



*i n f o w a v e*

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i n f o w a v e

## A **DIFFERENT** kind of company then...

Ten years ago seems like a dream... it was only yesterday, it seems, that InfoWave was founded on a set of principles that are still with us today. Principles like **respect, trust, commitment** and personal responsibility are the foundation that we built our company upon, and they continue to serve us well.

## And an even **BETTER** company today...

We started as a service provider to a major South African sugar manufacturer, and from there we've **GROWN** to become a provider of advanced Oracle™ based information technology solutions to sugar producers worldwide. Our core sugar software product, CaneLab™, is a specialised factory process automation tool designed to simplify and optimise sugar production. With Tranquillity™ we provide a complete financial back-office solution for agro-estates with specialised functionality appropriate to sugar production. With these two products, InfoWave has gained valuable market share and a **strong reputation** within Africa and worldwide.

## Knowledge makes the **DIFFERENCE**

Applied to our custom-built solution, and IT outsource services, knowledge has been the differentiator for InfoWave's clients. We also have strategic investments in companies such as ApplyIT, one of South Africa's

**leading developers** and implementers of SHEQ software solutions for process manufacturers. We incubated and have a 33% investment in Adapt-IT, a black owned and managed enterprise development initiative offering e-Business Solutions and IT Consulting services specialising in Microsoft™, Java and Open Source technologies. And we're working to accelerate municipal housing delivery through our 75% stake in InfraSoft Technologies, a BEE company dedicated to niche software products which enables better service delivery to the public sector.

### **Exceptional domain knowledge**

was a key to our early success and it remains a core competency in our business today.

# Technology

## Technology – today and tomorrow...

Our **technical** strength has come from our ability to leverage the power of the Oracle™ database, the Oracle™ internet application server, Fusion Middleware and development tools, namely Internet Developer Suite and JDeveloper. We're a long standing Oracle™ partner, but we're branching out to J2EE and beyond. Our technology **competencies** continue to evolve as our customer base grows and diversifies.

## The power of people...

InfoWave was founded as a different kind of company, and our greatest **strength** has always been **our people**. We are committed to creating a home where a culturally and technically **diverse group** of the most talented people in our industry can get involved and make a difference to our customers. We've known since our start-up days that great things can happen with empowered teams and **inspired individuals**. We strive to create a dynamic environment that retains exceptional people – that's the true power behind our founding principles.

## It takes a village

### It takes a village

We believe in the notion that "it takes a village to raise a child", and that's why we're strong **financial supporters of the Ebuta Junior Secondary School**. Situated in the Umzimkulu district of KwaZulu-Natal, the school has approximately 500 scholars and 12 educators. We've built six classrooms, and we're proud that **we're helping tomorrow's InfoWavers** get a solid education today.

## What will the next ten years bring?

We've just completed a long, hard and ultimately rewarding year, but we know that we're only as good as our last project or our latest software release. We're striving to constantly assimilate **new technology**, to continue to upgrade and diversify our workforce, and to grow through strategic acquisitions of other niche software and service providers.

We have two simple goals; first and foremost we're committed to provide **customer value and satisfaction**, and following that, to return **value to our shareholders**. We're more than 50% employee owned, and that's a key competitive advantage...

## InfoWave people believe

in delivery, and it shows – in our products, in our services, and in our long-term relationships.

We're proud of what we've accomplished, and we're only just getting started.

**InfoWave... a different kind of company then, an even better company today!**

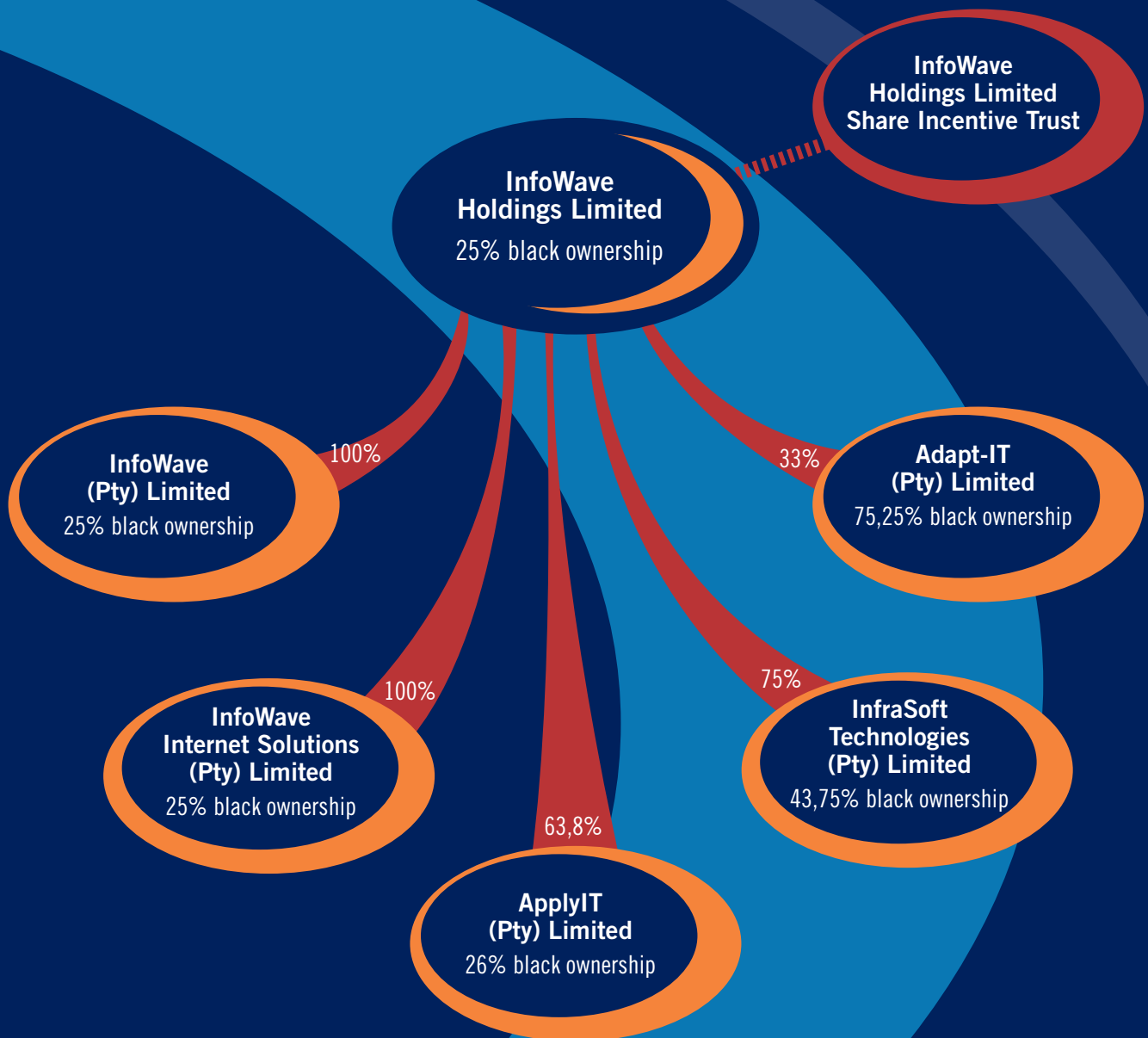


# Board of Directors



Back row from left: Carol Jessop, Bruno Lionnet, Bev Carrilho,  
Wanda Shuenyane, Paris Aposporis and Cindy von Pannier  
Front row from left: Bernard Ravnö, Tiffany Dunsdon and Ralph Collis

# Group Structure



# Group Profile

## InfoWave Holdings Limited

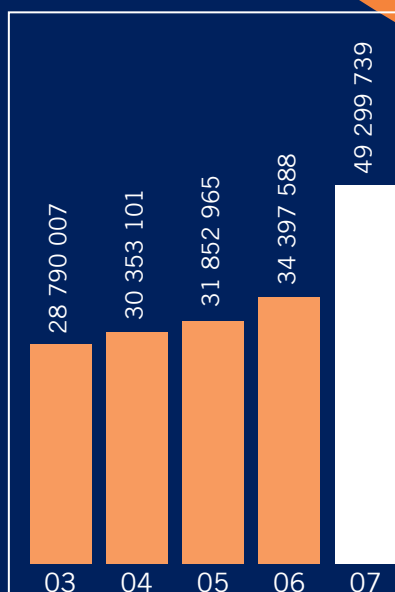
InfoWave Holdings Limited is listed in the computer services sector of the main board of the JSE Limited, and operates through its subsidiary companies, namely

**InfoWave (Proprietary) Limited, ApplyIT (Proprietary) Limited, InfoWave Internet Solutions (Proprietary) Limited and InfraSoft Technologies (Proprietary) Limited.**

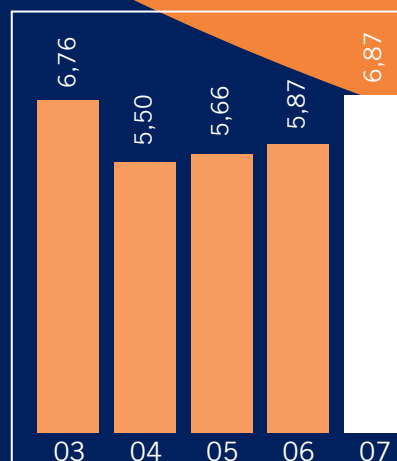
It also holds 33% of Adapt-IT (Proprietary) Limited. The group is primarily involved in the development and support of niche IT application solutions.

More than a holding company, InfoWave Holdings provides a framework for the success of our group of companies. Our core values and domain knowledge provide a thread of continuity throughout the group. Our primary operational focus is to identify, enhance and to ultimately profit from the synergies we find in our daily operations and markets.

Turnover (Rands)



Earnings per Share (cents)





# Statistical Review

		YEAR 2007	YEAR 2006	YEAR 2005	YEAR 2004	YEAR 2003
Turnover	(rand)	<b>49 299 739</b>	34 397 588	31 852 965	30 353 101	28 790 007
Number of shares in issue		<b>86 217 180</b>	85 820 784	84 053 755	90 605 345	89 094 945
Net asset value	(rand)	<b>16 383 046</b>	13 379 291	10 253 622	10 568 065	8 248 223
Net asset value per share	(cents)	<b>19,00</b>	15,59	12,20	11,66	9,26
Headline earnings per share	(cents)	<b>6,84</b>	5,87	5,66	5,50	6,76
Earnings per share	(cents)	<b>6,87</b>	5,87	5,66	5,50	6,76
Return on equity*	(%)	<b>39,90</b>	42,40	48,00	52,50	61,80
Return on assets	(%)	<b>31,90</b>	31,90	37,10	37,70	45,60
Liquidity ratio	(times)	<b>4,67</b>	4,10	3,59	4,78	2,43
Solvency ratio	(times)	<b>5,86</b>	4,23	3,81	5,29	2,66
Market price per share						
Close	(cents)	<b>66</b>	65	35	25	22
High	(cents)	<b>80</b>	65	43	35	40
Low	(cents)	<b>50</b>	32	26	15	15
Capital reduction	(cents)					10
Dividend	(cents)	<b>3,67</b>	3	3	3	

\*Profit after taxation expressed as a percentage of average shareholders' funds

# Group Profile

## A black empowered technology group

With a founding philosophy of empowerment and employee participation, 50% of the listed shares are owned by the employees.

**The group is 25% black owned and 53% of the employees are black.**

InfoWave has successfully incubated two **black SMME IT companies** demonstrating a sound track record in transformation.

“It has a good, stable client base of large businesses which generate a good cash flow. The company also enjoys an above average return on equity”

**Adrian Saville**

*Chief investment officer*  
Cannon asset managers

# Value Added Statement

**Value Added Statement**  
for year ended 28 February 2007

	GROUP 2007		GROUP 2006	
	R	%	R	%
Revenue	49 299 739		34 397 588	
Less: Net cost of products and services	16 841 882		8 812 894	
Value added	32 457 857		25 584 694	
Add: Income from investments and associate	89 967		770 247	
<b>Wealth created</b>	<b>32 547 824</b>		<b>26 354 941</b>	
Applied to:				
Employees				
Salaries, wages and other benefits	23 806 796	73,1	18 606 508	70,6
Providers of capital	3 199 713	9,8	2 568 737	9,7
Interest on borrowings	10 252	–	1 572	–
Dividends to shareholders	3 189 461	9,8	2 567 165	9,7
Government				
Taxation	2 793 498	8,6	2 739 365	10,4
Income taxation – normal and deferred	2 013 136	6,2	2 218 829	8,4
Income taxation – secondary taxation on companies	364 919	1,1	303 710	1,2
Regional council and skill development levies	415 443	1,3	216 826	0,8
Retained in the group	2 747 817	8,4	2 440 331	9,3
	<b>32 547 824</b>	<b>100</b>	<b>26 354 941</b>	<b>100</b>

# InfoWave



i n f o w a v e

InfoWave (Pty) Limited, the key operating company of InfoWave Holdings, continues to sharpen its **strategic focus** on the sugar industry while diversifying into new markets and niche software products. Our CaneLab product suite focuses on sugar factory process management. From the weighbridge operation handling cane entering the factory, with the cane testing laboratory measuring the quality of cane from the growers to calculate payment, to the factory laboratory analysing samples to determine the quality of the factory processes, CaneLab modules are **essential components** of today's competitive sugar business.

Tranquillity provides full back-office functionality required for enterprise level accounting, procurement, sales, warehousing, logistics and human resources. We're updating the core architecture and continually **enhancing the functionality** and user interface. We're ensuring that the product remains relevant to our market, yet still provides the straightforward and robust user experience that we're known for.

#### Management Team:

Back from left: Debbie Raine, Ashika Sukhu, Jeff Sutton and Rajan Pillay

Front from left: Donne Laird, Lester Moodley, Nicky Fraser and Romita Chetty



While sugar has been the backbone of our business, our **core competency** is our ability to understand business processes and translate user requirements into integrated solutions. Our ability to offer outsourcing of application development services and

## long-term support relationships

increases the depth of our

## knowledge and skills

and provides added value to our clients.

## And we're focused on the future...

The sugar industry is in transformation, and we're poised to assist our customers make the leap into the world of agro-energy and bio-fuels. We continue to enhance and evolve our products to improve efficiency, security and control, and as sugar production transitions into energy production, the CaneLab and Tranquillity product suites are adaptable and extensible to

# help today's sugar producers become tomorrow's efficient energy producers.

“In the 21st century, the most important fuel commodity in the world will be agro-energy”

**Roberto Rodrigues**  
*Agriculture minister*  
Brazil

ApplyIT is one of South Africa's leading developers and implementers of software solutions for companies involved in process manufacturing. Our success has been driven by an unrelenting focus on domain expertise, and providing proven, world-class software solutions that add real value in manufacturing environments.

Through direct experience and strong relationships with the manufacturing sector, we understand the complex issues that companies face, and the many factors that contribute towards the success or failure of software solutions in these environments.

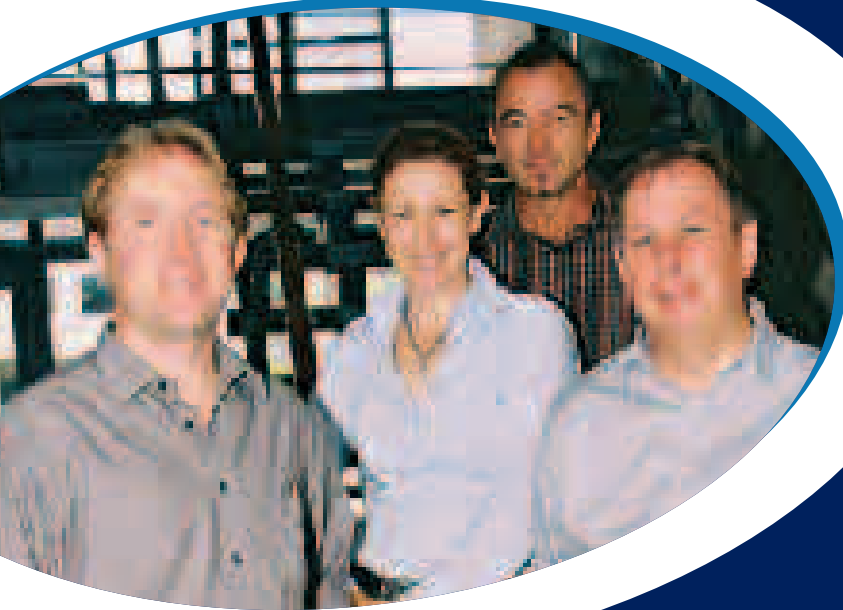
ApplyIT has a comprehensive understanding of the range of **business applications** required to support an operating business including SHE-Q (Safety, Health, Environment and Quality), ERP, Supply Chain, Customer Relationship Management and Asset Management, and offers a **comprehensive product suite** designed to address these needs.

Built around a dynamic, motivated and highly skilled team of people with a comprehensive understanding of the issues in their customers' industry, ApplyIT's in-depth knowledge and focus on its customers' requirements allow it to implement world-class IT solutions. ApplyIT uses its insight and experience in IT, engineering and manufacturing to provide appropriate, practical products that create value and maintain its clients' competitiveness.

[www.applyIT.co.za](http://www.applyIT.co.za)

Executive Team:

From left: Scott Bredin, Tiffany Dunsdon, Dave Brennan and Gavin Halse – Managing Director



**“The company continuously seeks opportunities for improving SHE practice and efficiencies”**

**Joey Singh**  
*Operations manager*  
Heartland Leasing

# Adapt-IT

Adapt-IT is focused on providing cutting edge Information Technology (IT) services that meet a wide range of client requirements. Producing unique web-enabled solutions, Adapt-IT delivers a **consistently high level** of quality to satisfy the demands of the most complex customers.

A deep understanding of customer requirements combined with a competence in developing solutions across a broad range of platforms and environments provides Adapt-IT clients with a partner that can truly make **strategic recommendations** and leverage existing infrastructure investment to create web-enabled solutions that solve core business challenges.

From database deployment to enterprise-wide application deployment, the Adapt-IT team leverages internet technologies to e-enable business throughout South Africa.

Adapt-IT has a diverse and experienced team of professionals dedicated to planning and executing e-Business strategies, .NET and Java Consulting, object oriented **project management**, and business process re-engineering. Marketing strategy formulation plays an integral role in the process, and we work with our customers to carefully identify target audiences and cater to them by properly **branding their businesses** as we deliver technology solutions.

If cutting edge web design is required, we have the solution. Our team of designers has developed web sites with an impressive array of multimedia technologies. From idea to implementation, Adapt-IT does it all.

[www.adapt-it.co.za](http://www.adapt-it.co.za)

Directors:

From left: Tiffany Dunsdon and S'bu Shabalala – Managing Director





**InfraSoft**  
Technologies

InfraSoft

InfraSoft Technologies (Pty) Limited is geared to meeting the challenges of a nation in transition; a nation eager for development that needs additional capacity to **deliver effectively**. Now InfraSoft helps to fill that gap.

InfoWave developed the DevMan public housing delivery management software in partnership with experienced business consultants and property projects managers. DevMan combines this experience in housing delivery project for local authorities with InfoWave's **proven track record** in software development. InfraSoft, formed with black partners, is InfoWave's next black SMME enterprise development initiative that markets DevMan in the public sector.

Our primary focus is the supply of niche software solutions and IT services for infrastructure projects in the areas of housing delivery and service delivery throughout South Africa. Our expertise includes ICT, system implementation, training, project management and **business process engineering**.

The DevMan product continues to evolve with an increased focus on housing beneficiary management and implementing agent delivery management.

[www.infrasoft.co.za](http://www.infrasoft.co.za)



Busi Mkhize (CEO)

“R23 billion  
will be spent to  
build 500 000  
housing units per  
annum over the  
next three years”

**Trevor Manuel**

*National Budget Speech*  
15 February 2006



# Employment equity and skills development

## The path to transformation

It's all about people. **Our people.** We're passionate about them. To ensure that we take significant steps along our road to transformation, we have an employment equity and **skills** development committee that is the custodian of our progress and sets annual goals to drive this aspect of the business forward. The team meets each quarter to measure our progress and look for opportunities to improve.

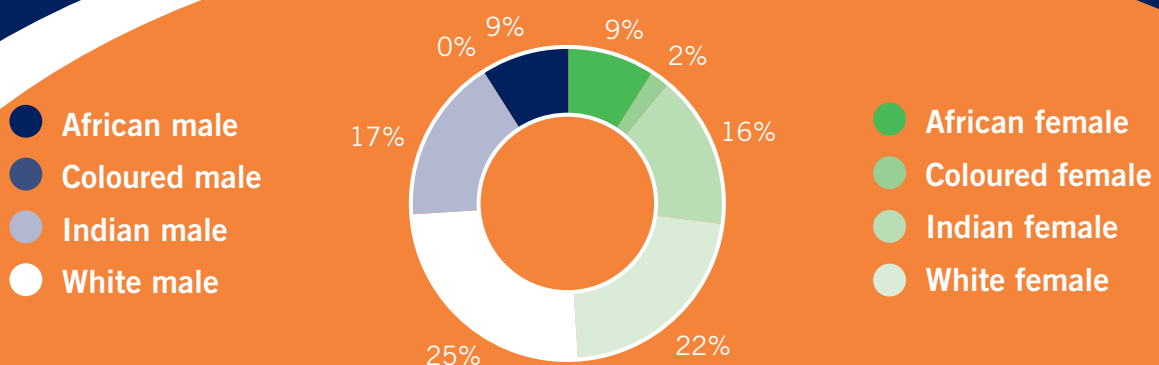
**Good progress** has been made, however South Africa is currently facing a shortage of IT skills in the market. As a result, we have temporarily relaxed our preference for black candidates when recruiting for experienced IT professionals.

With the recent finalisation of the Department of Trade and Industry codes of good practice, we have commissioned a BEE rating agency to rate InfoWave.

Although maintaining gender equality overall, **InfoWave remains unique** with 4 out of 5 executive directors, and 6 out of 13 of the management team, being female. The overall group BEE statistics are shown below. In total, 53% of the group's employees are black.

We believe skills development is critical in the information technology business and continue to increase our investment and focus in this area. All InfoWavers can further their education through a study loan scheme, the Oracle Certified Professional training programme, and weekly in-house training sessions on a variety of topics. Mentors also ensure that InfoWavers develop **business knowledge** to provide services to our clients. InfoWave is compliant with all employment equity and skills development legislation.

**Building on our diversity and adding to each other's skill is the key to a successful future.**



# DIRECTORATE AND OFFICERS



**Tiffany Dunsdon** CA(SA) (36)

CEO; Date of appointment 18 April 2002

Tiffany served her traineeship with Deloitte and thereafter joined British Airways in the UK where she was involved with several major business re-engineering and IT outsourcing projects. On her return to South Africa, she was contracted by Computer Services Corporation on the due diligence of outsourcing the Old Mutual's IT infrastructure services. Tiffany joined InfoWave in a consulting capacity in 2000 and was appointed as financial director in April 2002 and CEO in December 2003. Tiffany took responsibility for the strategic management and business development of the group from 1 June 2004.



**Bev Carrilho** CA(SA) (41)

Financial director and company secretary;

Date of appointment 1 March 2005

Bev was appointed as the company's financial director on 1 March 2005. Bev qualified as a CA with Deloitte and became a senior manager. She then spent four years as financial director of Consumer Credit Holdings Limited, a listed entity later sold to BoE, whereafter she spent two years with ABSA Corporate and Merchant Bank.



**Carol Jessop** BSc (Hons) (42)

Executive director; Date of appointment 1 March 2005

Carol was employed by Andersen Consulting from 1987 to 1998. She was a senior manager responsible for the development and implementation of large-scale information systems to meet new business requirements, business re-engineering and change initiatives. Carol then joined NBS where she progressed from strategy programme manager to become the general manager: client retention and administration for NBS Homeloans. Carol joined InfoWave in July 2004 in a consulting capacity in the Systems Development business unit and was appointed to the board as an executive director, effective 1 March 2005. Carol is responsible for the operations of the sugar and downstream business unit.



**Bruno Lionnet** (48)

Executive director; Date of appointment 30 June 2000

Bruno joined the Portnet finance department before transferring into the IT division in the early 1980s, where he assisted with the development and implementation of a financial solution and IT strategy for all South African ports. He was responsible for the cross-functional architecture for Portnet's suite of applications. Bruno joined InfoWave as project manager in 1999 and was appointed a director of InfoWave Holdings Limited in June 2000. He is responsible for the custom built and technical business units.



**Cindy von Pannier** BCom (Information Systems) (43)

Sales and marketing director; Date of appointment 1 September 1998

Cindy has been directly involved in the IT industry for 25 years in all fields of system development, project management, IT strategy and business management. Cindy is one of the founding directors of InfoWave (Proprietary) Limited and since its inception in 1996, has held key positions in macro resource planning, business management, key account management and business development for the group. Cindy is responsible for the sales and marketing portfolio for the group, and last year became executive director and chairperson of InfoWave's new business initiative InfraSoft Technologies (Pty) Limited.

**Ralph Collis (51)**

*Non-executive chairman; Date of appointment 1 June 2004*

Ralph has been involved in the IT industry since 1975 and has valuable experience in the development, implementation and support of software solutions in the retail, mining and milling industries. InfoWave was established in 1996, and Ralph was one of the founding directors. In May 2004 he retired as the CEO, and now continues his relationship with the group as the company's non-executive chairman.



**Paris Aposporis BCom, LLB, MBA (41)**

*Independent non-executive director;*

*Date of appointment 18 June 2003*

Paris was re-appointed to the board as an independent non-executive director effective 18 June 2003 and was re-elected 28 May 2004. He served as a non-executive director from 1 September 1998 to 31 December 2001 when he was required to resign due to taking up a position with the JSE Securities Exchange South Africa. He has since joined the investment banking division of a financial institution. His knowledge of InfoWave's business, together with his expertise, is extremely valuable in guiding the board.



**Dr Bernard Ravnö PhD, AMP (Harvard) (67)**

*Independent non-executive director; Date of appointment 26 May 2003*

Bernard has been involved in the sugar industry for over 30 years. In 2002 he retired from the position of technical director of the Illovo Sugar Group. One of his responsibilities there was to oversee the application and upgrading of the process control and automation systems at all 18 of the factory sites. From 1979 to 1986 he was the director of the Sugar Milling Research Institute, before joining CG Smith Sugar (now Illovo Sugar) as general manager of their Sezela mill and estates on the South Coast. He was appointed to the board of Illovo Sugar Limited in January 1992 and to the board of InfoWave Holdings Limited in May 2003 and re-elected on 28 May 2004.



**Wanda Shuenyane BA (Political Economy) (34)**

Pursuant to a BEE transaction by our largest shareholder, Wanda was appointed a non-executive director of iCapital fund managers (Pty) Limited, the fund manager of the iCapital Growth Fund Trust, which holds 14,2% of InfoWave Holdings Limited. Wanda was appointed a non-executive director of InfoWave Holdings Limited effective 5 July 2005.

Born and raised in Soweto, Wanda attained academic scholarships for high school as well as towards his foreign tertiary education. He obtained a BA in Political Economy (with distinction) in 1997 from Pomona College, Claremont, California, USA. Wanda took up the position of Assistant Analyst with international investment bank, Merrill Lynch SA (Pty) Limited from 1997 to 1999.

Wanda then worked as an associate consultant with Bain & Co. strategy consultants from 1999 to 2001 before taking up the position of General Manager at ABI, the largest and most operationally efficient Coke bottler in Africa. Here he was responsible for sales, marketing and distribution for the Phoenix operation in Durban, before being promoted to General Manager of ABI's East Rand operation. In October 2004 Wanda founded his own investment business, Sceptre Holdings, which made an investment in iCapital among others and which led to his introduction to InfoWave.



# REPORT TO STAKEHOLDERS

## Financial results

Revenue grew 44% over the prior year to R49,3 million. Organic growth was 22% and ApplyIT, in which InfoWave acquired a 63,8% stake with effect from 1 March 2006, contributed R7,6 million (22%).

InfoWave (Pty) Limited and InfoWave Internet Solutions (Pty) Limited performed well in the period under review growing revenue by 21% due to strong demand for project work and maintaining operating margins. Although ApplyIT contributed an operating loss before tax of R0,2 million to the group, its performance is a significant improvement over its historic performance prior to its acquisition. This is in line with the group's projection on which the investment was based. The purchase price was R0,5 million up front with a further R8,6 million contingent on meeting stringent revenue growth thresholds over two years. No earn out was payable in respect of the first year. The start up company InfraSoft, which markets the DevMan product in the public sector, underperformed against expectations due to longer than expected sales cycles and contributed an operating loss before tax of R0,2 million. The market has expressed very positive sentiments about the product and increased focus is being placed on closing the sales opportunities. The share of profits after tax from the associated company, Adapt-IT, which focuses in the public sector grew to R0,5 million, exceeding expectations.

Surplus cash is invested in listed preference shares which devalued by R0,6 million after tax.

A deferred taxation asset which relates to the assessed loss in ApplyIT has been recognised at year end as it is probable that ApplyIT will become profitable in the financial year ending 28 February 2008. The group's share of the deferred tax credit in the income statement is R0,3 million.

During the year 812 421 shares were repurchased under the general authority at 55 cents each. These have been cancelled.

Profit attributable to ordinary shareholders grew 19% to R5,9 million (R5 million) while earnings per share grew by 17% to 6,87 (5,87) cents per share.

## Operations

Operationally, the group has faced some major challenges, the key one being a much higher level of staff turnover than in prior years, coupled with an IT skills shortage in the market. We invested in growing direct staff capacity and transformation as well as skills development and quality assurance. The group invested in additional sales and marketing capacity.

## Dividends

Ordinary dividend number 4 of 3,67 cents per share was paid to shareholders on 12 June 2006.

The company has declared a fifth annual ordinary dividend of 4,29 cents per share which will be payable to shareholders on Monday, 11 June 2007. This represents a dividend cover of 1,6 times.

## Strategy

The group is firmly focused on the growth and health of the existing businesses whilst simultaneously seeking substantial diversification opportunities through mergers or acquisitions.

## The board

There have been no changes in the composition of the board during the year. A brief *curriculum vitae* of all board members is included on pages 16 and 17.

## BEE

InfoWave remains committed to genuine broad based transformation across all aspects of the Department of Trade and Industry's Codes of Good Practice. We are in the process of obtaining an independent broad based rating. InfoWave Holdings Limited is 25% black owned. The level of black ownership of each group company is set out in the group structure on page 5. The group comprises 53% black employees. InfoWave continues to dedicate its corporate social investment to education and specifically the Ebuta Trust. Details of these activities are set out on page 22.

## Prospects

The prospects of the core business for the financial year ahead are healthy. The group is well positioned to capitalise on its investment in capacity in the core business. We will focus on the performance of ApplyIT to ensure its success, sustainability and contribution to the group. We will continue to pursue growth and diversification through acquisitive opportunities.

## Appreciation

InfoWave marked its 10th anniversary on 1 June 2006. We express our appreciation to our customers for the success of our committed long-term relationships with them. We also thank all employees of the group for their dedication and hard work.



A stylized, handwritten signature in blue ink.

**RP Collis**

*Non-executive chairman*



A stylized, handwritten signature in blue ink.

**T Dunsdon**

*Chief executive officer*

# CORPORATE GOVERNANCE

## CODE OF ETHICS, ENVIRONMENTAL AND SOCIAL ACTIVITIES

### Corporate governance

The InfoWave group is fully committed to the principles of openness, integrity, accountability, transparency and social responsibility. The board is of the opinion that the group complies, in all material respects, with the principles and code of conduct incorporated in the King Report and JSE Limited Listings Requirements.

### Composition of the board

The board has a charter which records the board's continued objective to provide responsible business leadership in regard to the interest of shareholders and other stakeholders, including present and future customers, suppliers, employees, as well as the community and the environment within which the group operates.

The board charter further sets out the board's responsibility to approve strategy, monitor operational performance and management, determine policy and processes to ensure the integrity of the company's risk management and internal controls. The charter also sets out the board's responsibilities in respect of effective communications with all stakeholders, director selection through a nomination policy, orientation for new directors, evaluation of directors and succession planning in respect of the board and executive management.

The holding company has a board which comprises five executive directors, a non-executive chairman, a non-executive director and two independent non-executive directors. The board possesses a blend of different skills, industry experience, financial and commercial expertise. The independent directors are of a very high calibre and bring to bear independent judgment and experience to board deliberations and decisions. The board will continue to seek further non-executive directors with the aim of obtaining a majority of non-executive directors and in particular, obtaining black representation as a priority. The key committees of the board which by their nature require independence comprise a majority of independent directors. The composition of these committees is set out on the inside back cover.

All directors of the company have access to the advice and services of the company secretary and in appropriate circumstances may, at the company's

expense, seek independent professional advice concerning its affairs.

The board has delegated authority for specific matters to a number of committees which have formal terms of reference and report to the board on a regular basis.

### Executive committee

The executive committee comprises all the executive directors. The executive team meets regularly and monitors the performance of the management team of the operating subsidiaries. There are comprehensive management reporting disciplines in place, which include the preparation of annual budgets by all business units. The group budget is reviewed and approved by the directors of the company. Monthly results and the financial status of business units are reported against approved budgets and compared to the prior year. Profit projections are updated monthly while working capital and cash levels are monitored on an ongoing basis.

### Audit committee

The audit committee ordinarily meets twice a year, and is chaired by an independent non-executive director. The audit committee has formal terms of reference set by the board. The external auditors have unrestricted access to this committee. The audit committee reviews the effectiveness of internal controls in the group with reference to the findings of the external auditors and reviews important accounting issues, including specific disclosures in the financial statements and any recommendations by the auditors. The audit committee meets prior to the interim and annual financial statements being presented to the board of directors for final approval. The group does not have any formal internal audit processes due to the size and nature of the group. The only material asset at risk of misappropriation is cash, over which strict controls exist. Any internal audit activities would be undertaken by a third party on the instruction of the audit committee. Increased levels of management review and strict payment authorisation procedures are in place to compensate for the lack of an internal audit function. The provision of non-audit services by the auditors is reviewed by the audit committee and is only condoned where this does not present the auditor with a conflict of interest. No non-audit services were provided during the year. Fees paid to the auditors for non-audit services are separately disclosed in note 2 to the annual financial statements. The audit committee has satisfied its responsibilities for the year in compliance with its terms of reference.



### Remuneration committee

The remuneration committee ordinarily meets once a year, and is chaired by an independent non-executive director. The remuneration committee is responsible for establishing a formal and transparent procedure for developing a policy on executive directors' remuneration and performance appraisals and establishing remuneration packages for individual directors. External market surveys and other relevant information sources are considered in determining levels of remuneration that appropriately reward directors and staff for their contributions to the group's performance. Non-executive directors' remuneration is determined by the executive directors, with reference to external, independent benchmarks.

### Risk management committee

The risk management committee ordinarily meets once a year, and is chaired by an independent non-executive director. The risk management committee is accountable for the process of risk management and internal control systems and reviewing the effectiveness thereof. It is also responsible for establishing risk and control policies and communicating these throughout the group. There is an ongoing process for identifying, evaluating and managing the significant risks faced by the company, which has been in place for the year under review and up to the date of approval of this annual report. There are adequate systems of internal control in place to mitigate the significant risks faced by the group to an acceptable level. The internal control systems are designed to manage, rather than eliminate risk and provide reasonable, not absolute assurance. There is a documented and tested business continuity process in place to allow business critical processes to be resumed in a reasonable amount of time should a disaster occur. The non-executive chairman is a member of the risk management committee and in accordance with the committee's terms of reference, the committee chairman (an independent director) has a casting vote.

### Employment equity and skills development committee

The group has an employment equity and skills development committee to drive the employee empowerment process, ensure transformation at all levels and review progress against specific goals. The committee meets on a quarterly basis and reports to the board.

The employment equity committee comprises:

<i>Chairperson</i>	Cindy von Pannier
<i>Chief executive officer</i>	Tiffany Dunsdon
<i>Director responsible for human resources</i>	Bev Carrilho
<i>Recruitment manager</i>	Romita Chetty
<i>Chairperson of employment team</i>	Michelle Lambert

### Employee team

The employee team (ET) is a committee representative of the company's employees. Employee participation through improved communication with employee representatives, particularly in matters of common concern and mutual interest, is addressed in an active policy that also encourages self-development, the promotion of equal opportunity, the elimination of discrimination and the sustainability of the group. ET's vision and mission is to promote, facilitate and uphold InfoWave's culture and values to maintain a positive working environment for all InfoWavers.

### Relations with stakeholders

The board has a constructive dialogue with investors at all times observing statutory, regulatory and other directives regarding the dissemination of information. The board acknowledges its responsibility to communicate a balanced and understandable assessment of the group's position to its stakeholders covering both financial and non-financial information and addressing material matters of significant interest and concern.

### Code of ethics

The group requires adherence to a high standard of conduct which includes:

- being non-sectional and non-political in business dealings
- protecting the group's reputation with regard to integrity and credibility
- consistently honouring obligations
- actively promoting the development of employees
- showing respect for each individual with whom we deal
- maintaining the quality of products, services and ensuring customer satisfaction

# CORPORATE GOVERNANCE

Compliance by all employees to the high moral, ethical and legal standards of the code is mandatory, and appropriate action is taken in respect of all instances of non-compliance. The directors believe that the code of ethics has been maintained throughout the year under review.

## Health

The group contributes to medical aid cover in respect of its permanent employees. The group provides insured risk benefits which include dread disease cover in respect of all permanent employees over and above the income continuation cover already in place in respect of disabilities. The group continues to espouse one of its most important values being that of promoting a healthy balance between home and work activities. To date the HIV/ AIDS pandemic has had no direct impact on the group. The board is aware that InfoWave cannot be immune to effects thereof, and is committed to assisting employees in this regard.

## Environmental and social activities

As a service organisation, the group's business does not have any significant negative impact on the immediate environment. We operate a paper recycling programme.

The group and its employees assist with the funding of the Ebuta Junior Secondary School situated in the Umzimkulu district. The Ebuta Trust, established in 1997, encourages monthly contributions from staff which InfoWave matches Rand for Rand. The funds have already contributed to building a block of classrooms and other structural improvements at the school.

As part of InfoWave's Corporate Social Investment (CSI) programme, a Helping Hand project was initiated to collect items for the school, ranging from stationery to sports equipment. Donations have included books, blackboards, computers and indigenous trees to assist with the greening of the grounds. A CSI team consisting of employee volunteers facilitates communication with the school's governing body, identifying development needs and monitoring the use of funds for the various projects.

## Attendance register

The board normally meets five times per annum. Attendance at meetings of the board and key committees during the year ended 28 February 2007 is set out below:

	BOARD		AUDIT		REMUNERATION		RISK MANAGEMENT	
Director	A	B	A	B	A	B	A	B
RP Collis	5	5	2	2C	1	1		
T Dunsdon	5	5	2	2C			1	1C
BR Carrilho	5	5	2	2C			1	1C
CL Jessop	5	5						
MCB Lionnet	5	4						
CL von Pannier	5	5						
P Aposporis	5	2+3D	2	0+2D	1	1	1	1
AB Ravnö	5	4+1D	2	1+1D	1	1	1	1
W Shuenyane	5	4					1	1

A Indicates the number of meetings which the director could have attended

B Indicates the number of meetings which the director actually attended

C Invitee

D Telephonic and electronic consultation before and resolution approving proceedings after each meeting not attended in person



# INDEPENDENT AUDITOR'S REPORT

To the members of InfoWave Holdings Limited

## Report on the financial statements

We have audited the annual financial statements and group annual financial statements of InfoWave Holdings Limited which comprise the directors' report, the balance sheet and consolidated balance sheet as at 28 February 2007, the income statement and the consolidated income statement, the statement of changes in equity and the consolidated statement of changes in equity and cash flow statement and consolidated cash flow statement for the year then ended, a summary of significant accounting policies and other explanatory notes as set out on pages 26 to 53.

## 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 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 the directors, as well as evaluating the overall presentation of the financial statements.

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

## Opinion

In our opinion, the financial statements present fairly, in all material respects, the financial position of the company and of the group at 28 February 2007 and of their financial performance and their 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.



**Deloitte & Touche**

Audit KZN

Registered Auditors

Per **R Ebrahim**

*Partner*

20 April 2007

2 Pencarrow Crescent

La Lucia Ridge Office Estate

Durban

**National executive:** GG Gelink *Chief executive*, AE Swiegers *Chief operating officer*, GM Pinnock *Audit*, DL Kennedy *Tax*, L Geeringh *Consulting*, MG Crisp *Financial advisory*, L Bam *Strategy*, CR Beukman *Finance*, TJ Brown *Clients and markets*, SJC Sibisi *Public sector and corporate social responsibility*, NT Mtoba *Chairman of the board*, J Rhynes *Deputy chairman of the board*

**Regional leader:** G Brazier

A full list of partners and directors is available on request

## COMPANY SECRETARY'S CERTIFICATE

I, BR Carrilho, being the company secretary of InfoWave Holdings Limited and its subsidiaries, certify that, to the best of my knowledge and belief, all returns required of a public listed company have, in respect of the year under review, been lodged with the Registrar of Companies and that all such returns are true, correct and up-to-date.



**BR Carrilho**

*Company secretary*

Durban

20 April 2007

# SHAREHOLDERS' DIARY

Annual general meeting	25 May 2007
Ordinary dividend number 5	
Last date to trade "cum" dividend	1 June 2007
Shares commence trading "ex" dividend	4 June 2007
Record date	8 June 2007
Payment date	11 June 2007
Report	
Interim report to 31 August 2007 to be published	5 October 2007
2008 annual report to be published	8 May 2008
Financial year-end	28 February 2008

## Note

The above are anticipated dates published as a guide for the benefit of shareholders.

The company cannot accept any responsibility should it become necessary to alter the dates mentioned above.

# DIRECTORS' REPORT

## **Responsibility for annual financial statements**

The directors are responsible for the preparation, integrity and objectivity of annual financial statements and other information contained in this annual report. The annual financial statements have been prepared in accordance with International Financial Reporting Standards and in the manner required by the Companies Act of South Africa and have been reported on by the company's auditors.

In discharging this responsibility, the group maintains suitable internal control systems and adequate accounting records to provide reasonable assurance that assets are safeguarded and that transactions are executed and recorded in accordance with group policies. Appropriate accounting policies supported by reasonable and prudent judgements have been applied consistently with those of the prior year.

To the best of their knowledge and belief, based on the above, the directors are satisfied that no material breakdown in the operating of the systems of internal control has occurred during the year under review, and the directors believe that the group will be a going concern for the year ahead.

## **Financial results**

The financial results of the company and the group are disclosed in these financial statements.

## **Post balance sheet events**

There are no material events between the balance sheet date and the date of this report.

## **Dividends**

### *Ordinary dividend number 4*

The company declared a dividend of 3,67 cents per share which was paid to shareholders on 12 June 2006.

### *Ordinary dividend number 5*

The board has set a policy of considering a dividend once annually after the year-end. The board has declared a dividend on a dividend cover ratio of 1,6 times as the group will have sufficient working capital to meet its requirements after the dividend payment. Notice is hereby given that a cash dividend of 4,29 cents per share ("the dividend") has been declared, payable to shareholders recorded in the books of the company at close of business on Friday, 8 June 2007.

Shareholders are advised that the last day to trade "cum" the dividend will be Friday, 1 June 2007. Shares will trade "ex" dividend as from Monday, 4 June 2007, and the record date will be Friday, 8 June 2007. Payment will be made on Monday, 11 June 2007. Share certificates may not be dematerialised or rematerialised during the period Monday, 4 June 2007 to Friday, 8 June 2007, both days inclusive. This dividend, having been declared after the year-end, has not been provided for in the financial statements.

## **Share capital**

1 208 817 (2006: 1 167 029) shares were issued in respect of share options exercised by employees in the year under review.

Pursuant to a special resolution passed at the annual general meeting held on 26 May 2006, in terms of which general authority was granted for the company to repurchase a maximum of 20% of its own shares, 812 421 shares were purchased by the company, at a total cost of R0,45 million. These shares have been cancelled.

As a result of the above transactions, the number of issued shares increased from 85 820 784 to 86 217 180 shares.

## **Investment in subsidiaries and associates**

Details of the subsidiaries and associates appear in notes 9 and 10 to the financial statements respectively. The purchase price for ApplyIT was R0,5 million with a further R8,6 million contingent on meeting stringent revenue growth thresholds. No earn out was payable in respect of the first year and no payment is expected in the forthcoming year.

Aggregate profit before tax from subsidiaries is R8 020 373 (2006: R6 891 665). The aggregate profit before tax from the associate is R761 450 (2006: R54 783).

#### **Share incentive trust**

The InfoWave Holdings Limited Share Incentive Trust gives employees an opportunity to participate in the growth of the group. An analysis of this scheme follows on pages 44 and 49.

#### **Directorate**

The names of the directors are set out on pages 16 and 17.

The following re-appointments to the board of directors took place during the period:

- Retiring directors – Mrs T Dunsdon and Mr MCB Lionnet were re-appointed to the board effective 26 May 2006;
- Mr W Shuenyane was re-appointed to the board as an independent non-executive director, effective 26 May 2006.

#### **Company secretary**

The name of the secretary appears on page 24.

#### **Directors' and officers' share dealings**

Directors and officers are not permitted to deal, directly or indirectly, in the shares of the company between the period-end and the announcement of the interim or final results and during other sensitive periods. They are required to obtain the prior approval of the chairman to deal in the company's shares. Immediately after any transaction they are to notify the secretary in writing, giving full details thereof. These notifications are released on the Securities Exchange News Service (SENS), and tabled at the next board meeting.

#### **Special resolutions passed by the company**

The following special resolution was passed by the company

- 26 May 2006, the members granted the directors authority to repurchase a maximum of 20% of the company's shares, valid until the next annual general meeting.

#### **Special resolutions passed by the company's subsidiaries**

- Special resolution passed by InfoWave (Proprietary) Limited  
26 May 2006, the members granted the directors authority to repurchase the company's shares and the shares of the holding company, valid until the next annual general meeting. No shares were purchased during the year under review.
- Special resolution passed by InfoWave Internet Solutions (Proprietary) Limited  
28 May 2006, the members granted the directors authority to repurchase the company's shares and the shares of the holding company, valid until the next annual general meeting. No shares were purchased during the year under review.

#### **Approval of the annual financial statements**

The annual financial statements, which appear on pages 26 to 53, were approved by the board of directors on 20 April 2007 and are signed on its behalf by:



**RP Collis**  
*Non-executive chairman*



**T Dunsdon**  
*Chief executive officer*

# Income Statements

for the year ended 28 February 2007

	Note	GROUP 2007 R	GROUP 2006 R	COMPANY 2007 R	COMPANY 2006 R
<b>REVENUE</b>		<b>49 299 739</b>	34 397 588	<b>1 164 595</b>	603 337
Cost of sales		<b>(23 547 499)</b>	(16 427 756)	–	–
Gross profit		<b>25 752 240</b>	17 969 832	<b>1 164 595</b>	603 337
Administrative, selling and other costs		<b>(17 667 839)</b>	(11 208 472)	<b>(1 132 866)</b>	(598 189)
Dividend from subsidiary		–	–	<b>3 500 000</b>	3 000 000
Profit from operations (before interest)	2	<b>8 084 401</b>	6 761 360	<b>3 531 729</b>	3 005 148
Interest income		<b>193 771</b>	141 889	<b>5 670</b>	7 705
Preference dividend received		<b>266 988</b>	273 309	<b>266 988</b>	273 309
Revaluation of listed preference shares	13	<b>(906 462)</b>	308 074	<b>(906 462)</b>	308 074
Finance costs		<b>(10 252)</b>	(1 572)	–	(1 448)
Profit from associate		<b>535 671</b>	46 975	–	–
Profit before taxation		<b>8 164 117</b>	7 530 035	<b>2 897 925</b>	3 592 788
Taxation	5	<b>(2 378 054)</b>	(2 522 539)	<b>(266 239)</b>	(396 359)
Profit for the year after taxation		<b>5 786 063</b>	5 007 496	<b>2 631 686</b>	3 196 429
Attributable to minorities		<b>151 215</b>	–	–	–
Profit for the year attributable to equity shareholders of the company		<b>5 937 278</b>	5 007 496	<b>2 631 686</b>	3 196 429
<b>Earnings per share (cents)</b>	6.1	<b>6,87</b>	5,87		
<b>Fully diluted earnings per share (cents)</b>	6.1	<b>6,85</b>	5,74		

# Balance Sheets

as at 28 February 2007

	Note	GROUP 2007 R	GROUP 2006 R	COMPANY 2007 R	COMPANY 2006 R
<b>ASSETS</b>					
<b>Non-current assets</b>		<b>4 003 777</b>	1 367 199	<b>4 241 662</b>	3 923 876
Property and equipment	7	<b>1 092 188</b>	614 020	–	–
Intangible assets	8	<b>1 343 566</b>	341 681	–	–
Interest in subsidiaries and share trust	9	–	–	<b>4 174 204</b>	3 916 251
Investment in associated company	10	<b>793 222</b>	213 702	<b>7 625</b>	7 625
Goodwill	11	<b>58 709</b>	–	–	–
Deferred taxation asset	12	<b>716 092</b>	197 796	<b>59 833</b>	–
<b>Current assets</b>		<b>15 748 678</b>	16 149 295	<b>3 681 375</b>	4 743 325
Accounts receivable		<b>8 099 588</b>	7 127 116	<b>6 125</b>	161 018
Taxation paid in advance		–	92 310	–	–
Listed preference shares	13	<b>3 660 282</b>	4 566 744	<b>3 660 282</b>	4 566 744
Current portion of loan to associated company	10	<b>117 228</b>	108 950	–	–
Cash resources		<b>3 871 580</b>	4 254 175	<b>14 968</b>	15 563
<b>Total assets</b>		<b>19 752 455</b>	17 516 494	<b>7 923 037</b>	8 667 201
<b>EQUITY AND LIABILITIES</b>					
Issued capital	14	<b>8 621</b>	8 582	<b>8 621</b>	8 582
Share premium	15	<b>261 867</b>	460 924	<b>261 867</b>	460 924
Share-based payment reserve	16	<b>477 832</b>	463 216	–	–
Accumulated profit		<b>15 194 386</b>	12 446 569	<b>1 484 989</b>	2 042 764
Equity attributable to ordinary shareholders		<b>15 942 706</b>	13 379 291	<b>1 755 477</b>	2 512 270
Minority interest		<b>440 340</b>	–	–	–
<b>Total equity</b>		<b>16 383 046</b>	13 379 291	<b>1 755 477</b>	2 512 270
<b>Non-current liabilities</b>		–	203 042	–	203 042
Deferred taxation liability	17	–	203 042	–	203 042
<b>Current liabilities</b>		<b>3 369 409</b>	3 934 161	<b>6 167 560</b>	5 951 889
Accounts payable		<b>2 095 425</b>	3 034 064	<b>78 607</b>	77 625
Provisions	18	<b>962 849</b>	803 189	–	–
Loans from subsidiaries	9	–	–	<b>5 926 930</b>	5 872 629
Taxation payable		<b>311 135</b>	96 908	<b>162 023</b>	1 635
<b>Total equity and liabilities</b>		<b>19 752 455</b>	17 516 494	<b>7 923 037</b>	8 667 201

# Statements of Changes in Equity

for the year ended 28 February 2007

Group	SHARE	SHARE	ACCUMULATED	SHARE-BASED	ATTRIBUTABLE	MINORITY	TOTAL
	CAPITAL	PREMIUM	PROFIT	PAYMENT	TO EQUITY		
	R	R	R	RESERVE	HOLDERS	INTEREST	EQUITY
				R	R	R	R
Balance at 28 February 2005	8 405	105 190	10 006 238	133 789	10 253 622		10 253 622
Profit for the year			5 007 496		5 007 496		5 007 496
Shares issued during the year	177	355 734			355 911		355 911
Recognition of share-based payment				329 427	329 427		329 427
Dividend paid			(2 567 165)		(2 567 165)		(2 567 165)
Balance at 28 February 2006	8 582	460 924	12 446 569	463 216	13 379 291		13 379 291
Subsidiary acquired						591 555	591 555
Profit for the year			5 937 278		5 937 278	(151 215)	5 786 063
Shares issued during the year	120	247 694			247 814		247 814
Shares repurchased during the year	(81)	(446 751)			(446 832)		(446 832)
Recognition of share-based payment				14 616	14 616		14 616
Dividend paid			(3 189 461)		(3 189 461)		(3 189 461)
<b>Balance at 28 February 2007</b>	<b>8 621</b>	<b>261 867</b>	<b>15 194 386</b>	<b>477 832</b>	<b>15 942 706</b>	<b>440 340</b>	<b>16 383 046</b>

Company	SHARE	SHARE	ACCUMULATED	TOTAL
	CAPITAL	PREMIUM	PROFIT	EQUITY
	R	R	R	R
Balance at 28 February 2005	8 405	105 190	1 413 500	1 527 095
Profit for the year			3 196 429	3 196 429
Shares issued during the year	177	355 734		355 911
Dividend paid			(2 567 165)	(2 567 165)
Balance at 28 February 2006	8 582	460 924	2 042 764	2 512 270
Profit for the year			2 631 686	2 631 686
Shares issued during the year	120	247 694		247 814
Shares repurchased during the year	(81)	(446 751)		(446 832)
Dividend paid			(3 189 461)	(3 189 461)
<b>Balance at 28 February 2007</b>	<b>8 621</b>	<b>261 867</b>	<b>1 484 989</b>	<b>1 755 477</b>



# Cash Flow Statements

for the year ended 28 February 2007

	GROUP 2007 R	GROUP 2006 R	COMPANY 2007 R	COMPANY 2006 R
<b>CASH FLOWS FROM OPERATING ACTIVITIES</b>				
Profit from operations (before interest and dividends)	8 084 401	6 761 360	31 729	5 148
Adjustment for:				
Share-based payment expense	14 616	329 427	–	–
Profit on sale of equipment	(27 157)	–	–	–
Depreciation and amortisation	848 473	535 594	–	–
Cash generated from operations, before working capital changes	8 920 333	7 626 381	31 729	5 148
Working capital changes				
(Increase)/decrease in receivables	(211 702)	(457 641)	154 893	(135 020)
(Decrease)/increase in payables and provisions	(1 627 602)	568 280	983	(82 985)
Cash generated from/(utilised by) operations	7 081 029	7 737 020	187 605	(212 857)
Taxation paid	(2 792 856)	(2 597 794)	(368 725)	(305 893)
Interest income	193 771	141 889	5 670	7 705
Finance costs	(10 252)	(1 572)	–	(1 448)
Dividend received from subsidiary	–	–	3 500 000	3 000 000
Preference dividend received	266 988	273 309	266 988	273 309
Dividend paid to shareholders	(3 189 461)	(2 567 165)	(3 189 461)	(2 567 165)
Net cash inflow from operating activities	1 549 219	2 985 687	402 077	193 651
<b>CASH FLOWS FROM INVESTING ACTIVITIES</b>				
Acquisition of equipment on expansion	(751 772)	(464 029)	–	–
Investment in intangible assets	(833 826)	(424 849)	–	–
Proceeds on disposal of equipment	37 522	–	–	–
(Increase)/decrease in investment in associated company	(52 127)	29 324	–	–
Acquisition of subsidiary	(640 691)	–	(640 691)	–
Proceeds on issue of subsidiary shares	261 340	–	–	–
Increase/(decrease) in interest in subsidiaries	–	–	437 037	(546 516)
Net cash outflow from investing activities	(1 979 554)	(859 554)	(203 654)	(546 516)
<b>CASH FLOWS FROM FINANCING ACTIVITIES</b>				
Repurchase of company's shares	(446 832)	–	(446 832)	–
Proceeds of share issues	247 814	355 911	247 814	355 911
Net cash (outflow)/inflow from financing activities	(199 018)	355 911	(199 018)	355 911
Net (decrease)/increase in cash resources	(629 353)	2 482 044	(595)	3 046
Cash resources at beginning of year	4 254 175	1 772 131	15 563	12 517
Cash resources on acquisition of subsidiaries	246 758	–	–	–
Cash resources at end of year	3 871 580	4 254 175	14 968	15 563

# Notes to the Annual Financial Statements

for the year ended 28 February 2007

## 1. ACCOUNTING POLICIES

The annual financial statements are prepared in accordance with the group's accounting policies which are consistent with the prior year-end and comply in all material aspects with International Financial Reporting Standards (IFRS) and in the manner required by the Company's Act of South Africa.

### 1.1 Basis of consolidation

The consolidated annual financial statements incorporate the annual financial statements of the company, its subsidiaries, its associate and the InfoWave Holdings Limited Share Incentive Trust. The operating results of the subsidiaries are included from the effective date of acquisition. All significant intra-group transactions and balances are eliminated.

Differences between the cost of investments in the subsidiaries and the fair value of their attributable net assets at date of acquisition are treated as goodwill, which is tested annually for impairment.

The group does not have any segments.

### 1.2 Investments in associates

Investments in associates are recorded at cost and if impaired, the carrying value of the company's share of the underlying assets of the associate is written down to its estimated recoverable amount.

The operating results of the associate are included in the group's results according to the equity method from the effective date of acquisition.

### 1.3 Property and equipment and depreciation

Property and equipment is originally recorded at cost. Assets costing less than R2 000 are written off on purchase.

Depreciation is provided on the straight-line basis at rates considered appropriate to reduce book values over their expected useful lives to estimated residual values. The useful life and residual values are reassessed annually.

CATEGORY	PERIOD OF DEPRECIATION
Computer hardware	3 years
Computer software	2 years
Telephone equipment	6 years
Office equipment	6 years
Furniture and fittings	6 years
Leasehold improvements	period of lease

## **Intangibles and amortisation**

### **1.4 Inhouse developed software**

Development costs pertaining to inhouse developed software are generally expensed in the period in which they are incurred.

Development costs that relate to an identifiable product or process that is demonstrated to be technically and commercially feasible which the group has sufficient resources to bring to market and which is expected to result in future economic benefits, are recognised as assets. The expenditure capitalised includes the cost of material, direct labour and an appropriate portion of overheads. Capitalised development expenditure is shown at cost less accumulated amortisation and impairment losses. The amount of capitalised development cost recognised as an asset is amortised over the estimated useful life of the asset (but for no greater a period than five years).

CATEGORY	PERIOD OF AMORTISATION
Inhouse developed software	3 years

### **1.5 Trademarks**

The group ensures that its key proprietary software is protected by national trademarks which are valid for 10 years from date of registration, the cost of which is amortised over that period.

CATEGORY	PERIOD OF AMORTISATION
Trademarks	10 years

### **1.6 Taxation**

Deferred taxation is provided on the comprehensive basis using the liability method. Where the effect of temporary differences, including those arising from tax losses, gives rise to a deferred tax asset, the asset is recognised to the extent that it is probable that taxable profit will be available against which deductible temporary differences can be utilised. Deferred taxation is calculated at a rate at which assets are realised and liabilities are settled.

The charge for current tax is the amount of income tax as payable in respect of the taxable profit for the current period. It is calculated using tax rates that have been enacted or substantially enacted by the balance sheet date.

### **1.7 Revenue**

Revenue comprises the invoiced value of services provided and technology and product sales and the value of completed services provided but not yet invoiced, excluding value added taxation. The various stages of invoicing are usually formalised in a service contract or brief, prior to commencement of any work.

In terms of variable contracts, clients are invoiced according to the stage of completion and revenue is recognised accordingly.

Where revenue is received in respect of product development on fixed price contracts and the work has not been performed, the revenue attributable thereto is not recognised.

Interest income is accrued on a time basis by reference to the principal outstanding and at the effective interest rate applicable. Dividend income from investments is recognised when the shareholders' rights to receive payment have been established.

### **1.8 Pension and employee benefit contributions**

The group provides for pensions for all permanent employees (excluding contract staff) by means of an independent defined contribution pension fund governed by the Pensions Funds Act, 1956. All contributions to the defined contribution pension fund and employee benefits are charged against income in the year in which they relate.

# Notes to the Annual Financial Statements

## for the year ended 28 February 2007

### 1.9 Operating rentals

Rentals payable under operating leases are charged to income on a straight-line basis.

### 1.10 Research expenditure

Research costs incurred with the prospect of gaining new scientific or technical knowledge and understanding are charged as an expense in the income statement in the period in which they are incurred.

### 1.11 Financial instruments

#### *Recognition*

A financial asset or financial liability is recognised on the balance sheet for as long as the group is a party to the contractual provisions of the instrument. Gains or losses on derecognition of financial assets or liabilities are recognised in earnings.

#### *Measurement*

Financial instruments are initially measured at cost, including directly attributable transaction costs. Subsequent to initial recognition these instruments are measured as follows:

- Trade and other receivables originated by the group are held at amortised cost, using the effective interest rate method, after deducting accumulated impairment losses.
- Held-for-trading investments are held at fair value with reference to quoted market prices.
- Financial liabilities are measured at amortised cost.

#### *Gains or losses on subsequent measurement*

Gains or losses on subsequent measurement of financial instruments that are held-for-trading are recognised in earnings for the year.

### 1.12 Share-based payments

The group enters into share-based payment transactions in terms of the employee share incentive scheme. The charge to profit or loss required by IFRS 2 Share-based Payments is accounted for on the basis that the instruments are equity-settled. The total amount to be expensed on a straight-line basis over the vesting period is determined by reference to the fair value of the awards determined at the grant date. The fair value of the share-based payment is measured using the Black-Scholes model, which is appropriate for the scheme.

### 1.13 Key sources of estimation uncertainty

In the process of applying the group's accounting policies, management has made the following judgement that has the greatest potential effect on the amounts recognised in the financial statements.

#### *Deferred taxation*

Deferred tax assets representing the tax shield relating to unused tax losses are only recognised to the extent that it is probable that taxable profits will be available in future. In instances where there is no contracted income, the raising of the deferred taxation asset is limited to the next two year's budgeted taxable profit due to the uncertainty of estimating profits more than two years hence.

#### **1.14 Goodwill**

Goodwill arising on the acquisition of a subsidiary represents the excess of the net fair value of the identifiable assets and liabilities, recognised at the date of acquisition. Goodwill is tested annually.

Goodwill is initially recognised as an asset at cost. It is subsequently measured at cost less any accumulated impairment losses and is not amortised. Impairments are not reversed.

#### **1.15 Impairment**

At each balance sheet date, the group revises the carrying amounts of its tangible and intangible assets to determine whether there is any indication that those assets have suffered an impairment loss. Goodwill is however tested annually.

If any such indication exists the recoverable amount of the asset, being the higher of its net selling price and its value in use, is assessed in order to determine the extent of the impairment loss, if any.

If the recoverable amount of an asset is estimated to be less than its carrying amount, its carrying amount is reduced to its recoverable amount. Impairment losses are recognised as an expense incurred and are treated as exceptional times.

#### **1.16 Provisions**

A provision is recognised when, the company has a present obligation (legal or constructive) as a result of a past event and it is probable that an outflow of resources embodying economic benefits will be required to settle the obligation, and a reliable estimate can be made of the amount of the obligation. Provisions are reviewed at each balance sheet date and adjusted to reflect the current best estimate.

#### **1.17 New or revised IFRS standards applicable to future periods**

The following new standards and interpretations were in issue but not effective for 2007. The group is in the process of evaluating the effects of these new standards and interpretations but they are not expected to have a significant impact on the group's results and disclosures.

IAS 1 Amendments – Capital Disclosures

AC 503 – Accounting for Black Economic Empowerment Transactions

IFRS 7 – Financial Instruments: Disclosures

IFRS 8 – Operating Segments

IFRIC Interpretation 7 – Applying the Restatement Approach under IAS 29 Financial Reporting in Hyperinflationary Economics

IFRIC Interpretation 8 – Scope of IFRS 2

IFRIC Interpretation 9 – Reassessment of Embedded Derivatives

IFRIC Interpretation 10 – Interim Financial Reporting and Impairment

IFRIC Interpretation 11 – IFRS 2 – Group and Treasury Share Transactions

IFRIC Interpretation 12 – Service Concession Arrangements

# Notes to the Annual Financial Statements

for the year ended 28 February 2007

## 2. PROFIT FROM OPERATIONS

	GROUP 2007 R	GROUP 2006 R	COMPANY 2007 R	COMPANY 2006 R
Profit from operations is arrived at after taking into account:				
Auditors' remuneration				
– audit fees – current	246 357	158 608	3 273	14 421
– prior year under/(over) provision	–	–		–
– other services	–	–		–
Depreciation				
– computer hardware	358 640	282 855	–	–
– computer software	52 780	95 872	–	–
– telephone equipment	–	4 807	–	–
– office equipment	22 964	14 394	–	–
– furniture and fittings	71 344	29 094	–	–
– leasehold improvements	10 804	1 064	–	–
Amortisation of intangible assets				
– inhouse developed software	330 657	106 212	–	–
– trademarks	1 284	1 296	–	–
Employee costs	23 792 180	18 277 081	–	–
Operating lease charges				
– property	1 405 262	865 271	–	–
Pension fund contributions and group benefits	1 637 484	1 244 242	–	–
Write-off of assets under R2 000	80 163	44 586	–	–
Total staff complement at year-end	97	77		

### 3. CHANGE IN ACCOUNTING ESTIMATE

	GROUP 2007 R	GROUP 2006 R	COMPANY 2007 R	COMPANY 2006 R
With effect from 1 March 2006, the group changed the estimated useful life of internally generated software from one year to three years. The effect on the income statement is as follows:				
Reversal of depreciation	202 767	–	–	–
The effect on the balance sheet is as follows:				
Net book value of internally generated software	202 767	–	–	–

### 4. DIRECTORS' EMOLUMENTS

The directors' remuneration for the year ended 28 February 2007 was as follows:

NAME	SALARY	CONTRIBUTIONS		BONUS	OTHER BENEFITS		TOTAL	TOTAL
		RETIREMENT	MEDICAL AID		SHARE OPTIONS	RETENTION SHARES	EMOLUMENTS 2007	EMOLUMENTS 2006
T Dunsdon	515 724	43 322	13 667	49 815	9 202		631 730	581 839
CL Jessop*	456 086	38 614	13 667	47 816	19 383	117 000	692 566	569 627
MCB Lionnet	460 857	38 687	13 667	44 462	8 100		565 773	518 374
CL von Pannier	447 639	37 326	13 667	42 897	24 926		566 455	513 638
BR Carrilho**	356 167	29 783	13 667	34 247	5 132	60 000	498 996	446 910
P Naicker							–	93 919

NON-EXECUTIVE DIRECTORS	DIRECTORS' FEES 2007	DIRECTORS' FEES 2006	FEES FOR OTHER SERVICES 2007	FEES FOR OTHER SERVICES 2006	TOTAL	TOTAL
					EMOLUMENTS 2007	EMOLUMENTS 2006
RP Collis	67 200	64 200	–	–	67 200	64 200
P Aposporis	33 600	32 000	–	–	33 600	32 000
AB Ravnö	33 600	32 000	–	–	33 600	32 000
W Shueyane	22 500	14 267	–	–	22 500	14 267

\* CL Jessop's employment contract was on a permanent six hour per day equivalent basis until 6 September 2006, whereafter it changed to a seven hour per day equivalent basis

\*\* BR Carrilho's employment contract is on a permanent six hour per day equivalent basis

# Notes to the Annual Financial Statements

for the year ended 28 February 2007

## 5. TAXATION

	GROUP 2007 R	GROUP 2006 R	COMPANY 2007 R	COMPANY 2006 R
<b>South African normal taxation</b>				
Current year	2 734 474	2 020 875	164 194	3 308
Prior year	–	10 486	–	–
Deferred taxation current year	(721 339)	187 468	(262 874)	89 341
Secondary tax on companies	364 919	303 710	364 919	303 710
Total taxation	2 378 054	2 522 539	266 239	396 359
<b>Tax rate reconciliation</b>				
	%	%	%	%
Statutory rate	29,0	29,0	29,0	29,0
Adjustment from prior years	–	0,1	–	–
Exempt income	(1,0)	(1,1)	(31,9)	(26,4)
Non-deductible expenses	0,2	1,9	–	–
Deferred tax raised on assessed loss	(6,9)	–	–	–
Deferred tax unprovided	3,4	–	–	–
Secondary tax on companies	4,4	4,1	10,6	8,5
Effective rate	29,1	34,0	7,7	11,1

## 6.1 EARNINGS PER SHARE

The calculation of earnings per share is based on the profit of R5 937 278 (2006: R5 007 496) and the weighted average number of ordinary shares in issue during the year of 86 395 997 (2006: 85 280 458).

The calculation of fully diluted earnings per share is based on the profit of R5 937 278 (2006: R5 007 496) and the weighted average number of 86 698 388 (2006: 87 159 007) shares. The dilution is a result of 643 596 (2006: 3 007 357) options granted by the Share Incentive Trust at an average price of 28 (2006: 24) cents per share.

The acceptance of the once-off cash offer after the year-end which resulted in options being forfeited, has been taken into account to calculate the dilution.

	GROUP 2007 R	GROUP 2006 R
Reconciliation between earnings and headline earnings:		
Profit for the year	5 937 278	5 007 496
Profit on sale of fixed assets	(27 157)	–
Headline earnings	5 910 121	5 007 496
Headline earnings per share (cents)	6,84	5,87

## 6.2 DIVIDENDS PER SHARE

Dividends per share (cents)	3,67	3,00
Dividend paid (Rands)	3 189 461	2 567 165



## 7. PROPERTY AND EQUIPMENT

Group	2007			2006		
	COST R	ACCUMULATED DEPRECIATION R	NET BOOK VALUE R	COST R	ACCUMULATED DEPRECIATION R	NET BOOK VALUE R
Computer hardware	2 668 118	2 038 903	629 215	2 045 055	1 680 263	364 792
Computer software	566 674	518 391	48 283	539 825	465 612	74 213
Telephone equipment	309 756	309 756	–	309 756	309 756	–
Office equipment	149 128	45 100	104 028	124 564	22 136	102 428
Furniture and fittings	835 205	559 340	275 865	560 369	487 996	72 373
Leasehold improvements	142 050	107 253	34 797	96 663	96 449	214
<b>Total</b>	<b>4 670 931</b>	<b>3 578 743</b>	<b>1 092 188</b>	<b>3 676 232</b>	<b>3 062 212</b>	<b>614 020</b>

2007	NET BOOK VALUE AT BEGINNING OF YEAR R	ACQUISITION OF SUBSIDIARY R	ADDITIONS R	DISPOSALS R	DEPRECIATION R	NET BOOK VALUE AT END OF YEAR R
Computer hardware	364 792	133 126	489 937	–	(358 640)	629 215
Computer software	74 213		26 850	–	(52 780)	48 283
Telephone equipment	–		–	–	–	–
Office equipment	102 428		24 564	–	(22 964)	104 028
Furniture and fittings	72 373	120 166	165 034	(10 364)	(71 344)	275 865
Leasehold improvements	214		45 387	–	(10 804)	34 797
	<b>614 020</b>	<b>253 292</b>	<b>751 772</b>	<b>(10 364)</b>	<b>(516 532)</b>	<b>1 092 188</b>

2006	NET BOOK VALUE AT BEGINNING OF YEAR R	ADDITIONS R	DISPOSALS R	DEPRECIATION R	NET BOOK VALUE AT END OF YEAR R
Computer hardware	395 519	252 128	–	(282 855)	364 792
Computer software	79 674	90 411	–	(95 872)	74 213
Telephone equipment	4 807	–	–	(4 807)	–
Office equipment	63 137	53 685	–	(14 394)	102 428
Furniture and fittings	33 662	67 805	–	(29 094)	72 373
Leasehold improvements	1 278	–	–	(1 064)	214
<b>Total</b>	<b>578 077</b>	<b>464 029</b>	<b>–</b>	<b>(428 086)</b>	<b>614 020</b>

# Notes to the Annual Financial Statements

for the year ended 28 February 2007

## 8. INTANGIBLE ASSETS

Group	2007			2006		
	COST	ACCUMULATED DEPRECIATION	NET BOOK VALUE	COST	ACCUMULATED DEPRECIATION	NET BOOK VALUE
	R	R	R	R	R	R
Inhouse developed software	1 758 675	436 867	1 321 808	424 849	106 210	318 639
Trademarks	25 804	4 046	21 758	25 804	2 762	23 042
<b>Total</b>	<b>1 784 479</b>	<b>440 913</b>	<b>1 343 566</b>	<b>450 653</b>	<b>108 972</b>	<b>341 681</b>

2007	NET BOOK VALUE AT BEGINNING OF YEAR	ACQUISITION OF SUBSIDIARY	ADDITIONS	DISPOSALS	DEPRECIATION	NET BOOK VALUE AT END OF YEAR
	R	R	R	R	R	R
Inhouse developed software	318 639	500 000	833 826	–	(330 657)	1 321 808
Trademarks	23 042	–	–	–	(1 284)	21 758
<b>Total</b>	<b>341 681</b>	<b>500 000</b>	<b>833 826</b>	<b>–</b>	<b>(331 941)</b>	<b>1 343 566</b>

2006	NET BOOK VALUE AT BEGINNING OF YEAR	ADDITIONS	DISPOSALS	DEPRECIATION	NET BOOK VALUE AT END OF YEAR
	R	R	R	R	R
Inhouse developed software	2	424 849	–	(106 212)	318 639
Trademarks	24 338	–	–	(1 296)	23 042
<b>Total</b>	<b>24 340</b>	<b>424 849</b>	<b>–</b>	<b>(107 508)</b>	<b>341 681</b>

## 9. INTEREST IN SUBSIDIARIES AND SHARE TRUST

Details of the company's subsidiaries and Share Trust at 28 February 2007 are as follows:

NAME OF SUBSIDIARY	COUNTRY OF INCORPORATION/ REGISTRATION	OWNERSHIP INTEREST %	VOTING POWER %	PRINCIPAL ACTIVITY
InfoWave (Pty) Limited	RSA	100	100	Application solutions
InfoWave Internet Solutions (Pty) Limited	RSA	100	100	Internet solutions
ApplyIT (Pty) Limited	RSA	64	64	Application solutions
InfraSoft Technologies (Pty) Limited	RSA	75	75	Application solutions
InfoWave Holdings Limited Share Incentive Trust	RSA	*	*	Employee share participation

\* 100% consolidation

	COMPANY 2007 R	COMPANY 2006 R
InfoWave (Pty) Limited		
Shares at cost	3 916 100	3 916 100
Indebtedness to subsidiary	(6 315 641)	(5 613 389)
	<b>(2 399 541)</b>	<b>(1 697 289)</b>
InfoWave Internet Solutions (Pty) Limited		
Shares at cost	100	100
Indebtedness to subsidiary	(295 269)	(295 269)
	<b>(295 169)</b>	<b>(295 169)</b>
ApplyIT (Pty) Limited		
Shares at cost	2 952	–
Indebtedness of subsidiary	637 739	–
	<b>640 691</b>	<b>–</b>
InfraSoft Technologies (Pty) Limited		
Shares at cost less amounts written off	255 052	51
	<b>255 052</b>	<b>51</b>
InfoWave Holdings Limited Share Incentive Trust		
Indebtedness of Trust	46 241	36 029
	<b>46 241</b>	<b>36 029</b>
Total investment	<b>4 174 204</b>	3 916 251
Total indebtedness	<b>(5 926 930)</b>	(5 872 629)
Total interest	<b>(1 752 726)</b>	(1 956 378)

These loans have no fixed repayment terms, are interest free and are unsecured.

# Notes to the Annual Financial Statements

for the year ended 28 February 2007

## 10. INVESTMENT IN ASSOCIATED COMPANY

	GROUP 2007 R	GROUP 2006 R	COMPANY 2007 R	COMPANY 2006 R
Unlisted, at cost – 33% (2006: 25%)	7 625	7 625	7 625	7 625
Share of accumulated profit since acquisition	575 020	39 350	–	–
Indebtedness of associated company	327 805	275 677	–	–
Total investment	910 450	322 652	7 625	7 625
Less: portion of loan disclosed under current assets	(117 228)	(108 950)	–	–
	793 222	213 702	7 625	7 625
Directors' valuation of associated company	910 450	322 652	7 625	7 625

The revenue and net profit after taxation of Adapt-IT (Pty) Limited for the year amounts to R7 030 611 (2006: R3 303 217) and R2 351 252 (2006: R187 902) respectively.

The assets of Adapt-IT (Pty) Limited amount to R3 520 926 (2006: R1 375 252), most of which are current assets and the liabilities amount to R1 172 427 (2006: R1 282 534), most of which are current liabilities.

## 11. GOODWILL

	GROUP 2007 R	GROUP 2006 R	COMPANY 2007 R	COMPANY 2006 R
Carrying value at beginning of year	–	–	–	–
Additions	58 709	–	–	–
Carrying value at end of year	58 709	–	–	–

Goodwill is attributable to the acquisition of ApplyIT (Pty) Limited. The group tests goodwill annually for impairment. As at 28 February 2007, the carrying value of goodwill was considered not to require impairment.

The key assumptions used in the testing of goodwill are

- Discount rate is 12% (weighted average cost of capital)
- Projected cash flows for five years based on a 5% growth rate.

## 12. DEFERRED TAXATION ASSET

	GROUP 2007 R	GROUP 2006 R	COMPANY 2007 R	COMPANY 2006 R
The major components of the deferred taxation asset balance are as follows:			–	–
Temporary difference to be offset against future income:				
Leave pay and other provisions	278 891	232 925	–	–
Other	(131 489)	(35 129)	59 833	–
Deferred tax raised on prior years' assessed losses	568 690	–	–	–
	716 092	197 796	59 833	–
The movement in the deferred taxation asset balance for the year:				
Balance at beginning of year	197 796	295 920	–	–
Credit/(charge) to the income statement	518 296	(98 124)	59 833	–
Balance at end of year	716 092	197 796	59 833	–

The unraised portion of the deferred taxation asset relating to estimated tax losses is R3 365 779 (2006: Nil).

### 13. LISTED PREFERENCE SHARES

	<b>GROUP 2007 R</b>	<b>GROUP 2006 R</b>	<b>COMPANY 2007 R</b>	<b>COMPANY 2006 R</b>
	<b>3 660 282</b>	4 566 744	<b>3 660 282</b>	4 566 744

These comprise an investment in Standard Bank preference shares which have a coupon rate of 70% of prime. These have devalued by R906 462 (2006: R308 071 revalued) because of the wide availability of such instruments in the market, as well as being affected by the national Budget announcement regarding STC. At the current price level they have an attractive yield compared with cash.

### 14. SHARE CAPITAL

	<b>GROUP 2007 R</b>	<b>GROUP 2006 R</b>	<b>COMPANY 2007 R</b>	<b>COMPANY 2006 R</b>
<b>Authorised</b>				
200 000 000 ordinary shares of 0,01 cent each	<b>20 000</b>	20 000	<b>20 000</b>	20 000
<b>Issued</b>				
86 217 180 (2006: 85 820 784) ordinary shares of 0,01 cent each	<b>8 621</b>	8 582	<b>8 621</b>	8 582

On 22 May 2006, 657 017 new shares were allotted at 16,1 cents per share, 40 200 shares at 21 cents per share, 32 500 shares at 16,8 cents per share, 362 000 shares at 24,5 cents per share, 8 000 shares at 27,3 cents per share and 26 000 shares at 30,8 cents per share to participants of the InfoWave Holdings Limited Share Incentive Trust.

On 06 December 2006, 25 000 new shares were allotted at 24,5 cents per share, 31 100 shares at 38,5 cents per share and 27 000 shares at 41,3 cents per share to participants of the InfoWave Holdings Limited Share Incentive Trust.

Details of directors' participation in these allotments are set out on pages 50 and 51.

2 266 042 shares have been reserved in respect of share options granted in terms of the Share Option Scheme (refer page 49).

Pursuant to a special resolution passed at the annual general meeting held on 26 May 2006, in terms of which general authority was granted for the company to repurchase a maximum of 20% of its own shares, 812 421 shares were purchased by the company, at a total cost of R0,45 million. These shares have been cancelled.

The remaining unissued shares are under the control of the directors subject to the provisions of sections 221 and 222 of the Companies Act and the Rules and Regulations of the JSE Limited.

### 15. SHARE PREMIUM

	<b>GROUP 2007 R</b>	<b>GROUP 2006 R</b>	<b>COMPANY 2007 R</b>	<b>COMPANY 2006 R</b>
At beginning of year	<b>460 924</b>	105 190	<b>460 924</b>	105 190
On shares allotted during the year	<b>247 694</b>	355 734	<b>247 694</b>	355 734
On shares repurchased	<b>(446 751)</b>	–	<b>(446 751)</b>	–
Balance at end of year	<b>261 867</b>	460 924	<b>261 867</b>	460 924

# Notes to the Annual Financial Statements

for the year ended 28 February 2007

## 16. SHARE-BASED PAYMENTS

### Equity-settled share option scheme

The group has a share option scheme for all employees. Options are offered at a 30% discount to the quoted market price of the company's shares on the date of acceptance. Share options are generally exercisable in tranches of one third per annum on the anniversary of the acceptance date. If the options remain unexercised after a period of four years from the date of acceptance, the options expire. Options are forfeited if the employee leaves the group before the options vest.

In May 2006 the group issued options which are exercisable in a single tranche on the anniversary of the acceptance date. These options will expire if they remain unexercised for a period of two years from the date of acceptance. On 8 March 2007, option holders were granted a once-off offer to cash-in their current options or part thereof.

Options cashed were accordingly forfeited. In future share options will generally be replaced by a deferred bonus scheme.

Details of the share options outstanding at the year-end are as follows:

	2007		2006
	NUMBER OF SHARE OPTIONS	WEIGHTED AVERAGE EXERCISE PRICE cents	NUMBER OF SHARE OPTIONS
Outstanding at the beginning of the year	3 007 357		2 580 753
Granted during the year	1 336 196		2 225 391
Forfeited during the year	(868 694)		(631 758)
Exercised during the year	(1 208 817)	28,2	(1 167 029)
Outstanding at the end of the year	2 266 042		3 007 357

The weighted average share price at the date of exercise for share options exercised during the year was 62 cents (2006: 51 cents). The options outstanding at the end of the year have a weighted average remaining contractual life of 0,7 years (2006: 3 years).

In the current year, options were granted in May 2006 (2006: May 2005) and in October 2006 (2006: October 2005). The estimated fair value of the options granted in May 2006 is R70 112 (2006: R459 180) and in October 2006 is R65 826 (2006: R192 921).

These fair values were calculated using the Black-Scholes pricing model. The inputs into the model were as follows:

	2007	2006
Weighted average share price	32 cents	40 cents
Weighted average exercise price	22 cents	28 cents
Expected volatility	125%	125%
Expected life	3 years	3 years
Risk free rate	8%	7,5%
Expected dividend yield	6%	6%

Expected volatility was determined by calculating the historical volatility of the company's share price over the previous three years.

The group recognised total expenses of R14 616 (2006: R329 427) related to equity-settled share-based payment transactions during the year.

## 17. DEFERRED TAXATION LIABILITY

	<b>GROUP</b>	GROUP	<b>COMPANY</b>	COMPANY
	<b>2007</b>	2006	<b>2007</b>	2006
	<b>R</b>	R	<b>R</b>	R
The deferred taxation liability comprises:				
Revaluation of listed preference shares	–	203 042	–	203 042
	–	203 042	–	203 042
The movement in the deferred taxation liability for the year:				
Balance at beginning of year	<b>203 042</b>	113 700	<b>203 042</b>	113 700
(Credit)/charge to the income statement	<b>(203 042)</b>	89 342	<b>(203 042)</b>	89 342
Balance at year-end	–	203 042	–	203 042

## 18. PROVISIONS

Opening balance	<b>803 189</b>	891 496	–	–
Movement	<b>159 660</b>	(88 307)	–	–
Closing balance	<b>962 849</b>	803 189	–	–

Provisions comprise leave pay only.

## 19. COMMITMENTS

Property operating lease commitments				
Due not later than one year	<b>1 480 578</b>	1 006 627		
Due later than one year but not later than five years	<b>1 811 433</b>	2 136 861		
	<b>3 292 011</b>	3 143 488	–	–
Capital commitments				
Authorised but not contracted for	<b>1 643 200</b>	814 165	–	–

Capital commitments will be funded from cash resources.

# Notes to the Annual Financial Statements

for the year ended 28 February 2007

## 20. BORROWING LIMITS

The directors may from time to time at their discretion raise or borrow monies for the purpose of the group as they deem fit. There are no borrowing limits in the articles of association of the company or its subsidiaries.

## 21. PENSION FUND AND RISK BENEFIT INFORMATION

InfoWave (Pty) Limited contributes towards a Pension Fund. The Fund is a defined contribution plan in terms of the Pension Funds Act, 1956, and all of the permanent salaried employees are members. The average age of the members as at 28 February 2007 was 34 (2006: 35).

The assets of the scheme are held separately from those of the group in funds under the control of the Trustees. The latest audited financial statements of the fund reflect a satisfactory state of affairs.

ApplyIT (Pty) Limited contributes towards a Provident Fund which is subject to the Pensions Funds Act. This fund is a defined contribution plan and all of the permanent salaried employees are members.

## 22. RELATED PARTY TRANSACTIONS

During the year the group, in the ordinary course of business, entered into various related party sales, purchases and investment transactions. These transactions occurred under terms that are no more or no less favourable than those arranged with third parties. Intra-group transactions are eliminated on consolidation.

	<b>GROUP 2007 R</b>	<b>GROUP 2006 R</b>	<b>COMPANY 2007 R</b>	<b>COMPANY 2006 R</b>
Administration fees and other income				
Between the company and its subsidiaries			<b>1 164 595</b>	603 337
Transacted between subsidiaries within the group	<b>465 000</b>	405 000		
Transacted with associate companies	<b>65 621</b>	29 000		
Interest received				
Transacted with associate companies	<b>20 506</b>	27 214		
Sale of fixed assets				
Transacted between subsidiaries within the group	<b>13 114</b>	–		
Dividends received				
Between the company and its subsidiaries			<b>3 500 000</b>	3 000 000

Refer to notes 9 and 10 for outstanding balances of intra-group loans.

Key management – refer to note 4 on directors' emoluments.



## 23. ACQUISITION OF SUBSIDIARIES

SUBSIDIARY ACQUIRED	PRINCIPAL ACTIVITY	DATE OF ACQUISITION	% PROPORTION OF SHARES ACQUIRED	COST OF ACQUISITION
2007				
ApplyIT (Pty) Limited	Application solutions	01/03/06	64	640 691
				640 691
		BOOK VALUE	FAIR VALUE ON ADJUSTMENT	FAIR VALUE ON ACQUISITION
<b>Current assets</b>				
Cash and cash equivalents		246 758	–	246 758
Trade and other receivables		754 641	–	754 641
Inventories		6 130	–	6 130
<b>Non-current assets</b>				
Plant and equipment		253 292	–	253 292
Intangible assets		500 000	–	500 000
<b>Current liabilities</b>				
Trade and other liabilities		(848 624)	–	(848 624)
		912 197	–	912 197
Share attributable to outside shareholders				(330 215)
InfoWave's share				581 982
Goodwill on acquisition				58 709
				640 691

The consideration for ApplyIT (Pty) Limited was paid in cash.

### New cash outflow on acquisition

	YEAR ENDED 28 FEBRUARY 2007	YEAR ENDED 28 FEBRUARY 2006
Purchase consideration paid in cash	640 691	–
Less: cash and cash equivalents acquired	(246 758)	–
	393 933	–

Goodwill arose in the business combination because the cost of the combination included a control premium paid to acquire ApplyIT (Pty) Limited. In addition, the consideration paid for the combination effectively included amounts in relation to the benefit of revenue growth and diversification, and certain synergies.

These benefits are not recognised separately from goodwill as the future economic benefits arising from them cannot be reliably measured.

# Notes to the Annual Financial Statements

## for the year ended 28 February 2007

### **24. FINANCIAL RISK MANAGEMENT**

Financial instruments reflected on the balance sheet include cash resources, listed preference shares, accounts receivable and accounts payable. In the normal course of operations, the company manages financial risk as follows:

#### **24.1 Interest rate risk**

The group does not have interest bearing debt. The group is subject to interest rate fluctuations on short-term cash investments and listed preference shares.

#### **24.2 Currency risk**

Almost all transactions are rand based with a minimal exposure to US dollars resulting in a foreign exchange loss of R8 671 for the year ended 28 February 2007, with negligible exposure at year-end. During the current year the exposure to foreign currencies was as a result of foreign travel. Should the volume of foreign currency denominated business increase forward cover contracts would be utilised to minimise exposure to currency fluctuations.

#### **24.3 Credit risk management**

Trade debtors comprise mainly a blue chip customer base. The granting of credit is closely controlled. The credit risk on cash deposits and listed preference shares is limited as it is the group's policy to invest only with the major banks which have high credit ratings.

#### **24.4 Liquidity risk**

Liquidity risk is proactively managed. Working capital requirements and cash flows are closely monitored. The group's cash resources are in excess of working capital requirements at 28 February 2007.

# Share Option Scheme

## 1. Share register

The aggregate number of shares available through the scheme in accordance with the rules of the Scheme is 17 675 988 shares.

	SHARES
Number of shares available to the Trust for reservation	17 675 988
Number of options granted but unexercised at 28 February 2007	(2 266 042)
Number of options exercised at 28 February 2007	(7 607 429)
Balance of shares available to the Trust for reservation in the future at date of the annual financial statements	7 802 517

## 2. Movement in share options for the year

OPTION PRICE CENTS	EXPIRING 4 YEARS FROM GRANT DATE	NET NUMBER OF OPTIONS AT 28 FEBRUARY 2006	OPTIONS GRANTED DURING THE YEAR	OPTIONS EXERCISED DURING THE YEAR	OPTIONS FORFEITED 2007	NET NUMBER OF OPTIONS AT 28 FEBRUARY 2007
16,1	May 2003	804 068	–	657 017	128 730	<b>18 321</b>
21,0	October 2003	97 230	–	40 200	57 030	–
16,8	May 2004	64 937	–	32 500	15 071	<b>17 366</b>
24,5	October 2004	120 555	–	25 000	–	<b>95 555</b>
24,5	May 2005	162 010	–	47 000	24 842	<b>90 168</b>
25,2	May 2005	1 326 000	–	349 000	296 000	<b>681 000</b>
39,2	October 2005	432 557	–	58 100	114 196	<b>260 261</b>
45,1	May 2006		546 598		148 660	<b>397 938</b>
46,2	May 2006		500 000		84 165	<b>415 835</b>
38,4	October 2006		289 598		–	<b>289 598</b>
		3 007 357	1 336 196	1 208 817	868 694	<b>2 266 042</b>

Subsequent to the year-end 1 622 446 share options were forfeited by the acceptance of the once-off cash offer on 8 March 2007.

# Share Option Scheme

## 3. Interest of directors of the company in share options

	MARKET PRICE CENTS	INCENTIVE 2	MARKET PRICE CENTS	INCENTIVE 3	MARKET PRICE CENTS	OPTION 8	MARKET PRICE CENTS	OPTION 9	MARKET PRICE CENTS	INCENTIVE 4	BALANCE
<b>Cindy von Pannier</b>		<b>110 493</b>		<b>51 000</b>						<b>18 837</b>	
<b>Strike price</b>		<b>16,10</b>		<b>24,50</b>						<b>49,00</b>	
<b>Option classification</b>		<b>Current</b>		<b>Current</b>						<b>Current</b>	
Date granted		18/03/03		06/05/05						07/05/06	
Exercised		36 800		17 000							
Date exercised	30	05/05/04	60	08/05/06							
Exercised		36 800									
Date exercised	50	23/05/05									
Exercised		36 893									
Date exercised	60	08/05/06									
Balance to be exercised		–		34 000						18 837	
Final exercise date				May 2009						May 2008	
<b>Total options</b>											<b>180 330</b>
<b>Total exercised (current)</b>											<b>127 493</b>
<b>Total balance</b>											
<b>still to be exercised</b>											<b>52 837</b>
<b>Bev Carrilho</b>								<b>93 296</b>		<b>14 488</b>	
<b>Strike price</b>								<b>38,50</b>		<b>42,00</b>	
<b>Option classification</b>								<b>Current</b>		<b>Current</b>	
Date granted								07/10/05		07/05/06	
Exercised								31 100			
Date exercised							55	09/10/06			
Balance to be exercised								62 196		14 488	
Final exercise date								Oct 2009		May 2008	
<b>Total options</b>											<b>107 784</b>
<b>Total exercised (current)</b>											<b>31 100</b>
<b>Total balance</b>											
<b>still to be exercised</b>											<b>76 684</b>
<b>Carol Jessop</b>			<b>60 000</b>		<b>103 904</b>					<b>24 769</b>	
<b>Strike price</b>			<b>24,50</b>		<b>25</b>					<b>49,00</b>	
<b>Option classification</b>			<b>Current</b>		<b>Current</b>					<b>Current</b>	
Date granted			06/05/05		06/05/05					07/05/06	
Exercised			20 000		34 600						
Date exercised			60	08/05/06	60	08/05/06					
Balance to be exercised			40 000		69 304					24 769	
Final exercise date			May 2009		May 2009					May 2008	
<b>Total options</b>											<b>188 673</b>
<b>Total exercised (current)</b>											<b>54 600</b>
<b>Total balance</b>											
<b>still to be exercised</b>											<b>134 073</b>

### 3. Interest of directors of the company in share options continued

	MARKET PRICE CENTS	INCENTIVE 2	MARKET PRICE CENTS	INCENTIVE 3	MARKET PRICE CENTS	OPTION 8	MARKET PRICE CENTS	OPTION 9	MARKET PRICE CENTS	INCENTIVE 4	BALANCE
<b>Bruno Lionnet</b>		<b>123 389</b>		<b>60 000</b>						<b>18 920</b>	
<b>Strike price</b>		<b>16,10</b>		<b>24,50</b>						<b>42,00</b>	
<b>Option classification</b>		<b>Deferred</b>		<b>Current</b>						<b>Current</b>	
Date granted		18/03/03		06/05/05						07/05/06	
Exercised		123 389		20 000							
Date exercised	15	15/04/03	60	08/05/06							
Delivered		41 100									
Date delivered		27/05/04									
Delivered		41 000									
Date delivered		19/05/05									
Delivered		41 289									
Date delivered		08/05/06									
Balance to be exercised				40 000						18 920	
Final exercise date				May 2009						May 2008	
<b>Total options</b>											<b>202 309</b>
<b>Total delivered (deferred)</b>											<b>123 389</b>
<b>Total exercised (current)</b>											<b>20 000</b>
<b>Total balance still to be exercised</b>											<b>58 920</b>
<b>Tiffany Dunsdon</b>		<b>122 155</b>		<b>54 000</b>						<b>25 088</b>	
<b>Strike price</b>		<b>16,10</b>		<b>24,50</b>						<b>42,00</b>	
<b>Option classification</b>		<b>Deferred</b>		<b>Current</b>						<b>Current</b>	
Date granted		18/03/03		06/05/05						07/05/06	
Exercised		122 155		18 000							
Date exercised	23	19/05/03									
Delivered		40 700									
Date delivered		27/05/04									
Delivered		40 700									
Date delivered		16/05/05									
Delivered		40 755									
Date delivered		08/05/06									
Balance to be exercised				36 000						25 088	
Final exercise date				May 2009						May 2008	
<b>Total options</b>											<b>201 243</b>
<b>Total delivered (deferred)</b>											<b>122 155</b>
<b>Total exercised (current)</b>											<b>18 000</b>
<b>Total balance still to be exercised</b>											<b>61 088</b>

# Shares and Shareholders

		2007	2006
<b>Performance on the JSE Limited</b>			
Total number of shares traded	('000)	<b>6 225</b>	4 119
Total number of shares traded as a percentage of total issue shares (liquidity)	(%)	<b>7</b>	5
Total value of shares traded	(R'000)	<b>3 935</b>	2 014
<b>Prices</b>			
Closing	(cents)	<b>66</b>	65
High	(cents)	<b>80</b>	65
Low	(cents)	<b>50</b>	32

## Spread (number of shareholders)

With less than 10 000 shares	<b>207</b>	123
10 001 to 100 000 shares	<b>171</b>	119
100 001 to 200 000 shares	<b>18</b>	19
Over 200 000 shares	<b>40</b>	42
	<b>436</b>	303

	NUMBER	SHARES	%
<b>Shareholder distribution</b>			
Public	421	52 925 409	61
Non-public	15	33 291 771	39
Directors	7	20 400 881	24
Associates of directors	7	753 890	1
Shareholders with more than 10% shareholding	1	12 137 000	14

## Principal shareholders

The following are the principal shareholders whose holdings in the company total more than 5% of the total issued share capital as at 28 February 2007:

	%	SHARES
iCapital Growth Fund Investment Trust/Advisors	14	12 137 000
The Collis Clan Trust/RP Collis	10	8 227 339
The Von Pannier Family Trust/CL von Pannier	6	4 802 306
T Dunsdon	5	4 358 974

#### Directors' direct and indirect beneficial interest in the company

As at 28 February 2007, the directors of the company held in aggregate direct and indirect beneficial interest of 20 400 881 (2006: 20 141 344) of the ordinary shares of the company as set out below:

	2007				2006			
	DIRECT	INDIRECT	TOTAL	%	DIRECT	INDIRECT	TOTAL	%
<b>Executive directors</b>								
T Dunsdon	4 358 974		4 358 974	5	4 300 219		4 300 219	5
BR Carrilho	347 568		347 568		316 468		316 468	
CL Jessop	1 152 691		1 152 691	1	1 098 091		1 098 091	1
MCB Lionnet	1 158 703		1 158 703	1	1 097 514		1 097 514	1
CL von Pannier	823 296	3 979 010	4 802 306	6	769 403	3 979 010	4 748 413	6
<b>Non-executive directors</b>								
RP Collis	1 024 082	7 203 257	8 227 339	10	1 024 082	7 203 257	8 227 339	10
P Aposporis	353 300		353 300		353 300		353 300	
<b>Total</b>	<b>9 218 614</b>	<b>11 182 267</b>	<b>20 400 881</b>	<b>24</b>	<b>8 959 077</b>	<b>11 182 267</b>	<b>20 141 344</b>	<b>23</b>

There have been no changes in the directors' shareholdings since the year-end. There were no non-beneficial interests held by the directors at the year-end.

# Notice of Annual General Meeting

## for the year ended 28 February 2007

### **INFOWAVE HOLDINGS LIMITED**

Registration number 1998/017276/06

Share code: IFW

ISIN: ZAE000016440

("InfoWave" or "the company")

Notice is hereby given that the annual general meeting of shareholders of the company will be held at Deloitte & Touche, Deloitte Place, 2 Pencarrow Crescent, Pencarrow Park, La Lucia Ridge Office Estate, La Lucia on Friday, 25 May 2007 at 15:30 to receive and consider the audited financial statements of InfoWave Holdings Limited for the year ended 28 February 2007; to transact such other business as may be transacted at an annual general meeting and to consider and, if deemed fit, to pass, with or without modification, the following resolutions:

**1. Ordinary resolution number 1**

"Resolved to receive the annual financial statements for the year ended 28 February 2007, the directors' report and the report of the auditors."

**2. Ordinary resolution number 2**

"Resolved to re-elect Mrs CL von Pannier as a director of the company." Mrs Von Pannier retires by rotation as a director of the company in accordance with the company's articles of association and is eligible and has offered herself for re-election.

**3. Ordinary resolution number 3**

"Resolved to re-elect Mr P Aposporis as an independent non-executive director of the company." Mr Aposporis retires by rotation as a director of the company in accordance with the company's articles of association and is eligible and has offered himself for re-election.

**4. Ordinary resolution number 4**

"Resolved to re-elect Dr AB Ravnö as an independent non-executive director of the company." Dr Ravnö retires by rotation as a director of the company in accordance with the company's articles of association and is eligible and has offered himself for re-election.

**5. Ordinary resolution number 5**

"Resolved to authorise the directors to determine the remuneration of the auditors."

**6. Ordinary resolution number 6**

"Resolved to re-appoint Deloitte & Touche as external auditors for the next financial year."

**7. Ordinary resolution number 7**

"Resolved to approve the directors' fees for the past year."

**8. Ordinary resolution number 8**

"Resolved that in terms of section 221 of the Companies Act 1973 as amended ("the Act"), the company hereby extends, until the next annual general meeting, the directors' authority to allot and issue, at their discretion and in terms of the regulations of the JSE, the unissued shares of the company."



#### **9. Ordinary resolution number 9**

“Resolved that the directors have the powers to allot and issue any shares of any class already in issue in the capital of the company for cash when the directors consider it appropriate in the circumstances, subject to the following:

- 9.1 this authority shall not endure beyond the earlier of the next annual general meeting of the company or beyond 15 (fifteen) months from the date of the meeting;
- 9.2 there will be no restrictions in regard to the persons to whom the shares may be issued, provided that such shares are to be issued to public shareholders (as defined by the JSE Limited (“the JSE”) in its Listings Requirements) and not to related parties;
- 9.3 upon any issue of shares which, together with prior issues during any financial year, will constitute 5% (five percent) or more of the number of shares of the class in issue, the company shall, by way of a paid press announcement in terms of 11.22 of the JSE Listings Requirements, give full details thereof, including the effect on the net asset value of the company and earnings per share, the number of securities issued and the average discount to the weighted average traded price of the securities over the 30 days prior to the date that the price of such issue was determined or agreed by the company's directors;
- 9.4 that issues in the aggregate in any one financial year may not exceed 15% (fifteen percent) of the number of that class of the company's issued shares (including instruments which are compulsorily convertible into shares of that class) at the date of application less any shares of that class issued, or to be issued in the future arising from options/convertible securities issued during the current financial year, plus any shares to be issued pursuant to an announced, irrevocable and fully underwritten rights offer or to be issued pursuant to any acquisition for which final terms have been announced;
- 9.5 the maximum discount at which securities may be issued is 10% (ten percent) of the weighted average traded price of those securities over the 30 (thirty) business days prior to the date that the price of the issue is determined or agreed by the directors, and
- 9.6 a 75% (seventy-five percent) majority is required of votes cast by the shareholders present or represented by proxy at the general meeting to approve the resolution.”

#### **10. Special resolution number 1**

“Resolved that the company hereby approves, as a general approval contemplated in sections 85(2), 85(3) and 89 of the Act, and in terms of the company's articles of association, the acquisition by the company or any of its subsidiaries from time to time of the issued ordinary shares of the company, upon such terms and conditions and in such amounts as the directors of the company may from time to time determine, but, subject to the articles of association of the company, the provisions of the Act and the Listings Requirements of the JSE, as presently constituted and which may be amended from time to time, and provided:

- 10.1 that 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 between the company and the counter party;

# Notice of Annual General Meeting

## for the year ended 28 February 2007

- 10.2 that this general authority shall only be valid until the company's next annual general meeting provided that it shall not extend beyond 15 (fifteen) months from the date of passing of this Special Resolution;
- 10.3 that a paid press announcement will be published as soon as the company or its subsidiaries has/have acquired ordinary shares constituting, on a cumulative basis, 3% (three percent) of the number of ordinary shares in issue, prior to the acquisition pursuant to which the 3% (three percent) threshold is reached, and in respect of every 3% (three percent) thereafter, which announcement shall contain full details of such acquisitions;
- 10.4 that acquisitions by the company and its subsidiaries of ordinary shares in any one financial year may not exceed 20% (twenty percent) of the company's issued ordinary share capital from the date of the grant of this general authority;
- 10.5 that subsidiaries of the company will acquire, in aggregate, not more than 10% of the company's issued ordinary share capital at any one time;
- 10.6 that in determining the price at which the company's ordinary shares are acquired by the company in terms of this general authority, the maximum price at which such ordinary shares may be acquired will be at a premium of no more than 10% (ten percent) of the weighted average of the market price at which such ordinary shares are traded on the JSE, as determined over the 5 (five) business days immediately preceding the date of repurchase of such ordinary shares by the company;
- 10.7 that the company may at any point in time only appoint one agent to effect any repurchase(s) on its behalf;
- 10.8 that the company may only undertake a repurchase if, after such a repurchase it shall still comply with the spread requirements of the JSE Listings Requirements; and
- 10.9 that the company may not repurchase securities during a prohibited period, as defined in the JSE Listings Requirements."

The reason for the Special Resolution is to grant the company a general authority in terms of the Act for the acquisition by the company or any of its subsidiaries of shares issued by the company, which authority shall be valid until the earlier of the next annual general meeting of the company or the variation or revocation of such general authority by special resolution by any subsequent general meeting of the company, provided that the general authority shall not extend beyond 15 (fifteen) months from the date of this annual general meeting. The passing and registration of this special resolution will have the effect of authorising the company or any of its subsidiaries to acquire shares issued by the company.

Information required in terms of the JSE Listings Requirements with regard to this general authority for the company to repurchase its securities appears in the annual financial statements, to which this notice of general meeting is annexed as indicated below:

Share capital of the company	page 43
Major shareholders	page 52
Directors' interest in securities	page 53
Directors of the company	pages 16 and 17

The directors, whose names are given on pages 16 and 17 of the annual report collectively and individually accept full responsibility for the accuracy of the information given and certify that to the best of their knowledge and belief there are no facts that have been omitted which would make any statement false or misleading, and that all reasonable enquiries to ascertain such facts have been made and that the annual report and notice of general meeting contains all information required by the JSE Listings Requirements.

There has been no material change in the financial or trading position of InfoWave and its subsidiaries that has occurred since 28 February 2007.

Pursuant to and in terms of the Listings Requirements of the JSE, the directors of the company hereby state:

- (a) That the intention of the company is to utilise the authority if at some future date the cash resources of the company are in excess of its requirements.

In this regard the directors will take account, *inter alia*, of an appropriate capitalisation structure for the company, the long-term cash needs of the company, and will ensure that any such utilisation is in the interest of shareholders;

- (b) That the method by which the company intends to repurchase its securities and the date on which such repurchase will take place, has not yet been determined, and
- (c) That after considering the effect of a maximum permitted repurchase of securities, the company is, as at the date of this notice convening the annual general meeting of the company, able to comply fully with the Listings Requirements of the JSE. Nevertheless, at the time that the contemplated repurchase is to take place, the directors of the company will ensure that:
- the company and the group will be able in the ordinary course of business to pay its debts for a period of 12 months after the date of the notice of the annual general meeting;
  - the assets of the company and the group will be in excess of the liabilities of the company and the group for a period of 12 months after the date of the notice of the annual general meeting. For this purpose, the assets and liabilities will be recognised and measured in accordance with the accounting policies used in these audited annual group financial statements;
  - the share capital and reserves of the company and the group will be adequate for ordinary business purposes for a period of 12 months after the date of the notice of the annual general meeting;
  - the working capital of the company and the group will be adequate for ordinary business purposes for a period of 12 months after the date of the notice of the annual general meeting; and
  - the company will provide its sponsor and the JSE with all documentation as required in Schedule 25 of the JSE Listings Requirements, and will not commence any repurchase programme until the sponsor has signed off on the adequacy of its working capital, advised the JSE accordingly and the JSE has approved this documentation.

There are no legal or arbitration proceedings, either pending or threatened against the company or its subsidiaries, of which the directors are aware, which may have, or have had in the last 12 months, a material effect on the financial position of the company or its subsidiaries.

# Notice of Annual General Meeting

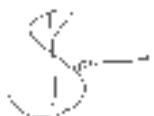
for the year ended 28 February 2007

## Voting and proxies

All shareholders are entitled to attend and vote at the annual general meeting.

Shareholders who hold their shares in certificated form or who are own name registered dematerialised shareholders who are unable to attend the general meeting but who wish to be represented thereat, are required to complete and return the attached form of proxy so as to be received by the transfer secretary by not later than 15:30 on Wednesday, 23 May 2007. Shareholders who have dematerialised their shares through a Central Securities Depository Participant (CSDP) or broker, other than by own name registration, who wish to attend the general meeting should instruct their CSDP or broker to issue them with the necessary authority to attend the meeting, in terms of the custody agreement entered into between such shareholders and their CSDP or broker. Shareholders who have dematerialised their shares through a CSDP or broker, other than by own name registration, who wish to vote by way of proxy, should provide their CSDP or broker with their voting instructions, in terms of the custody agreement entered into between such shareholders and their CSDP or broker. These instructions must be provided to their CSDP or broker by the cut-off time or date advised by their CSDP or broker for instructions of this nature.

By order of the board



**BR Carrilho**

*Company secretary*

20 April 2007

### Registered office

Gleneagles Park  
10 Flanders Drive  
Mount Edgecombe  
4300

### Postal address

PO Box 2225  
MECC  
Mount Edgecombe  
4301

### Transfer secretaries

Computershare Investor Services 2004 (Pty) Limited  
PO Box 61051  
Marshalltown  
2107



# Proxy Form

for the year ended 28 February 2007

For use ONLY by certificated shareholders and own name dematerialised shareholders at the general meeting of InfoWave shareholders to be held at Deloitte & Touche, Deloitte Place, 2 Pencarrow Crescent, Pencarrow Park, La Lucia Ridge Office Estate, La Lucia on Friday, 25 May 2007 at 15:30 or such later time that may be applicable ("the annual general meeting").

I/We (Names in capital letters)

Being a member(s) of InfoWave Holdings Limited and entitled, on a poll, to votes hereby appoint

of

or failing him

of

or failing them,

the chairman of the meeting as my/our proxy to vote for me/us and on my/our behalf at the annual general meeting of the company to be held on Friday, 25 May 2007 and at any adjournment thereof.

Please indicate with an "X" in the appropriate spaces how you wish your votes to be cast. Unless this is done the proxy will vote as he thinks fit.

RESOLUTION	IN FAVOUR	AGAINST	ABSTAIN
1. To receive the annual financial statements			
2. Re-election as a director Mrs CL von Pannier			
3. Re-election as a director Mr P Aposporis			
4. Re-election as a director Dr AB Ravnö			
5. To authorise directors to determine the auditors' remuneration			
6. To re-appoint Deloitte & Touche as external auditors for the next financial year			
7. To approve directors fees for the past year			
8. To grant directors control of shares in terms of section 221			
9. To grant directors a general authority to issue shares for cash			
10. To authorise the company to acquire shares issued by itself in terms of special resolution number 1			

Signature

Date

Please read the notes on the reverse side hereof.

# Notes to the form of Proxy

Shareholders, who hold their shares in certificated form or who are own name registered dematerialised shareholders, who are unable to attend the general meeting but who wish to be represented thereat, are required to complete and return the attached form of proxy so as to be received by the transfer secretaries by not later than 15:30 on Wednesday, 23 May 2007. Shareholders who have dematerialised their shares through a Central Securities Depository Participant (CSDP) or broker, other than by own name registration, who wish to attend the general meeting, should instruct their CSDP or broker to issue them with the necessary authority to attend the meeting, in terms of the custody agreement entered into between such shareholders and their CSDP or broker. Shareholders who have dematerialised their shares through a CSDP or broker, other than by own name registration, who wish to vote by way of proxy, should provide their CSDP or broker with their voting instructions, in terms of the custody agreement entered into between such shareholders and their CSDP or broker. These instructions must be provided to their CSDP or broker by the cut-off time or date advised by their CSDP or broker for instructions of this nature.

## Notes

1. An InfoWave shareholder may insert the name of a proxy or the names of two alternative proxies of the InfoWave shareholder's choice in the space/s provided, with or without deleting "the chairperson of the general meeting", but any such deletion must be initialled by the InfoWave shareholder concerned. The person whose name appears first on the form of proxy and who is present at the general meeting will be entitled to act as proxy to the exclusion of those whose names follow.
2. Please insert an "X" in the relevant spaces according to how you wish your votes to be cast. However, if you wish to cast your votes in respect of a lesser number of shares than you own in InfoWave, insert the number of ordinary shares held in respect of which you desire to vote. Failure to comply with the above will be deemed to authorise the proxy to vote or to abstain from voting at the general meeting as he/she deems fit in respect of all the shareholder's votes exercisable thereat. An InfoWave shareholder or his/her proxy is not obliged to use all the votes exercisable by the InfoWave shareholder or by his/her proxy, but the total of the votes cast and in respect whereof abstentions recorded may not exceed the total of the votes exercisable by the shareholder or by his/her proxy.
3. The date must be filled in on this proxy form when it is signed.
4. The completion and lodging of this form of proxy will not preclude the relevant InfoWave shareholder from attending the general meeting and speaking and voting in person thereat to the exclusion of any proxy appointed in terms hereof. Where there are joint holders of shares, the vote of the senior joint holder who tenders a vote, as determined by the order in which the names stand in the register of members, will be accepted.
5. Documentary evidence establishing the authority of a person signing this form of proxy in a representative capacity must be attached to this form of proxy unless previously recorded by the transfer secretaries of InfoWave or waived by the chairperson of the general meeting of InfoWave shareholders.
6. Any alterations or corrections made to this form of proxy must be initialled by the signatory/ies.
7. A minor must be assisted by his/her parent or guardian unless the relevant documents establishing his/her legal capacity are produced or have been registered by the transfer secretaries of InfoWave.
8. Forms of proxy must be received by the transfer secretaries, Computershare Investor Services 2004 (Pty) Limited at 70 Marshall Street, Johannesburg, 2001, PO Box 61051, Marshalltown, 2107, or by the company, InfoWave Holdings Limited at 10 Flanders Drive, Mount Edgecombe, 4301, PO Box 2225, MECC, Mount Edgecombe, 4300, by not later than 15:30 on Wednesday, 23 May 2007.
9. The chairperson of the general meeting may accept or reject any form of proxy, in his absolute discretion, which is completed other than in accordance with these notes.
10. If required, additional forms of proxy are available from the transfer secretaries of InfoWave.
11. Dematerialised shareholders, other than by own name registration, must NOT complete this form of proxy but must provide their CSDP or broker with their voting instructions in terms of the custody agreement entered into between such shareholders and their CSDP or broker.

# General Information

## **InfoWave Holdings Limited**

(Incorporated in the Republic of South Africa)

Registration number 1998/017276/06

Share code: IFW

ISIN: ZAE000016440

("InfoWave")

[www.infowave.co.za](http://www.infowave.co.za)

## **Auditors**

Deloitte & Touche

Registered Auditors

Chartered Accountants (SA)

## **Transfer secretaries**

Computershare Investor Services 2004 (Pty) Limited

PO Box 61051

Marshalltown

2107

## **Sponsor**

Sasfin Corporate Finance

A division of Sasfin Bank Limited

Sasfin Place

13 – 15 Scott Street

Waverley

2090

## **Commercial banker**

Nedbank

A division of Nedcor Bank Limited

## **Legal representatives**

*Technical advisors:*

Harty Rushmere Attorneys

*Commercial advisors:*

Mooney Ford Attorneys

Shepstone and Wylie

## **Registered office**

Gleneagles Park

10 Flanders Drive

Mount Edgecombe

4300

## **Postal address**

PO Box 2225

MECC

Mount Edgecombe

4301

## **COMMITTEES AND TRUSTS**

### **Audit Committee**

P Aposporis Independent non-executive chairman

Dr AB Ravnö Independent non-executive member

### **Remuneration Committee**

Dr AB Ravnö Independent non-executive chairman

P Aposporis Independent non-executive member

RP Collis Non-executive member

### **Risk Management Committee**

P Aposporis Independent non-executive chairman

Dr AB Ravnö Independent non-executive member

RP Collis Non-executive member

W Shuenyane Non-executive member

### **InfoWave Holdings Limited Share Incentive Trust**

RP Collis Chairman

JT Russell Trustee

