

Directors' comment

These results have been prepared in accordance with South African Statements of Generally Accepted Accounting Practice. These and the accounting policies, have been consistently applied in comparison to the previous year.

The directors endorse the aims of the King Report on Corporate Governance in conducting the affairs of the company with integrity and in accordance with the highest standards of corporate practice. The company is committed to the principles of openness, integrity and accountability in its dealings with all its stakeholders.

Report to the shareholders

Results

Trading conditions remained difficult during the period under review. Despite continued profitability, the company has not delivered on anticipated growth targets. Revenue for the six months ended 31 August 2004 was 2% lower than the comparative period. Headline earnings decreased by 14% to R2,3 million. During the period the company repurchased 1,28 million of its shares in the open market in terms of the general authority granted by shareholders. These have been cancelled. This will assist in the company meeting its near term black empowerment target of 25% black ownership. Towards the end of the period surplus cash was invested in listed preference shares.

A dividend of three cents per share was paid to shareholders on 14 June 2004.

Strategy

During the next quarter, the board will be reviewing the company's strategy with the aim of improving growth and diversification. The company is considering both organic and acquisitive growth strategies. The board is confident of its focus on niche software products which is proving to be successful. The board believes BEE transformation is essential in protecting the business and making new avenues for growth available to the company.

BEE

We are making good progress towards all aspects of broad-based Black Economic Empowerment. The BEE ICT Charter is now in its fourth draft, and we have ensured that the company's BEE goals remain aligned with the respective criteria and principles outlined in the Charter. The process of transforming InfoWave into a Black owned company, is taking longer than originally anticipated. We are, however, confident that the outcome will be based on learning from the experiences of other companies' dealings with transactions of a similar nature.

Board composition

On 1 June 2004, the chairman's role changed from that of executive capacity to non-executive. Ralph Collis expressed his ongoing commitment to InfoWave. He remains a major shareholder of the company as at 31 August 2004. This change is consistent with the board's aim to increase the ratio of non-executive directors to executive directors. InfoWave is in the process of recruiting a financial director in terms of its Employment Equity goals.

Outlook

The Board is confident that the implementation of the its revised strategy and BEE transformation will improve growth and sustainability.

Appreciation

We would like to thank our customers for their ongoing loyalty to InfoWave and our employees for their dedication to our customers.

On behalf of the board

RP Collis

Non-Executive Chairman

T Dunsdon

Chief Executive Officer

Durban

6 October 2004



UNAUDITED GROUP RESULTS

for the 6 months ended

31 August 2004

Directors

RP Collis (*Non-Executive Chairman*), T Dunsdon (*Chief Executive Officer*), MCB Lionnet, P Naicker, CL von Pannier, P Aposporis*, Dr AB Ravnö* (**Independent, non-executive directors*), NC Swinford-Meyer (*Company Secretary*)

Registered office

Gleneagles Park, 10 Flanders Drive, Mount Edgecombe, 4300
PO Box 2225, M.E.C.C., Mount Edgecombe, 4301

Transfer secretaries

Computershare Investor Services 2004 (Pty) Ltd, 70 Marshall Street, Johannesburg, 2001
PO Box 61051, Marshalltown, 2107

Sponsor

Sasfin Corporate Finance, a division of Sasfin Bank Limited
Sasfin Place, North Block, 13 –15 Scott Street, Waverley, 2090

Abridged Consolidated Income Statement

	6 months ended 31 August 2004 (unaudited) R'000	6 months ended 31 August 2003 (unaudited) R'000	Year ended 29 February 2004 (audited) R'000
Revenue	15 610	15 918	30 353
Profit from operations (before interest)	3 628	3 918	6 844
Net interest income	267	497	779
Profit before taxation	3 894	4 415	7 623
Taxation	(1 512)	(1 711)	(2 683)
Loss attributable to associated company	(45)	–	–
Profit attributable to ordinary shareholders	2 338	2 704	4 940
Headline profit			
Profit attributable to ordinary shareholders	2 338	2 704	4 940
Recovery of write-down of investments	–	(42)	–
Headline profit	2 338	2 662	4 940

Abridged Consolidated Cash Flow Information

	6 months ended 31 August 2004 (unaudited) R'000	6 months ended 31 August 2003 (unaudited) R'000	Year ended 29 February 2004 (audited) R'000
Net cash (outflows)/inflows from operating activities			
Cash from operations	2 798	3 488	6 034
Normal tax paid	(1 267)	(1 356)	(3 090)
Dividend paid	(2 745)	(2 675)	(2 675)
Net cash (outflows)/inflows from operating activities	(1 214)	(543)	269
Net cash outflows from investing activities	(274)	(546)	(775)
Net cash outflows from purchase of preference shares	(3 875)	–	–
Net cash outflows from financing activities	(288)	(57)	(169)
Net decrease in cash resources	(5 652)	(1 146)	(675)
Cash and cash equivalents at beginning of period	7 825	8 500	8 500
Cash and cash equivalents at end of period	2 173	7 354	7 825

Statistics

	6 months ended 31 August 2004 (unaudited)	6 months ended 31 August 2003 (unaudited)	Year ended 29 February 2004 (audited)
Revenue (R'000)	15 610	15 918	30 353
Number of ordinary shares in issue ('000)	90 271	89 225	90 605
Weighted average ordinary shares in issue ('000)	91 071	89 225	89 798
Net asset value (R'000)	9 873	8 257	10 568
Net asset value per ordinary share (cents)	10,94	9,25	11,66
Headline earnings per ordinary share (cents)	2,59	2,98	5,50
Earnings per ordinary share (cents)	2,59	3,03	5,50
Return on equity (%)	25,79	24,32	52,50
Return on assets (%)	18,03	21,23	37,70
Liquidity ratio (times)	3,84	2,51	4,71
Solvency ratio (times)	4,19	2,84	5,29
Market price per share			
Close (cents)	33	30	25
High (cents)	41	34	35
Low (cents)	33	24	15

Abridged Consolidated Balance Sheet

	31 August 2004 (unaudited) R'000	31 August 2003 (unaudited) R'000	29 February 2004 (audited) R'000
Assets			
Non-current assets			
Fixed and intangible assets	756	1 144	938
Deferred taxation asset	320	332	320
Investments	15	12	12
Current assets			
Trade and other receivables	5 768	3 896	3 939
Listed preference shares	3 932	–	–
Cash and cash equivalents	2 173	7 354	7 825
	11 873	11 250	11 764
Total assets	12 964	12 738	13 034
Equity and liabilities			
Capital reserves			
Issued share capital	9	9	9
Share premium	50	289	338
Accumulated profit	9 814	7 959	10 221
	9 873	8 257	10 568
Current liabilities			
Trade and other payables	3 091	4 481	2 466
Total equity and liabilities	12 964	12 738	13 034

Group Statement of Changes in Equity

	Share capital R'000	Share premium R'000	Accumulated profit R'000	Total R'000
Balance at 28 February 2003 as previously stated	9	283	7 929	8 221
Adjustment on initial application of AC133	–	–	27	27
Balance at 28 February 2003 restated	9	283	7 956	8 248
Net profit for the year	–	–	4 940	4 940
Shares issued during the year	–	55	–	55
Dividend paid	–	–	(2 675)	(2 675)
Balance at 29 February 2004	9	338	10 221	10 568
Net profit for the period	–	–	2 338	2 338
Shares issued during the period	–	134	–	134
Shares repurchased and cancelled during the period	–	(422)	–	(422)
Dividend paid	–	–	(2 745)	(2 745)
Balance at 31 August 2004	9	50	9 814	9 873

Group Supplementary Information

	6 months ended 31 August 2004 (unaudited) R'000	6 months ended 31 August 2003 (unaudited) R'000	Year ended 29 February 2004 (audited) R'000
Capital expenditure for the period	274	133	342
Capital expenditure authorised	250	350	446
Operating lease expenses	402	353	816