 2013*
IFRIC 14 amendment	*Prepayment of a minimum funding requirement*	Annual period commencing on or after 1 January 2011*
IFRIC 17	*Distribution of non-cash assets to owners*	Annual period commencing on or after 1 July 2009*
IFRIC 19	*Extinguishing financial liabilities with equity instruments*	Annual period commencing on or after 1 July 2010*
* All Standards and Interpretations will be adopted at their effective date (except for those Standards and Interpretations that are not applicable to the Group).		

Notes to the Financial Statements (continued)

for the year ended 31 December 2009

The following standards are not applicable to the business of the entity and will therefore have no impact on future financial statements: IAS 24 revision, IAS 32 amendment, IFRS 1, IFRS 2 amendment, IFRIC 14 amendment, IFRIC 17 and IFRIC 19. The directors are of the opinion that the impact of the application of the remaining Standards and Interpretations will be as follows:

Improvements to IFRS 2009
The improvements to IFRS 2009 will be adopted by the Group for the first time for its financial reporting period ending 31 December 2010.

These improvements are to IFRS 5 *Non-current Assets Held for Sale and Discontinued Operations*; IFRS 8 *Operating Segments*; IAS 1 *Presentation of Financial Statements*; IAS 7 *Statement of Cash Flows*; IAS 17 *Leases*; IAS 36 *Impairment of Assets*; IAS 39 *Financial Instruments: Recognition and Measurement*; IFRS 1 *First-time Adoption of International Financial Reporting Standards*; and IFRS 2 *Share-based Payments*. All the improvements, excluding IFRS 1, are applicable to the Group. No illustrative examples have been provided as the improvements do not affect the Group's prior applications of the respective accounting policies.

IAS 27 amendments
IAS 27 will be adopted by the Group for the first time for its financial reporting period ending 31 December 2010.

In accordance with IAS 27 amendments, acquisitions of additional non-controlling equity interests in subsidiaries have to be accounted for as equity transactions. Disposals of equity interests while retaining control are also accounted for as equity transactions. When control of an investee is lost, the resulting gain or loss relating to the transaction will be recognised in profit and loss.

It has always been the Group's accounting policy to treat all acquisitions of additional interests in subsidiaries, as well as disposals of interests in subsidiaries as equity transactions. The Group will, however, change its accounting policy relating to the loss of control when an equity interest is retained. In future, when control is lost, through sale or otherwise, the resulting gain or loss recognised in profit and loss will include any remeasurement to fair value of the retained equity interest. All cash flows relating to acquisition and sale of interests in subsidiaries currently form part of the cash flows from investing activities. In future, changes in the equity holding in a subsidiary that do not result in loss of control will form part of cash flow from financing activities on the basis that these transactions are equity transactions.

The amendments to IAS 27 also require that losses (including negative "other comprehensive income" as detailed in the revised IAS 1) have to be allocated to the non-controlling interest even if doing so causes the non-controlling interest to be in a deficit position. The Group will in future change its accounting policies on the allocation of losses to non-controlling interests. In the past losses were allocated only until the non-controlling interests had a zero balance.

The amendments to IAS 27 have resulted in consequential amendments being made to IAS 28 *Investments in Associates* and IAS 31 *Interests in Joint Ventures*.

IFRS 9
IFRS 9 will be adopted by the Group for the first time for its financial reporting period ending 31 December 2013.

IFRS 9 applies to financial instruments and is the first standard issued as part of a wider project to replace IAS 39. The main change is that IFRS 9 simplifies the mixed measurement model and establishes two primary measurement categories for financial assets: amortised cost and fair value. The basis of classification depends on the entity's business model and the contractual cash flow characteristics of the financial asset.

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 fair value of items of plant, equipment, fixtures and fittings is based on the market approach and cost approaches using quoted market prices for similar items when available and replacement cost when appropriate.

(ii) Intangible assets
The fair value of patents and trademarks acquired in a business combination is based on the discounted estimated royalty payments that have been avoided as a result of the patent or trademark being owned. The fair value of customer relationships acquired in a business combination is determined using the multi-period excess earnings method, whereby the subject asset is valued after deducting a fair return on all other assets that are part of creating the related cash flows.

The fair value of other intangible assets is based on the discounted cash flows expected to be derived from the use and eventual sale of assets.

(iii) Inventories
The fair value of inventories 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 inventories.

(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. The fair value of held-to-maturity investments is determined for disclosure purposes.

(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. This fair value is determined for disclosure purposes.

(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 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

		2009			2008	
	Cost/ Valuation	Accumulated depreciation and impairment losses	Carrying value	Cost/ Valuation	Accumulated depreciation and impairment losses	Carrying value
	R'000	R'000	R'000	R'000	R'000	R'000
GROUP						
Land and buildings	**30 534**	**-**	**30 534**	27 990	-	27 990
Plant and equipment	**16 350**	**5 619**	**10 731**	14 514	5 107	9 407
Motor vehicles	**10 694**	**4 939**	**5 755**	10 353	4 146	6 207
Furniture and fittings	**5 441**	**2 413**	**3 028**	4 647	1 943	2 704
Office equipment	**3 381**	**1 676**	**1 705**	2 332	1 282	1 050
Computer equipment	**17 620**	**12 067**	**5 553**	14 638	8 604	6 034
Computer software	**1 235**	**751**	**484**	1 235	520	715
Leasehold improvements	**2 177**	**1 096**	**1 081**	1 816	742	1 074
	87 432	**28 561**	**58 871**	77 525	22 344	55 181

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

Notes to the Financial Statements (continued)

for the year ended 31 December 2009

5. Property plant and equipment (continued)

	2009 Cost/ Valuation R'000	2009 Accumulated depreciation and impairment losses R'000	2009 Carrying value R'000	2008 Cost/ Valuation R'000	2008 Accumulated depreciation and impairment losses R'000	2008 Carrying value R'000
GROUP						
Leased assets						
Office equipment under finance leases (refer note 21)	**124**	**74**	**50**	124	50	74

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

	Carrying value at the beginning of the year R'000	Additions R'000	Additions through business combinations R'000	Disposals R'000	Transfers R'000	Revaluation R'000	Depreciation R'000	Carrying value at end of year R'000
GROUP								
2009								
Land and buildings	27 990	314	-	-	-	2 230	-	30 534
Plant and equipment	9 407	3 944	-	-	-	-	(2 620)	10 731
Motor vehicles	6 207	2 020	-	(713)	-	-	(1 759)	5 755
Furniture and fittings	2 704	855	-	(45)	-	-	(486)	3 028
Office equipment	1 050	1 125	-	(11)	-	-	(459)	1 705
Computer equipment	6 034	3 448	-	(131)	146	-	(3 944)	5 553
Computer software	715	145	-	-	(132)	-	(244)	484
Leasehold improvements	1 074	361	-	-	-	-	(354)	1 081
	55 181	12 212	-	(900)	14	2 230	(9 866)	58 871

	Carrying value at the beginning of the year R'000	Additions R'000	Additions through business combinations R'000	Disposals R'000	Transfers to non-current assets held for sale R'000	Impairment reversal R'000	Depreciation R'000	Carrying value at end of year R'000
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

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 2009

5. Property plant and equipment (continued)

	2009 Cost R'000	2009 Accumulated depreciation and impairment losses R'000	2009 Carrying value R'000	2008 Cost R'000	2008 Accumulated depreciation and impairment losses R'000	2008 Carrying value R'000
COMPANY						
Motor vehicles	**266**	**119**	**147**	266	66	200
Furniture and fittings	**737**	**564**	**173**	701	536	165
Office equipment	**391**	**197**	**194**	433	175	258
Computer equipment	**790**	**621**	**169**	997	808	189
Leasehold improvements	**824**	**630**	**194**	824	539	285
	3 008	**2 131**	**877**	3 221	2 124	1 097

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

	Carrying value at the beginning of the year R'000	Additions R'000	Additions through business combinations R'000	Disposals R'000	Transfers R'000	Revaluations R'000	Depreciation R'000	Carrying value at end of year R'000
COMPANY								
2009								
Motor vehicles	200	2	-	(2)	-	-	(53)	147
Furniture and fittings	165	37	-	-	-	-	(29)	173
Office equipment	258	20	-	(5)	-	-	(79)	194
Computer equipment	189	90	-	(13)	-	-	(97)	169
Leasehold improvements	285	-	-	-	-	-	(91)	194
	1 097	149	-	(20)	-	-	(349)	877

	Carrying value at the beginning of the year R'000	Additions R'000	Additions through business combinations R'000	Disposals R'000	Transfers R'000	Revaluations R'000	Depreciation R'000	Carrying value at end of year R'000
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

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 2009

5. Property plant and equipment (continued)

			Group		Company	
			2009	2008	2009	2008
			R'000	R'000	R'000	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.			**3 427**	3 312	**-**	-
At cost	-	2001	**911**	911	**-**	-
Additions at cost	-	2004	**294**	294	**-**	-
	-	2005	**292**	292	**-**	-
	-	2008	**12**	12	**-**	-
	-	2009	**115**	-	**-**	-
Revaluations	-	2004	**835**	835	**-**	-
	-	2005	**668**	668	**-**	-
	-	2007	**300**	300	**-**	-

The land and buildings are jointly owned by MICRO*mega* Properties 2 (Proprietary) Limited and MICRO*mega* Investments 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			**880**	950	**-**	-
At cost	-	2005	**277**	277	**-**	-
Additions at cost	-	2006	**222**	222	**-**	-
Revaluations	-	2006	**381**	381	**-**	-
	-	2007	**70**	70	**-**	-
	-	2009	**(70)**	-	**-**	-

The directors valued the property down to the value of a signed offer received by a willing buyer.

Factory and office buildings situated on remaining Extent of Stand 140 Wynberg.			**2 227**	2 028	**-**	-
At cost	-	2005	**1 203**	1 203	**-**	-
Additions at cost	-	2006	**34**	34	**-**	-
	-	2007	**4**	4	**-**	-
	-	2008	**28**	28	**-**	-
	-	2009	**199**	-	**-**	-
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 2009

5. Property plant and equipment (continued)

	Group 2009	Group 2008	Company 2009	Company 2008
	R'000	R'000	R'000	R'000
Factory and office buildings situated at 6 Liebenberg Street, Alrode, Erf 1599	**24 000**	21 700	**-**	-
At cost - 2008	**21 700**	21 700	**-**	-
Revaluations - 2009	**2 300**	-	**-**	-

The directors of the company performed a valuation based on an offer that was received from a third party for the amount of R24 million.

	Group 2009	Group 2008	Company 2009	Company 2008
Total	**30 534**	27 990	**-**	-

6. Intangible assets

	2009 Cost	2009 Accumulated amortisation and impairment	2009 Carrying value	2008 Cost	2008 Accumulated amortisation and impairment	2008 Carrying value
	R'000	R'000	R'000	R'000	R'000	R'000
GROUP						
Patents, trademarks and other rights	**1 075**	**8**	**1 067**	1 012	2	1 010
Brand names	**9 689**	**-**	**9 689**	9 689	-	9 689
Computer software, internally generated	**11 291**	**509**	**10 782**	6 204	64	6 140
Intellectual property	**250**	**-**	**250**	250	-	250
Customer relationships	**3 296**	**2 972**	**324**	3 296	2 601	695
Goodwill	**59 871**	**20 549**	**39 322**	59 693	13 009	46 684
	85 472	**24 038**	**61 434**	80 144	15 676	64 468

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

	Carrying value at the beginning of the year	Additions	Additions through business combi-nations	Purchase price adjust-ments	Disposals	Transfers	Impair-ments	Amorti-sation	Carrying value at end of year
	R'000	R'000	R'000	R'000	R'000	R'000	R'000	R'000	R'000
GROUP									
2009									
Patents, trademarks and other rights	1 010	63	-	-	-	-	-	(6)	1 067
Brand names	9 689	-	-	-	-	-	-	-	9 689
Computer software, internally generated	6 140	5 106	-	-	(19)	(14)	-	(431)	10 782
Intellectual property	250	-	-	-	-	-	-	-	250
Customer relationships	695	-	-	-	-	-	-	(371)	324
Goodwill	46 684	-	1 578	(1 400)	-	-	(7 540)	-	39 322
	64 468	5 169	1 578	(1 400)	(19)	(14)	(7 540)	(808)	61 434

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.

Notes to the Financial Statements (continued)

for the year ended 31 December 2009

6. Intangible assets (continued)

R'000	Carrying value at the beginning of the year R'000	Additions R'000	Additions through business combi-nations R'000	Purchase price adjust-ments R'000	Disposals R'000	Transfers R'000	Impair-ments R'000	Amorti-sation R'000	Carrying value at end of year
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

The recoverable amounts of the intangible assets were assessed for impairment at 31 December 2009 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 13.39 % 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).

	2009			2008		
	Cost R'000	Accumulated amortisation and impairment R'000	Carrying value R'000	Cost R'000	Accumulated amortisation and impairment R'000	Carrying value 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 2009

6. Intangible assets (continued)

	Carrying value at the beginning of the year	Additions	Additions through business combinations	Disposals	Transfers	Revaluations	Amorti-sation	Carrying value at end of year
	R'000	R'000	R'000	R'000	R'000	R'000	R'000	R'000
COMPANY								
2009								
Patents, trademarks and other rights	1 000	-	-	-	-	-	-	1 000
	1 000	-	-	-	-	-	-	1 000

	Carrying value at the beginning of the year	Additions	Additions through business combinations	Disposals	Transfers	Revaluations	Amorti-sation	Carrying value at end of year
	R'000	R'000	R'000	R'000	R'000	R'000	R'000	R'000
2008								
Patents, trademarks and other rights	1 000	-	-	-	-	-	-	1 000
	1 000	-	-	-	-	-	-	1 000

7. Investment in subsidiaries

	Group		Company	
	2009	2008	2009	2008
	R'000	R'000	R'000	R'000
Shares at cost	**-**	-	**180 282**	167 706
Impairment of investments	**-**	-	**(42 849)**	(40 946)
	-	-	**137 433**	126 760

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 13.39 % 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 10.5% and a required rate of return on equity estimated at the R154 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 2009

8. Investment in associates

	Group		Company	
	2009	2008	2009	2008
	R'000	R'000	R'000	R'000
Carrying value of investment:				
Shares at cost	**320**	320	**-**	-
Carrying value at beginning of the year	**5 527**	809	**-**	-
Equity accounted (losses)/earnings since acquisition	**(768)**	99	**-**	-
Movement in loan to associate	**(1 012)**	4 619	**-**	-
	3 747	5 527	**-**	-

GCM Meter Reading Services (Proprietary) Limited

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

	Group 2009 R'000	Group 2008 R'000	Company 2009 R'000	Company 2008 R'000
Carrying value of investment:				
Shares at cost	**1**	1	**-**	-
Equity accounted earnings since acquisition	**174**	174	**-**	-
	175	175	**-**	-

Summary financial information of GCM Meter Reading Services (Proprietary) Limited

	Group 2009 R'000	Group 2008 R'000	Company 2009 R'000	Company 2008 R'000
Assets				
Current assets	**354**	354	**-**	-
	354	354	**-**	-
Equity and liabilities				
Equity and reserves	**348**	348	**-**	-
Current liabilities	**6**	6	**-**	-
	354	354	**-**	-
Revenue	**-**	508	**-**	-
Net loss before tax	**-**	(12)	**-**	-

GCM Meter Reading Services (Proprietary) Limited ceased trading in 2008 and is now dormant.

Petrolmecs LDA

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

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

Notes to the Financial Statements (continued)

for the year ended 31 December 2009

8. Investment in associates (continued)

	Group		Company	
	2009	2008	2009	2008
	R'000	R'000	R'000	R'000
Carrying value of investment:				
Shares at cost	**319**	319	**-**	-
Equity accounted (losses)/earnings since acquisition	**(703)**	65	**-**	-
Loan to associate	**3 956**	4 968	**-**	-
	3 572	5 352	**-**	-

The loan is unsecured and bears 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:

	Group		Company	
	2009	2008	2009	2008
	R'000	R'000	R'000	R'000
Assets				
Non-current assets	**1 017**	1 266	**-**	-
Current assets	**19 816**	17 533	**-**	-
	20 833	18 799	**-**	-
Equity and liabilities				
Equity and reserves	**(1 167)**	270	**-**	-
Non-current liabilities	**4 096**	1 373	**-**	-
Current liabilities	**17 905**	17 156	**-**	-
	20 834	18 799	**-**	-
Revenue	**27 084**	25 791	**-**	-
Net (loss)/profit before tax	**(1 567)**	212	**-**	-

9. Other investments

	Group		Company	
	2009	2008	2009	2008
	R'000	R'000	R'000	R'000
Financial assets designated at fair value through profit or loss				
Listed shares	**104**	84	**-**	-
Unlisted investments	**6 594**	6 653	**6 594**	6 473
	6 698	6 737	**6 594**	6 473

Notes to the Financial Statements (continued)

for the year ended 31 December 2009

9. Other investments (continued)

	Group		Company	
	2009	2008	2009	2008
	R'000	R'000	R'000	R'000
The Group held the following investments:				
Number of ordinary shares				
Listed shares				
Kelly Group Limited	**2 600**	2 600	**-**	-
Sentula Mining Limited	**-**	2 000	**-**	-
Sanlam Limited	**3 610**	3 610	**-**	-

	2009	2008
Prices of listed shares	R	R
Kelly Group Limited	**5**	5
Sanlam Limited	**23**	17
Sentula Mining Limited	**-**	6

	2009	2008	2009	2008
Fair value of unlisted investments	R'000	R'000	R'000	R'000
Unlisted investments				
Bond Exchange Seat	**-**	180	**-**	-
Local investments	**6 594**	6 473	**6 594**	6 473
	6 594	6 653	**6 594**	6 473

Local unlisted investments include amounts paid to secure the share capital of the subsidiaries of NOSA International (Proprietary) Limited, any claims against these companies together with capitalised amounts for legal fees incurred to obtain these assets. These companies have not been consolidated for the period under review as there was no control over these entities at the period end.

The bond exchange seat was disposed of during the year through the incorporation of the Bond Exchange of South Africa into the JSE Limited. The investment was sold at a profit of R2 320 000.

The fair value of investments in listed shares is obtained with reference to the closing value of the shares at the period end on the JSE Limited. The total effect on the statement of comprehensive income of the fair value adjustment on the listed shares was a profit of R20 758 (2008: loss of R60 704). The balance of listed shares represents funds held in the trading margin account. A sensitivity analysis has not been performed as the effect of changes in economic conditions on listed investments held is not considered material to Group results.

The recoverable amount of unlisted investments is determined using a discounted cash flow analysis, considering current economic conditions at balance sheet date. There has been no adjustment to fair value in the current year.

Notes to the Financial Statements (continued)

for the year ended 31 December 2009

10. Loans receivable

	Group		Company	
	2009	**2008**	**2009**	**2008**
	R'000	**R'000**	**R'000**	**R'000**
Mguka Trading Close Corporation	**342**	-	**-**	-
The loan is unsecured and bears no interest and is repayable by 28 February 2010				
Instalment sale assets	**27 046**	1 038	**-**	-
Assets under instalment sale agreements are repayable over 3 to 5 years at effective interest rates ranging from prime lending plus 3% per annum to prime lending plus 4.5% per annum. The loans are secured by the assets subject to the agreements.				
	27 388	1 038	**-**	-
Less: Portion recoverable within 12 months included in current assets	**5 497**	689	**-**	-
	21 891	349	**-**	-

All loans are Rand denominated.

11. Deferred taxation

	Group		Company	
	2009	**2008**	**2009**	**2008**
	R'000	**R'000**	**R'000**	**R'000**
Deferred tax assets and liabilities are attributable to the following:				
Deferred tax assets				
Property, plant and equipment	**(6 301)**	(6 995)	**-**	-
Investments	**545**	400	**-**	-
Prepayments	**(22)**	(41)	**-**	-
Loans receivable	**160**	8	**-**	-
Income received in advance	**646**	450	**-**	-
Finance lease liabilities	**150**	38	**-**	-
Allowances for credit losses	**1 681**	1 463	**-**	-
Accruals for leave pay	**1 204**	1 117	**47**	23
Provisions	**243**	670	**-**	-
Tax loss carry-forwards	**17 933**	15 282	**-**	1 569
	16 239	12 392	**47**	1 592
Deferred tax liabilities				
Property, plant and equipment	**(8 101)**	(7 411)	**-**	-
Intangible assets	**(90)**	(195)	**-**	-
Allowances for credit losses	**63**	35	**-**	-
Accruals for leave pay	**55**	81	**-**	-
Provisions	**10**	(1)	**-**	-
	(8 063)	(7 491)	**-**	-
	8 176	4 901	**47**	1 592

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 2009

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 R'000	Recognised in the statement of comprehensive income R'000	Directly through equity R'000	Acquisition on business combinations R'000	Carrying value at end of year R'000
GROUP					
2009					
Property, plant and equipment	(14 406)	638	(634)	-	(14 402)
Intangible assets	(195)	105	-	-	(90)
Investments	400	145	-	-	545
Loans receivable	8	152	-	-	160
Prepayments	(41)	19	-	-	(22)
Income received in advance	450	196	-	-	646
Finance lease liabilities	38	112	-	-	150
Allowances for credit losses	1 498	246	-	-	1 744
Accruals for leave pay	1 198	61	-	-	1 259
Provisions	669	(416)	-	-	253
Tax loss carry-forwards	15 282	2 651	-	-	17 933
	4 901	3 909	(634)	-	8 176

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

Notes to the Financial Statements (continued)

for the year ended 31 December 2009

11. Deferred taxation (continued)

	Carrying value at the beginning of the year	Recognised in the statement of compre-hensive income	Change in tax rate through the statement of compre-hensive income	Carrying value at end of year
	R'000	R'000	R'000	R'000
COMPANY				
2009				
Accruals for leave pay	23	24	-	47
Tax loss carry-forwards	1 569	(1 569)	-	-
	1 592	(1 545)	-	47

	Carrying value at the beginning of the year	Recognised in the statement of compre-hensive income	Change in tax rate through the statement of compre-hensive income	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
	4 533	(2 785)	(156)	1 592

12. Non-current assets held for sale

	2009 Cost	2009 Accumulated depreciation and impairment losses	2009 Carrying value	2008 Cost	2008 Accumulated depreciation and impairment losses	2008 Carrying value
	R'000	R'000	R'000	R'000	R'000	R'000
Plant and equipment	**73 820**	**45 705**	**28 115**	79 046	48 721	30 325
Furniture and fittings	**47**	**44**	**3**	75	69	6
Office equipment	**358**	**193**	**165**	523	293	230
Computer equipment	**1 164**	**1 027**	**137**	641	632	9
Computer software	-	-	-	603	474	129
	75 389	**46 969**	**28 420**	80 888	50 189	30 699

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 2009

12. Non-current assets held for sale (continued)

The carrying value of non-current assets held for sale can be reconciled as follows:

	Carrying value at the beginning of the year	Disposals	Transfers	Depreciation	Carrying value at end of year
	R'000	R'000	R'000	R'000	R'000
2009					
Plant and equipment	30 325	(2 210)	-	-	28 115
Furniture and fittings	6	(5)	-	2	3
Office equipment	230	(60)	-	(5)	165
Computer equipment	9	(1)	129	-	137
Computer software	129	-	(129)	-	-
	30 699	(2 276)	-	(3)	28 420

	Carrying value at the beginning of the year	Transfered from property plant and equipment	Disposals	Carrying value at end of year
	R'000	R'000	R'000	R'000
2008				
Plant and equipment	-	30 325	-	30 325
Furniture and fittings	-	6	-	6
Office equipment	-	230	-	230
Computer equipment	-	9	-	9
Computer software	-	129	-	129
	-	30 699	-	30 699

13. Inventories

	Group		Company	
	2009	2008	2009	2008
	R'000	R'000	R'000	R'000
The amounts attributable to the different categories are as follows:				
Raw materials	**9 201**	20 398	**-**	-
Consumables	**1 152**	1 872	**-**	-
Work in progress	**250**	5 227	**-**	-
Manufactured finished goods	**20 511**	19 252	**-**	-
Merchandise	**19 725**	37 093	**178**	12
Goods in transit	**5 443**	16 514	**-**	-
	56 282	100 356	**178**	12
Inventory write-downs (adjustments to carrying value for obsolete and slow moving inventory)	**(11 082)**	(9 297)	**-**	-
	45 200	91 059	**178**	12

Notes to the Financial Statements (continued)

for the year ended 31 December 2009

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.

	Group		Company	
	2009	**2008**	**2009**	**2008**
	R'000	**R'000**	**R'000**	**R'000**
Balance sheet reconciliation				
Present value of funded obligations	**15 003**	24 352	**-**	-
Active members	**8 522**	17 247	**-**	-
Current pensioners	**6 119**	6 743	**-**	-
Risk reserve account	**362**	362	**-**	-
Present value of unfunded obligations	**-**	-	**-**	-
Total present value of the defined benefit obligation	**15 003**	24 352	**-**	-
Fair value of plan assets	**(33 880)**	(42 323)	**-**	-
Total employer surplus	**(18 877)**	(17 971)	**-**	-
Movement in the present value of the defined benefit obligation				
Defined benefit obligations at 1 January	**24 352**	24 414	**-**	-
Interest cost	**1 470**	185	**-**	-
Current service cost	**373**	82	**-**	-
Employee contributions paid into the plan	**187**	37	**-**	-
Benefits paid by the plan	**(8 701)**	(259)	**-**	-
Actuarial gain on obligation	**(2 678)**	(107)	**-**	-
Defined benefit obligation at 31 December	**15 003**	24 352	**-**	-
Movement in the present value of plan assets				
Fair value of plan assets at 1 January	**42 323**	43 044	**-**	-
Expected return on plan assets	**3 060**	433	**-**	-
Contributions paid into the plan	**187**	87	**-**	-
Benefits paid by the plan	**(8 701)**	(259)	**-**	-
Actuarial loss on plan assets	**(2 989)**	(982)	**-**	-
Fair value of plan assets at 31 December	**33 880**	42 323	**-**	-
Income recognised in profit or loss				
Current service cost	**(373)**	(82)	**-**	-
Interest cost	**(1 470)**	(185)	**-**	-
Expected returns on plan assets	**3 060**	433	**-**	-
Actuarial losses	**(311)**	(875)	**-**	-
Contributions paid into the plan	**-**	50	**-**	-
Income recognised in profit or loss	**906**	(659)	**-**	-

Membership statistics	**2009**	**2008**
Number of members	**6**	21
Annual salary (R'000)	**2 153**	5 914
Salary weighted average age	**56,50**	51,50
Salary weighted average service	**16,20**	13,40
Number of pensioners	**11**	11
Annual pension (R'000)	**583**	609
Pension weighted average age	**71,10**	69,60

Notes to the Financial Statements (continued)

for the year ended 31 December 2009

14. Retirement benefits (continued)

Actuarial assumptions	**2009**	**2008**
General inflation rate	**5.81%**	4.04%
Discount rate	**9.22%**	7.29%
Expected investment return	**9.81%**	8.04%
Salary inflation	**6.84%**	5.04%

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.

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	**2 064**	(2 131)

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 2010	**15 003**
Interest cost	**1 224**
Current service cost	**401**
Employee contributions paid into the plan	**-**
Benefits paid by the plan	**(1 928)**
Actuarial gain on obligation	**-**
Defined benefit obligation at 31 December 2010	**14 700**
Movement in the present value of plan assets	
Fair value of plan assets at 1 January 2010	**33 880**
Expected return on plan assets	**3 154**
Contributions paid into the plan	**401**
Benefits paid by the plan	**(1 928)**
Actuarial loss on plan assets	**-**
Fair value of plan assets at 31 December 2010	**35 507**
Net surplus	**20 807**
Plan assets comprise	
Cash in money market accounts	**33 855**
Investments in listed equity	**25**

Notes to the Financial Statements (continued)

for the year ended 31 December 2009

15. Trade and other receivables

	Group		Company	
	2009	2008	2009	2008
	R'000	R'000	R'000	R'000
Trade and other receivables	**115 139**	117 943	**391**	216
VAT receivable	**6 639**	1 847	**-**	-
Prepayments	**1 381**	3 737	**301**	115
Deposits	**817**	1 037	**8**	286
	123 976	124 564	**700**	617

At 31 December 2009 Group trade receivables are shown after impairment adjustments of R8 078 220 (2008: R5 891 139).

The trade receivables of certain subsidiary companies 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	
	2009	2008	2009	2008
	R'000	R'000	R'000	R'000
Unencumbered loans				
Automobile Radio Dealers Association 1989 (Proprietary) Limited	**-**	-	**10 020**	7 566
BTM Manufacturing (Proprietary) Limited	**-**	-	**13 821**	7 216
Deltec Power Distributors (Proprietary) Limited	**-**	-	**2 408**	15 318
EMPOWERisk (Proprietary) Limited	**-**	-	**281**	-
Essential Power Services (Proprietary) Limited	**-**	-	**-**	855
Kolbenco (Proprietary) Limited	**-**	-	**6 989**	-
Lubrication Equipment (Proprietary) Limited	**-**	-	**523**	1 361
MICRO*mega* Investment Portfolio (Proprietary) Limited	**-**	-	**328**	328
MICRO*mega* Investments (Proprietary) Limited	**-**	-	**454**	454
MICRO*mega* National Certification Authority (Proprietary) Limited	**-**	-	**2 853**	2 665
MICRO*mega* Professional Risk Solutions (Proprietary) Limited	**-**	-	**-**	412
MICRO*mega* Technologies (Proprietary) Limited	**-**	-	**-**	3 525
MICRO*mega* Treasury Solutions (Proprietary) Limited	**-**	-	**-**	12 837
Mzimkhulu Financial Investments (Proprietary) Limited	**-**	-	**32 551**	35 794
NOSA Namibia (Proprietary) Limited	**-**	-	**549**	549
SA Meter Reading Services (Proprietary) Limited	**-**	-	**-**	2
SaleScience (Proprietary) Limited	**-**	-	**-**	152
Stable-Net (Proprietary) Limited	**-**	-	**-**	7 461
Tiseletso Investments (Proprietary) Limited	**-**	-	**231**	11 695
Encumbered loans				
MICRO*mega* Revenue Management Solutions (Proprietary) Limited	**-**	-	**7 202**	6 803
MECS (Africa) (Proprietary) Limited	**-**	-	**4 627**	4 328
Interest-bearing loans				
MICRO*mega* Technologies (Proprietary) Limited	**-**	-	**12 333**	-
Stable-Net (Proprietary) Limited	**-**	-	**16 182**	-
TTSA Securities (Proprietary) Limited	**-**	-	**-**	2 051
	-	-	**111 352**	121 372

Notes to the Financial Statements (continued)

for the year ended 31 December 2009

16. Amounts owing by subsidiary companies (continued)

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.

The loan to MICRO*mega* Revenue Management Solutions (Proprietary) Limited has been ceded to First Rand Bank Limited as security for facilities granted to MICRO*mega* Revenue Management Solutions (Proprietary) Limited.

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

The loans to Stable-Net (Proprietary) Limited and MICRO*mega* Technologies (Proprietary) Limited are unsecured, bear interest at the prime overdraft rate and have 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	
	2009	**2008**	**2009**	**2008**
	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	**-**	(282)	**-**	-

18. Cash and cash equivalents

	Group		Company	
	2009	**2008**	**2009**	**2008**
	R'000	**R'000**	**R'000**	**R'000**
The amounts attributable to the different categories are as follows:				
Cash on hand	**256**	438	**3**	-
Current account balances	**11 186**	11 150	**311**	180
Investment trading accounts	**-**	1 254	**-**	-
Call account balances	**18 494**	17 523	**4**	1 549
	29 936	30 365	**318**	1 729
Bank overdrafts used for cash management purposes	**(3 930)**	(13 025)	**-**	-
	26 006	17 340	**318**	1 729

Notes to the Financial Statements (continued)

for the year ended 31 December 2009

18. Cash and cash equivalents (continued)

The following security has been provided in respect of facilities made available to Group companies:

BTM Manufacturing (Proprietary) Limited

- Trade accounts receivable have been ceded for banking facilities of R5 000 000 granted by First National Bank.
- A letter of suretyship amounting to R6 million has been provided by MICRO*mega* Holdings Limited in favour of the bank for all obligations.

MECS (Africa) (Proprietary) Limited

- A suretyship in the amount of R8 000 000 is given by MICRO*mega* Holdings Limited in favour of the bank for all obligations.
- Loan account to the amount of R3 000 000 owing to MICRO*mega* Holdings Limited has been ceded, by MICRO*mega* Holdings Limited, to FirstRand Bank Limited for security of facilities.
- Trade receivable have been ceded for banking facilities granted together with the cession of all insurance policies on those trade receivables.

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

- A suretyship in the amount of R1 300 000 is given by MICRO*mega* Holdings Limited in favour of the bank for all obligations.
- Loan account to the amount of R7 202 096 owing to MICRO*mega* Holdings Limited has been ceded, by MICRO*mega* 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 R679 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) (Pty) Ltd

- Trade receivable have been ceded for banking facilities granted.

Sebata Municipal Solutions (Proprietary) Limited and its subsidiary companies

- Trade receivable 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 MICRO*mega* Holdings Limited in favour of the bank for all obligations.

Notes to the Financial Statements (continued)

for the year ended 31 December 2009

19. Share capital and share premium

	Group		Company	
	2009	2008	2009	2008
	R'000	R'000	R'000	R'000
Authorised				
200 000 000 ordinary shares of 1 cent each	**2 000**	2 000	**2 000**	2 000
Issued				
Balance at beginning of year - 100 802 677 (2008: 99 144 622)	**971**	982	**1 008**	992
Issued during the year - 0 (2008: 1 658 055)	**-**	16	**-**	16
Balance at end of year	**971**	998	**1 008**	1 008
Less treasury shares repurchased during the year	**(1)**	(27)	**-**	-
Balance at the end of year	**970**	971	**1 008**	1 008
Share premium				
Balance at beginning of year	**190 678**	193 138	**191 733**	187 844
Issued during the year	**-**	3 543	**-**	3 806
Share issue costs	**-**	(12)	**-**	(12)
Share options exercised	**15**	95	**15**	95
Balance at end of the year	**190 693**	196 764	**191 748**	191 733
Less treasury shares repurchased during the year	**(223)**	(6 086)	**-**	-
Add treasury shares sold during the year	**-**	-	**-**	-
Balance at end of the year	**190 470**	190 678	**191 748**	191 733
	191 440	191 649	**192 756**	192 741

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 properties.

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 2009

21. Borrowings

	Group		Company	
	2009	2008	2009	2008
	R'000	R'000	R'000	R'000
Instalment sale liabilities 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. The liabilities are secured by property, plant and equipment with a carrying value of R10 259 803 (2008: R10 073 436) together with a cession of revenue streams associated with revenue generating equipment financed by instalment sale agreements.	**23 373**	10 164	**61**	90
Finance lease liability 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 R49 914 (2008: R73 692).	**76**	103	**-**	-
Mortgage bond Loan bearing interest at prime rate per annum secured by mortgage over Erf 30366 Kimberley, with a carrying value of R880 000 (2008: R950 000), and repayable in monthly instalments of approximately R3 000 per month.	**168**	284	**-**	-
Anglo American Corporation 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.	**2 000**	2 000	**-**	-
Daimler Chrysler South Africa 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 R18 039 396.	**13 839**	13 796	**-**	-
John Newbury Investments (Proprietary) Limited The loan is unsecured, bears interest at the prime bank lending rate and has to be repaid on or before 1 January 2012.	**1 383**	1 635	**-**	-
	40 839	27 982	**61**	90
Less: Amounts payable within 12 months included in current liabilities	**(21 372)**	(19 193)	**(29)**	(28)
	19 467	8 789	**32**	62

All the liabilities are Rand denominated.
Please refer to note 5 - Property, plant and equipment, for disclosure on assets held under finance leases.
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.

Notes to the Financial Statements (continued)

for the year ended 31 December 2009

22. Deferred vendor payments

	Group		Company	
	2009	2008	2009	2008
	R'000	R'000	R'000	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.	**871**	4 598	**871**	2 798
Less: Amount payables within 12 months included in current liabilities	**(871)**	(4 598)	**(871)**	(2 798)
	-	-	**-**	-
Amounts to be settled:				
Through the issue of shares	**871**	-	**871**	-
Through the distribution of cash resources	**-**	4 598	**-**	2 798
	871	4 598	**871**	2 798

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	
	2009	2008	2009	2008
	R'000	R'000	R'000	R'000
Trade and other payables	**58 439**	72 847	**1 427**	953
VAT payable	**6 163**	6 023	**2 544**	1 858
Income received in advance	**3 761**	5 757	**-**	-
Leave pay accrual	**5 374**	6 460	**167**	81
Payroll accruals	**12 318**	26 686	**1 492**	1 818
	86 055	117 773	**5 630**	4 710

24. Amounts owing to subsidiary companies

	Group		Company	
	2009	2008	2009	2008
	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	**-**	-	**5 240**	889
Kolbenco (Proprietary) Limited	**-**	-	**-**	1 802
MICRO*mega* Professional Risk Solutions (Proprietary) Limited	**-**	-	**9 101**	-
SA International Capital & Market Brokers (Proprietary) Limited	**-**	-	**2 696**	18 875
Sebata Municipal Solutions (Proprietary) Limited	**-**	-	**10 412**	8 925
Stable Net (Proprietary) Limited	**-**	-	**-**	2 874
Swazi Occupational Safety & Health (Proprietary) Limited	**-**	-	**71**	71
	-	-	**31 825**	39 021

Notes to the Financial Statements (continued)

for the year ended 31 December 2009

24. Amounts owing to subsidiary companies (continued)

Amounts owing to subsidiary companies are carried at amortised cost.

The loans are unsecured and bear interest at rates determined periodically by the board of MICRO*mega* Holdings Limited. The loans are repayable at the discretion of the board of MICRO*mega* 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 R'000	Additional provisions raised R'000	Used during year R'000	Unused amounts reversed during the year R'000	Carrying value at end of year R'000
GROUP					
2009					
Provision for labour dispute	62	-	(62)	-	-
Provision for loyalty payment	2	34	-	-	36
	64	34	(62)	-	36

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

Labour disputes
A provision was raised in the prior year that related to CCMA matters that were outstanding at the year end. These CCMA matters have been settled during the current year.

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

Notes to the Financial Statements (continued)

for the year ended 31 December 2009

26. Revenue

	Group		Company	
	2009	2008	2009	2008
	R'000	R'000	R'000	R'000
The amounts attributable to the different categories are as follows:				
Sale of goods	**307 427**	393 209	**-**	-
Rendering of services	**439 880**	450 563	**25 500**	20 008
	747 307	843 772	**25 500**	20 008
Revenue from continuing operations	**721 900**	703 045	**25 500**	20 008
Revenue from discontinued operations	**25 407**	140 727	**-**	-
	747 307	843 772	**25 500**	20 008

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

27. Other income

	Group		Company	
	2009	2008	2009	2008
	R'000	R'000	R'000	R'000
Bad debts recovered	**287**	68	**-**	-
Conference income	**3 020**	3 190	**-**	-
Membership fee income	**24**	46	**-**	-
Negative goodwill	**-**	20 820	**-**	-
Other income	**531**	457	**-**	4
Profit on disposals of property, plant and equipment	**2 480**	140	**-**	144
Profit on disposal of other investments	**2 320**	-	**-**	-
Profit on write-off of loan	**-**	-	**-**	-
Rent received	**212**	126	**-**	-
Research and development income	**-**	395	**-**	-
SMEDP grant income	**-**	5 239	**-**	-
Warranty income	**235**	802	**-**	-
Reversal of impairment on property, plant and equipment	**-**	123	**-**	-
	9 109	31 406	**-**	148

28. Other expenses

	Group		Company	
	2009	2008	2009	2008
	R'000	R'000	R'000	R'000
Impairment of investment in subsidiary	**-**	-	**8 205**	-
Reversal of prior year impairment	**-**	-	**(6 302)**	-
	-	-	**1 903**	-

Notes to the Financial Statements (continued)

for the year ended 31 December 2009

29. Auditors remuneration

	Group		Company	
	2009	2008	2009	2008
	R'000	R'000	R'000	R'000
Auditor remuneration	**3 141**	3 371	**619**	619
Adjustment for previous year	**449**	366	**342**	294
Tax and secretarial services	**184**	42	**5**	5
	3 774	3 779	**966**	918

30. Administration expenses

	Group		Company	
	2009	2008	2009	2008
	R'000	R'000	R'000	R'000
Included in administrative expenses are the following expenses:				
Movements in allowance for credit losses	**2 187**	4 613	**-**	-
Bad debt expense	**686**	863	**-**	-
Consulting fees	**2 580**	872	**24**	38
Depreciation of property, plant and equipment	**9 869**	12 642	**349**	382
Loss on disposal of property, plant and equipment	**-**	-	**20**	-
Amortisation of intangible assets	**808**	412	**-**	-
Impairment of goodwill	**7 540**	-	**-**	-
Operating lease charges	**14 316**	9 990	**1 276**	113
- Premises	**11 726**	9 226	**1 276**	113
- Motor vehicles	**1 135**	1 426	**-**	-
- Equipment	**1 455**	764	**-**	-

31. Personnel expenses

	Group		Company	
	2009	2008	2009	2008
	R'000	R'000	R'000	R'000
Salaries and wages - senior management	**36 081**	18 316	**3 083**	2 014
Salaries and wages - other	**76 789**	129 267	**4 785**	2 417
Contributions to pension and provident funds	**5 477**	5 960	**187**	89
Contributions to medical aids	**509**	3 486	**5**	80
Contributions to life cover	**1 491**	1 580	**64**	42
Share-based payments expense	**909**	939	**767**	626
(Income)/expenses recognised on defined benefit fund - refer note 14	**(906)**	659	**-**	-
	120 350	160 207	**8 891**	5 268

Notes to the Financial Statements (continued)

for the year ended 31 December 2009

32. Directors emoluments

	Basic salary	Allowances	Bonuses	Provident fund	Directors fees	Total 2009	Total 2008
	R'000	R'000	R'000	R'000	R'000	R'000	R'000
I G Morris	1 594	120	-	-	-	1 714	1 721
R C Lewin	-	-	-	-	75	75	51
D M Carson	-	-	-	-	15	15	30
J E Newbury	-	-	-	-	-	-	-
P V Henwood	-	-	-	-	80	80	40
D S E Carlisle	719	48	325	52	-	1 144	-
	2 313	168	325	52	170	3 028	1 842

The following options have been granted in terms of MICRO*mega* Share Incentive Trust to directors and are still outstanding:

	Number of ordinary share options 2009	2008
D S E Carlisle		
Options granted at beginning of year	**-**	-
Movement during year:		
- Options granted prior to appointment to the board	**250 000**	-
- New options granted during the year	**280 000**	-
- Options exercised during the year	**-**	-
- Options lapsed during the year	**-**	-
- Options granted at end of year	**530 000**	-
Comprising:		
Share options available at an issue price of R1.00 per share, exercisable in equal instalments on the 31 March 2012, 2013 and 2014	**280 000**	-
Share options available at an issue price of R3.70 per share, exercisable in equal instalments on the 1 January 2010, 2011 and 2012	**250 000**	-
	530 000	-

Notes to the Financial Statements (continued)

for the year ended 31 December 2009

33. Net finance (expense)/income

	Group		Company	
	2009	2008	2009	2008
	R'000	R'000	R'000	R'000
Interest income on bank deposits	**3 047**	4 471	**30**	133
Interest income on loans receivable	**4 585**	-	**-**	-
Interest income from subsidiary companies	**-**	-	**2 349**	1 618
Interest income from associates	**1 433**	-	**-**	-
Dividend income from subsidiary companies	**-**	-	**1**	-
Dividend income from listed investments	**2**	1	**-**	-
Fair value adjustment on investments	**21**	(61)	**-**	-
Profit on foreign exchange	**391**	6 436	**-**	-
Finance income	**9 479**	10 847	**2 380**	1 751
Interest expense on bank deposits	**(3 404)**	(2 010)	**(45)**	(31)
Interest expense on instalment sale liabilities	**(1 893)**	(1 177)	**(9)**	(9)
Interest expense on finance lease liabilities	**(20)**	(23)	**-**	-
Interest expense on other borrowings	**(1 379)**	(2 996)	**-**	-
Loss on foreign exchange	**(10 299)**	(361)	**-**	-
Interest expense on loans from subsidiary companies	**-**	-	**(3 310)**	(657)
Finance costs	**(16 995)**	(6 567)	**(3 364)**	(697)
Net finance (expense)/income	**(7 516)**	4 280	**(984)**	1 054

34. Income tax expense

	Group		Company	
	2009	2008	2009	2008
	R'000	R'000	R'000	R'000
South African normal tax				
- Current tax	**14 904**	15 891	**1 122**	-
Current year	**14 940**	15 909	**1 122**	-
Prior year adjustments	**(36)**	(18)	**-**	-
- Secondary tax on dividends	**89**	-	**-**	-
Current year	**89**	-	**-**	-
- Deferred tax	**(3 909)**	(2 321)	**1 545**	2 941
Current year	**(3 909)**	(2 554)	**1 545**	2 785
Change in tax rate	**-**	233	**-**	156
Tax for the year	**11 084**	13 570	**2 667**	2 941

Notes to the Financial Statements (continued)

for the year ended 31 December 2009

34. Income tax expense (continued)

	Group		Company	
	2009	**2008**	**2009**	**2008**
Reconciliation of rate of tax	%	%	%	%
South African normal tax rate	**28,00**	**28,00**	**28,00**	**28,00**
Adjusted for:				
Disallowable expenditure	**1,39**	0,20	**3,20**	2,24
Exempt income	**-**	(11,00)	**(0,01)**	-
Utilisation of assessed losses	**2,46**	(0,10)	**-**	-
Investment and other allowances	**(0,56)**	(0,47)	**-**	-
Impairment charges and other capital profits	**7,17**	-	**7,79**	-
Secondary tax on dividends	**0,12**	-	**-**	-
Prior year adjustments	**(0,04)**	-	**-**	-
Change in tax rate	**-**	0,32	**-**	1,70
Net increase	**10,54**	(11,05)	**10,98**	3,94
Effective rate	**38,54**	16,95	**38,98**	31,94

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.

	Group		Company	
	2009	**2008**	**2009**	**2008**
	R'000	**R'000**	**R'000**	**R'000**
Results of discontinued operation				
Revenue	**25 407**	140 727	**-**	-
Cost of sales	**(22 703)**	(83 983)	**-**	-
Gross profit	**2 704**	56 744	**-**	-
Operating expenses	**(10 377)**	(53 023)	**-**	-
(Loss)/profit before tax	**(7 673)**	3 721	**-**	-
Taxation credit	**1 584**	686	**-**	-
(Loss)/profit after tax	**(6 089)**	4 407	**-**	-
Cash flows from/(used) in discontinued operation				
Net cash from operating activities	**(6 798)**	19 422	**-**	-
Net cash from investing activities	**4 254**	5 456	**-**	-
Net cash used in financing activities	**8 336**	(23 457)	**-**	-
Net cash from discontinued operation	**5 792**	1 421	**-**	-

Notes to the Financial Statements (continued)

for the year ended 31 December 2009

36. Earnings per share

GROUP

The calculation of earnings per ordinary share of 16.88 cents (2008: 61.82 cents) is based on the earnings attributable to ordinary shareholders of R16 361 729 (2008: R60 241 197) and a weighted average of 96 958 071 (2008: 97 438 314) ordinary shares in issue throughout the year.

The calculation of diluted earnings per ordinary share of 16.77 cents (2008: 61.35 cents) is based on earnings attributable to ordinary shareholders of R16 361 729 (2008: R60 241 197) and a diluted weighted average of 97 561 294 (2008: 98 197 660) ordinary shares in issue throughout the year.

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

	2009	2008
Weighted average ordinary shares	**96 958 071**	97 438 314
Share options	**603 223**	759 346
Weighted average diluted ordinary shares	**97 561 294**	98 197 660

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 20.75 cents (2008: 40.26 cents) is based on earnings of R20 120 719 (2008: R39 232 354) and a weighted average of 96 958 071 (2008: 97 438 314) ordinary shares in issue throughout the year.

Reconciliation between earnings and headline earnings:

	Profit before taxation	Taxation	Non-controlling interest	Net profit 2009	Net profit 2008
	R'000	R'000	R'000	R'000	R'000
Per the income statement	28 763	(11 084)	(1 317)	**16 362**	60 241
Profit on disposal of property, plant and equipment	(2 480)	694	-	**(1 786)**	(101)
Reversal of impairment of property, plant and equipment	-	-	-	**-**	(88)
Profit on disposal of investments	(2 320)	325	-	**(1 995)**	-
Impairment of intangible assets	7 540	-	-	**7 540**	-
Negative goodwill	-	-	-	**-**	(20 820)
	31 503	(10 065)	(1 317)	**20 121**	39 232

COMPANY

The calculation of earnings per ordinary share of 4.31 cents (2008: 6.43 cents) is based on a earnings attributable to ordinary shareholders of R4 174 929 (2008: R6 268 800) and a weighted average of 96 958 071 (2008: 97 438 314) ordinary shares in issue throughout the year.

The calculation of diluted earnings per ordinary share of 4.28 cents (2008: 6.38 cents) is based on a earnings attributable to ordinary shareholders of R4 174 929 (2008: R6 268 800) and a diluted weighted average of 97 561 294 (2008: 98 197 660) ordinary shares in issue throughout the year.

Notes to the Financial Statements (continued)

for the year ended 31 December 2009

36. Earnings per share (continued)

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

	2009	2008
Weighted average ordinary shares	**96 958 071**	97 438 314
Share options	**603 223**	759 346
Weighted average diluted ordinary shares	**97 561 294**	98 197 660

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 6.28 cents (2008: 6.33 cents) is based on earnings of R6 092 356 (2008: R6 164 320) and a weighted average of 96 958 071 (2008: 97 438 134) ordinary shares in issue throughout the year.

Reconciliation between earnings and headline earnings:

	Profit before taxation	Taxation	Net profit 2009	2008
	R'000	R'000	R'000	R'000
Per the income statement	6 842	(2 667)	**4 175**	6 268
Loss/(profit) on disposal of property, plant and equipment	20	(6)	**14**	(104)
Impairment of investment in subsidiary	8 205	-	**8 205**	-
Reversal of prior year impairment of investment in subsidiary	(6 302)	-	**(6 302)**	-
	8 765	(2 673)	**6 092**	6 164

37. Share-based payments

The Group established the MICRO*mega* 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 MICRO*mega* 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 2009

37. Share-based payments (continued)

Outstanding options

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

	Number of ordinary share options			
	Group		Company	
	2009	**2008**	**2009**	**2008**
Options granted at beginning of year	**4 090 314**	2 917 184	**1 300 000**	1 300 000
Movement during year:				
- New options granted during the year	**1 330 000**	2 100 000	**1 105 000**	-
- Options exercised during the year	**(30 000)**	(293 204)	**-**	-
- Options lapsed during the year	**(531 900)**	(633 666)	**-**	-
- Options granted at end of year	**4 858 414**	4 090 314	**2 405 000**	1 300 000
Comprising:				
Share options available at an issue price of R0.45 per share	**414 841**	415 841	**-**	-
Share options available at an issue price of R0.85 per share	**428 200**	495 200	**-**	-
Share options available at an issue price of R0.90 per share	**250 000**	250 000	**-**	-
Share options available at an issue price of R1.00 per share	**984 873**	29 873	**955 000**	-
Share options available at an issue price of R1.25 per share	**225 000**	-	**-**	-
Share options available at an issue price of R1.80 per share	**85 000**	220 000	**-**	-
Share options available at an issue price of R2.00 per share	**1 170 500**	1 379 400	**150 000**	-
Share options available at an issue price of R3.70 per share	**1 300 000**	1 300 000	**1 300 000**	1 300 000
	4 858 414	4 090 314	**2 405 000**	1 300 000

Group share-based payment expenditure amounting to R908 544 (2008: R939 072) related to equity-settled share-based payment transactions were recognised directly in the statement of comprehensive income.

Company share-based payment expenditure amounting to R781 691 (2008: 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 2009

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

- Weighted average share price – R1.17
- Exercise price – R2.00, R1.25 and R1.00
- Expected volatility – 60%
- Option life – 3 to 5 years
- Expected dividends – 0%
- Risk-fee interest rate – 8.96%

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.

The Board of Directors has overall responsibility for the establishment and oversight for the Group's risk management framework.

Notes to the Financial Statements (continued)

for the year ended 31 December 2009

38. Financial risk management (continued)

38.1 Overview (continued)

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 trade receivables from customers, lease debtors and deposits with banks.

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 foreign purchases. These purchases occur in Deltec Power Distributors (Proprietary) Limited and Lubrication Equipment (Pty) 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 2009. Refer to note 38.6 - Financial risk management - Exposure to credit risk

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.

Notes to the Financial Statements (continued)

for the year ended 31 December 2009

38. Financial risk management (continued)

38.6 Exposure to credit risk

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

	Group		Company	
	2009	2008	2009	2008
	R'000	R'000	R'000	R'000
Loans receivable	**27 388**	1 038	**-**	-
Trade and other receivables	**123 976**	124 564	**700**	617
Cash and cash equivalents	**29 936**	30 365	**318**	1 729
Loans to subsidiaries	**-**	-	**111 352**	121 372
Loans to associates	**3 956**	4 901	**-**	-
	185 256	160 868	**112 370**	123 718

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

	Group		Company	
	2009	2008	2009	2008
	R'000	R'000	R'000	R'000
Domestic	**80 597**	102 449	**391**	216
Foreign	**34 542**	15 494	**-**	-
	115 139	117 943	**391**	216
Other receivables	**8 837**	6 621	**309**	401
Total trade and other receivables	**123 976**	124 564	**700**	617

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.

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

	2009		2009	
	Group		Company	
	Gross	Impairment	Gross	Impairment
	R'000	R'000	R'000	R'000
Not past due	**60 160**	**-**	**391**	**-**
Past due 30 days	**19 720**	**-**	**-**	**-**
Past due 30 – 120 days	**43 337**	**(8 078)**	**-**	**-**
	123 217	**(8 078)**	**391**	**-**

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

Notes to the Financial Statements (continued)

for the year ended 31 December 2009

38. Financial risk management (continued)

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
2009								
Non-derivative liabilities								
Interest bearing borrowings	38 839	19 372	19 467	-	61	29	32	-
Non-interest bearing borrowings	2 000	2 000	-	-	-	-	-	-
Trade and other payables	86 055	86 055	-	-	5 630	5 630	-	-
Deferred vendor payments	871	871	-	-	871	871	-	-
Bank overdraft	3 930	3 930	-	-	-	-	-	-
Loans to subsidiary companies	-	-	-	-	31 825	31 825	-	-
	131 695	112 228	19 467	-	38 387	38 355	32	-
2008								
Non-derivative liabilities								
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	-	-
	163 378	154 589	8 789	-	46 619	46 557	62	-

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

	Group		Company	
	2009 R'000	**2008 R'000**	**2009 R'000**	**2008 R'000**
Domestic	**45 871**	58 672	**1 427**	953
Foreign	**12 565**	14 175	**-**	-
	58 436	72 847	**1 427**	953
Other payables (refer note 23 - Trade and other payables)	**27 616**	44 926	**4 203**	3 756
Total trade and other payables	**86 052**	117 773	**5 630**	4 710

38.8 Exposure to currency risk

	Group 2009				
	Rand R'000	Euro R'000	US Dollar R'000	Other R'000	Total R'000
Trade receivables	80 597	-	34 534	8	115 139
Trade payables	45 874	2 000	10 565	-	58 439

38. Financial risk management (continued)

38.8 Exposure to currency risk (continued)

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 strengthening	10 percent weakening
		R'000	R'000
Euro	(Decrease)/increase in profit	(200)	200
Us Dollar	(Decrease)/increase in profit	2 397	(2 397)
Other (AUD)	(Decrease)/increase in profit	1	(1)

			Group 2008		
	Rand	Euro	US Dollar	Other	Total
	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 strengthening	10 percent weakening
		R'000	R'000
Euro	(Decrease)/increase in profit	(970)	970
US Dollar	(Decrease)/increase in profit	1 160	(1 160)
Other (AUD)	(Decrease)/increase in profit	(58)	58

Notes to the Financial Statements (continued)

for the year ended 31 December 2009

38. Financial risk management (continued)

38.9 Interest rate risk

Profile

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

	Interest rate	Group 2009 R'000	Group 2008 R'000	Company 2009 R'000	Company 2008 R'000
Variable rate instruments					
- Bank overdraft	10,50%	**3 930**	13 025	**-**	-
- Interest bearing liabilities		**38 839**	25 982	**61**	9 015
- Instalment sales agreements	8.50% - 14.50%	**23 373**	10 164	**61**	90
- Finance lease liabilities	12,50%	**76**	103	**-**	-
- Loan from Sebata Municipal Solutions (Proprietary) Limited	10,50%	**-**	-	**-**	8 925
- Mortgage bond	11,00%	**168**	284	**-**	-
- Daimler	9,50%	**13 839**	13 796	**-**	-
- J Newbury Investments (Proprietary) Limited	10,50%	**1 383**	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 R'000	10 percent weakening R'000
2009	Decrease/(increase) in profit	(428)	428
2008	Decrease/(increase) in profit	(390)	390

38. Financial risk management (continued)

38.10 Financial risk management

	Fair value analysis			
	2009		2008	
	Carrying Value	Fair Value	Carrying Value	Fair Value
	R'000	R'000	R'000	R'000
GROUP				
Assets				
Other investments	**6 698**	**6 698**	6 737	6 737
Loan to associate company	**3 956**	**3 956**	4 968	4 968
Loans receivable	**27 388**	**27 388**	1 038	1 038
Trade and other receivables	**123 976**	**123 976**	124 564	124 564
Cash and cash equivalents	**29 936**	**29 936**	30 365	30 365
Liabilities				
Interest bearing borrowings	**38 839**	**38 839**	25 982	25 982
Non-interest bearing borrowings	**2 000**	**2 000**	2 000	2 000
Trade and other payables	**86 052**	**86 052**	117 773	117 773
Deferred vendor payments	**871**	**871**	4 598	4 598
Derivatives	**-**	**-**	282	282
Bank overdraft	**3 930**	**3 930**	13 025	13 025

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

No disclosure has been done on the hierarchy of the fair values reached as the Group only has listed investments to the value of R104 000.

	Fair value analysis			
	2009		2008	
	Carrying Value	Fair Value	Carrying Value	Fair Value
	R'000	R'000	R'000	R'000
COMPANY				
Assets				
Other investments	**6 594**	**6 594**	6 473	6 473
Amounts owing by subsidiary companies	**111 352**	**111 352**	121 372	121 372
Trade and other receivables	**700**	**700**	617	617
Cash and cash equivalents	**318**	**318**	1 729	1 729
Liabilities				
Interest bearing borrowings	**61**	**61**	90	90
Amounts owing to subsidiary companies	**31 825**	**31 825**	39 021	39 021
Trade and other payables	**5 630**	**5 630**	4 710	4 710
Deferred vendor payments	**871**	**871**	2 798	2 798

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 2009

39. Acquisitions of subsidiaries and non-controlling interests

Business Combinations

On 1 January 2009, the Company acquired the remaining 50% of the issued share capital of Intermap (Proprietary) Limited from Tiseletso Investments (Proprietary) Limited, a wholly owned subsidiary of the company. This sale was done to rationalise Group structures and had no effect on consolidation as Intermap (Proprietary) Limited's results have always been fully incorporated into the Group.

40. Commitments

	Group		Company	
	2009	2008	2009	2008
	R'000	R'000	R'000	R'000
Operating lease commitments				
The future minimum lease payments under non-cancelable operating leases are as follows:				
Premises and office equipment				
Not later than 1 year	**11 580**	5 729	**-**	-
Later than 1 year and not later than 5 years	**12 021**	15 905	**-**	-
	23 601	21 634	**-**	-
Finance lease liability on office equipment				
Not later than 1 year	**33**	27	**-**	-
Later than 1 year and not later than 5 years	**43**	76	**-**	-
	76	103	**-**	-

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.

There were no related party transactions with directors or key management for the period under review.

Management fees allocated to the subsidiary companies were as follows:

	2009	2008
	R'000	R'000
Management fees	**25 500**	18 200

Dividends received from subsidiary companies in 2009 amounted to R1 432 (2008: R52 493).

Notes to the Financial Statements (continued)

for the year ended 31 December 2009

42. Notes to the cash flow

	Group		Company	
	2009	2008	2009	2008
	R'000	R'000	R'000	R'000
42.1 Cash generated by operating activities				
Profit before taxation	**28 763**	75 496	**6 842**	9 209
Adjustments for:				
Depreciation and amortisation	**10 677**	13 054	**349**	382
Profit on disposals of property, plant and equipment	**(2 480)**	(140)	**20**	(144)
Profit on disposals of other investments	**(2 320)**	-	**-**	-
Impairment of goodwill	**7 540**	-	**-**	-
Impairment of investment in subsidiaries	**-**	-	**1 903**	-
Finance income	**(9 479)**	(10 847)	**(2 380)**	(1 751)
Finance expenses	**16 995**	6 567	**3 364**	697
(Reversal of impairment loss)/impairment loss raised	**-**	(123)	**-**	-
Movement in retirement benefit assets and liabilities	**(906)**	659	**-**	-
Movement in provisions	**(28)**	(386)	**-**	-
Movement in derivatives	**(282)**	468	**-**	-
Share of loss/(profit) of equity accounted associates	**768**	(99)	**-**	-
Negative goodwill	**-**	(20 820)	**-**	-
Movement in share-based payments reserve	**909**	939	**782**	721
	50 157	64 768	**10 880**	9 114
Movements in working capital	**14 771**	(8 172)	**671**	367
Decrease/(increase) in inventories	**45 859**	(29 211)	**(166)**	19
Decrease/(increase) in trade and other receivables	**588**	(20 087)	**(83)**	(91)
(Decrease)/increase in trade and other payables	**(31 676)**	41 126	**920**	439
	64 928	56 596	**11 551**	9 481
42.2 Taxation paid				
Balance at beginning of the year	**(8 538)**	(5 868)	**-**	-
Current tax for the year recognised in the income statement	**(14 993)**	(15 891)	**(1 122)**	-
Adjustment in respect of businesses sold and acquired during the year	**-**	(423)	**-**	-
Balance at end of the year	**942**	8 538	**1 122**	-
	(22 589)	(13 644)	**-**	-

Notes to the Financial Statements (continued)

for the year ended 31 December 2009

42. Notes to the cash flow (continued)

	Group 2009 R'000	Group 2008 R'000	Company 2009 R'000	Company 2008 R'000
42.3 Acquisition of subsidiaries				
During the current year the Group acquired the following entities:				
Fair value of assets acquired				
Property, plant and equipment	**-**	54 356	**-**	-
Intangible asset	**-**	-	**-**	-
Deferred taxation	**-**	(3 901)	**-**	-
Investment in subsidiaries	**-**	-	**12 576**	8 160
Other investments	**-**	-	**-**	-
Retirement benefit	**-**	18 630	**-**	-
Inventory	**-**	22 570	**-**	-
Trade receivables	**-**	22 809	**-**	-
Bank and cash	**-**	(8 187)	**-**	-
Borrowings	**-**	(50 245)	**-**	-
Trade and other payables	**-**	(18 761)	**-**	-
Taxation	**-**	(423)	**-**	-
Non-controlling interest	**-**	(6 391)	**-**	-
Assets (acquired)/disposed	**-**	30 457	**12 576**	8 160
Goodwill	**1 578**	4 923	**-**	-
Negative goodwill	**-**	(20 820)	**-**	-
Purchase consideration	**1 578**	14 560	**12 576**	8 160
Add: Bank and cash (net overdraft)	**-**	8 187	**-**	-
Gross cash outflow on acquisition	**1 578**	22 747	**12 576**	8 160
Less: Equity to be issued	**-**	-	**-**	-
Less: Cession of loan account	**-**	(1 805)	**-**	-
Less: Amounts to be paid based on profit targets	**-**	(2 800)	**-**	-
Net cash outflow on acquisition	**1 578**	18 142	**12 576**	8 160

The goodwill arose on an additional payment that was made in terms of the acquisition of Lubrication Equipment (Proprietary) Limited. No deferred vendor payment had been recognised previously.

43. Segmental analysis

Operating Segments
Information about reportable segments

	Financial Services		Support Services		Information Technology		Automotive Components		Total	
	2009	2008	2009	2008	2009	2008	2009	2008	2009	2008
	R'000	R'000	R'000	R'000	R'000	R'000	R'000	R'000	R'000	R'000
Total external revenues	**36 619**	40 760	**365 123**	359 770	**164 931**	102 964	**218 563**	365 276	**785 236**	868 770
Finance Income	**887**	2 058	**1 244**	5 292	**5 836**	2 740	**2 920**	1 910	**10 887**	12 000
Finance Expenses	**(683)**	(865)	**(5 939)**	(736)	**(6 263)**	(768)	**(4 868)**	(6 473)	**(17 753)**	(8 842)
Depreciation and amortisation	**613**	375	**1 247**	1 156	**4 184**	3 336	**3 825**	7 983	**9 869**	12 850
Reportable segment profit before income tax	**7 963**	7 889	**14 117**	23 205	**18 959**	11 645	**-9 960**	9 839	**31 079**	52 578
Share of profit/(loss) of associates	**-**	-	**(768)**	104	**-**	(5)	**-**	-	**(768)**	99
Reportable segment assets	**243 511**	235 379	**75 644**	59 075	**148 255**	71 180	**199 213**	204 022	**666 623**	569 656
- Non-current assets	**167 562**	176 574	**10 914**	9 054	**49 410**	24 576	**70 398**	56 260	**298 284**	266 464
- Current assets	**75 949**	58 805	**64 730**	50 021	**98 845**	46 604	**128 815**	147 762	**368 339**	303 192
Investment in associates	**-**	-	**3 572**	5 352	**175**	175	**-**	-	**3 747**	5 527
Capital expenditure	**331**	1 812	**1 618**	3 158	**4 057**	2 847	**6 239**	10 756	**12 245**	18 573
Reportable segment liabilities	**16 093**	15 639	**33 868**	26 992	**101 032**	34 500	**120 305**	111 376	**271 298**	188 507
- Non-current liabilities	**32**	62	**50**	112	**11 710**	2 374	**13 673**	19 190	**25 465**	21 738
- Current liabilities	**16 061**	15 577	**33 818**	26 880	**89 322**	32 126	**106 632**	92 186	**245 833**	166 769

Notes to the Financial Statements (continued)

for the year ended 31 December 2009

43. Segmental analysis (continued)

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

	2009 R'000	2008 R'000
Revenue		
Total revenue for reportable segments	**785 236**	868 770
Consolidated adjustments	**(37 929)**	(24 997)
Consolidated revenue	**747 307**	843 772
Profit		
Total profit for reportable segments	**31 079**	52 578
Share of (loss)/profit of associates	**(768)**	99
Consolidation adjustments	**(1 548)**	22 819
Consolidated profit before income tax	**28 763**	75 496
Assets		
Total assets for reportable segments	**666 623**	569 656
Intangible assets arising on consolidation	**41 643**	48 478
Investments in associates	**3 209**	5 527
Consolidation adjustments	**(290 689)**	(183 660)
Consolidated total assets	**420 786**	440 001
Liabilities		
Total liabilities for reportable segments	**271 298**	188 507
Consolidation adjustments	**(130 562)**	(8 754)
	140 736	179 753

	Reportable segment totals R'000	Adjustments R'000	Consolidated totals R'000
Other material items 2009			
Finance income	10 887	(1 408)	9 479
Finance expenses	(17 753)	758	(16 995)
Capital expenditure	12 245	-	12 245
Depreciation and amortisation	9 869	808	10 677

	Reportable segment totals R'000	Adjustments R'000	Consolidated totals 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

43. Segmental analysis (continued)

	Financial Services		Support Services		Information Technology		Automotive Components		Consolidation Adjustments		Total	
	2009	2008	2009	2008	2009	2008	2009	2008	2009	2008	2009	2008
	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	**7 759**	8 679	**18 812**	18 649	**19 386**	9 694	**(8 012)**	14 402	**(898)**	19 694	**37 047**	71 118
Share of profit/(loss) of associates	**-**	-	**(768)**	(5)	**-**	104	**-**	-	**-**	-	**(768)**	99
Finance income	**887**	2 058	**1 244**	5 292	**5 836**	2 740	**2 920**	1 910	**(1 408)**	(1 153)	**9 479**	10 847
Finance expenses	**(683)**	(865)	**(5 939)**	(736)	**(6 263)**	(768)	**(4 868)**	(6 473)	**758**	2 275	**(16 995)**	(6 567)
Income tax expense	**(2 559)**	(2 839)	**(5 697)**	(6 587)	**(4 866)**	(3 559)	**1 288**	(698)	**750**	112	**(11 084)**	(13 570)
Non-controlling interest	**(17)**	121	**(741)**	(705)	**-**	-	**-**	(559)	**(1 101)**	(1 317)	**(1 685)**	
Contributions to earnings per segment	**5 387**	7 155	**6 911**	15 908	**14 093**	8 211	**(8 672)**	9 140	**(1 357)**	19 827	**16 362**	60 241
(Profit)/loss on disposal of property, plant and equipment	**(237)**	210	**(7)**	10	**(80)**	(5)	**(1 462)**	(315)	**-**	-	**(1 786)**	(101)
Profit on disposal of unlisted investments	**(1 995)**	-	**-**	-	**-**	-	**-**	-	**-**	-	**(1 995)**	-
Reversal of impairment of property, plant and equipment	**-**	-	**-**	-	**-**	-	**-**	(88)	**-**	-	**-**	(88)
Negative goodwill	**-**	-	**-**	-	**-**	-	**-**	-	**-**	(20 820)	**-**	(20 820)
Impairment of intangible assets	**-**	-	**-**	-	**-**	-	**-**	-	**7 540**	-	**7 540**	-
Contribution to headline earnings per segment	**3 155**	7 364	**6 904**	15 918	**14 013**	8 206	**(10 134)**	8 737	**6 183**	(993)	**20 121**	39 232

Notes to the Financial Statements (continued)

for the year ended 31 December 2009

44. Shareholder's information

Analysis of the share register at 31 December 2009

Portfolio size	Number of shareholders	Percentage of shareholders	Number of shares	Percentage of share capital
1 to 50 000	1 010	94,39%	3 435 903	3,41%
50 001 to 250 000	39	3,64%	4 439 442	4,40%
Over 250 000	21	1,96%	92 927 332	92,19%
	1 070	100,00%	100 802 677	100,00%

Non-public & public shareholders	Number of shares	Percentage of share capital
Non-public shareholders		
HSBC Investment Management	21 939 699	21,76%
Insight Communications Limited	16 876 000	16,74%
Alpha Management Limited	14 300 000	14,19%
Insight Corp.	12 625 921	12,53%
Subsidiary companies	3 836 736	3,81%
Directors (Direct & indirect beneficial interest)	1 466 883	1,46%
Directors - Subsidiary companies (Direct & indirect beneficial interest)	770 231	0,76%
Trustee of The MICRO*mega* Share Incentive Scheme	185 380	0,18%
Total non-public shareholders	72 000 850	71,43%
Total public shareholders	28 801 827	28,57%
Total	100 802 677	100,00%

Major shareholders	Number of shares	Percentage of share capital
HSBC Investment Management	21 939 699	21,76%
Insight Communications Ltd	16 876 000	16,74%
Alpha Management Ltd	14 300 000	14,19%
Insight Corp.	12 625 921	12,53%
Robel Management Limited	9 000 000	8,93%
TTSA Securities (Pty) Ltd	3 836 736	3,81%
Mr Charles Lawrence Levy	3 768 583	3,74%
Enigma Investments Holdings Ltd	3 000 000	2,98%
The Ross Lewin Family Trust	1 427 493	1,42%
Nedbank Capital Markets	1 240 000	1,23%

	2009		2008	
	Direct	Indirect	Direct	Indirect
I G Morris (Chairman)	**-**	**31 890**	-	15 890
R C Lewin	**-**	**1 427 493**	-	1 427 493
D S E Carlisle	**7 500**	**-**	-	-
P Henwood	**-**	**-**	-	-

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

Notice of Annual General Meeting

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

Notice of Annual General Meeting

NOTICE is hereby given that the annual general meeting of shareholders of MICRO*mega* Holdings Limited will be held in the boardroom, Block C, Chislehurston Office Park, 19 Impala Road, Chislehurston, Sandton at 10h00 on Friday, 30 July 2010 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 2009, together with the reports of directors and auditors.

ORDINARY RESOLUTION NUMBER 2
To re-elect Messrs I G Morris, D S E Carlisle, D J Case, P V Henwood and R C Lewin 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.

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

Notice of Annual General Meeting (continued)

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 MICRO*mega* 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 79
- Director's interests in securities page 79
- Share capital of the company page 55

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 MICRO*mega* 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).

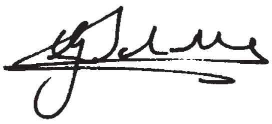
Notice of Annual General Meeting (continued)

If your MICRO*mega* 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
15 March 2010

Corporate Information

as at 30 June 2010

Registration Number
1998/003821/06

Registered Office
Block C, Chislehurston Office Park, 19 Impala Road, Chislehurston, 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 D J Case
Mr P V Henwood
Mr R C Lewin

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, Chislehurston Office Park, 19 Impala Road, Chislehurston, 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			
MICRO*mega* Securities	Anton Vercueil	Managing Director	011 277 5300
MICRO*mega* 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	Director	012 683 0216
EMPOWERisk	Karl Bailey	Managing Director	011 883 8775
Riskworks	Riaan Lourens	Director	012 683 0200
Sector: Information Technology			
MICRO*mega* Technologies	Tony Rolston	Managing Director	011 704 0780
Sebata Municipal Solutions	Dylan Strydom	Managing Director	012 682 9800
Stable-Net	Raoul Hunter	General Manager	011 704 0780
Cloudware	Caron Lee	Project Manager	011 704 0780
ScIAM	Russell Swanborough	General Manager	011 783 4000
Sector: Automotive			
BTM Manufacturing	Willie Boshoff	General Manager	016 362 0311
Deltec Power Distributors	Colin Eddey	Managing Director	011 786 4911
Pro-Fit	Frik Pretorius	General Manager	011 493 2202
Kolbenco	Colin Eddey	Managing Director	011 864 7930
Lubrication Equipment	Pierre Duvenhage	Managing Director	011 493 8235

Proxy Form

MICRO*mega* HOLDINGS LIMITED
(Incorporated in the Republic of South Africa)
(Registration number 1998/003821/06)
(Share code: MMG ISIN: ZAE000034435)
(“MICRO*mega*” or “the Company”)

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

FORM OF PROXY
This form is only for the use by registered shareholders of MICRO*mega* 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, 30 July 2010 in the boardroom, Block C, Chislehurston Office Park, 19 Impala Road, Chislehurston, Sandton (“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 MICRO*mega*, 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 MICRO*mega* 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 2009.)			
Ordinary resolution number 2: (To re-elect Messrs			
I G Morris;			
D S E Carlisle;			
D J Case;			
P V Henwood;			
R C Lewin)			
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 2010

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

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

PLEASE READ THE NOTES ON THE REVERSE SIDE OF THIS FORM OF PROXY.

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 MICRO*mega*, insert the number of ordinary shares held in respect of which you wish to vote. Failure to comply with the above will be deeded 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, 28 July 2010.**

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

MICRO*mega* Holdings Limited
Block C, Chislehurston Office Park, 19 Impala Road,
Chislehurston, Sandton, 2196, South Africa
Private Bag X9966, Sandton, 2146
Telephone: +27 11 783 4000
Facsimile: +27 11 783 2992
Web: www.micromega.co.za