Measures of success

AST GROUP

TECHNOLOGY SOLUTIONS UNLIMITED

Annual Report 2002

Contents

Foreword

The AST Group, listed on the JSE Securities Exchange South Africa (JSE), is recognised as a dynamic and innovative Information and Communication Technology (ICT) company. Ideally positioned as a leading technology solutions company focused on selected industries, AST unlocks substantial value for its clients. The Group is active throughout South Africa, with a growing presence in other southern African states, Australia and the UK. Almost 90% of the top 100 JSE-listed companies are clients of AST. Employing more than 3 900 ICT professionals worldwide, the AST Group's specialised business knowledge enables us to provide comprehensive, integrated solutions to our clients in those markets.

World economic growth, which was already slowing, was further negatively impacted by the September 11 attacks and the international response. All emerging markets were negatively influenced and they stand to suffer further as the growth outlook sours and capital flows slow in line with heightened investor risk aversion. The South African economy is in a positive growth phase with forecast GDP growth of 2,3%. However, the IT sector remains under pressure, as evidenced by AST's lower than expected margins for 2002 and the lower forecasted margin for 2003.

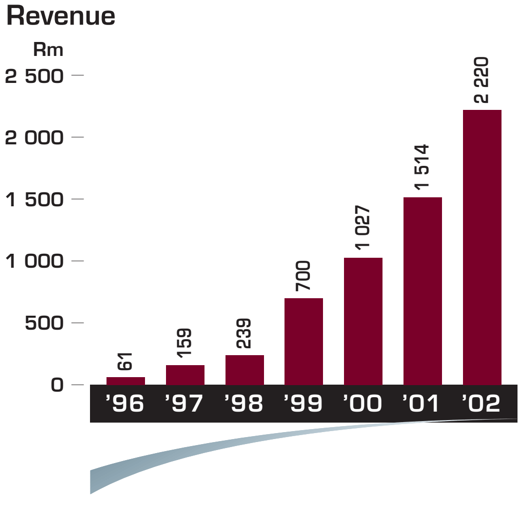
AST's strategy since inception has been to invest aggressively to create future business opportunities. Our impressive growth of the last four years underscores the success of this strategy. Changing global and domestic economic conditions led to the margin pressure in the second half of the year and signalled the need to reposition this expansion strategy. We became more risk adverse closing a number of e-Venture initiatives. The anticipated outcome is a strengthening balance sheet and stronger focus on existing opportunities in our selected markets.

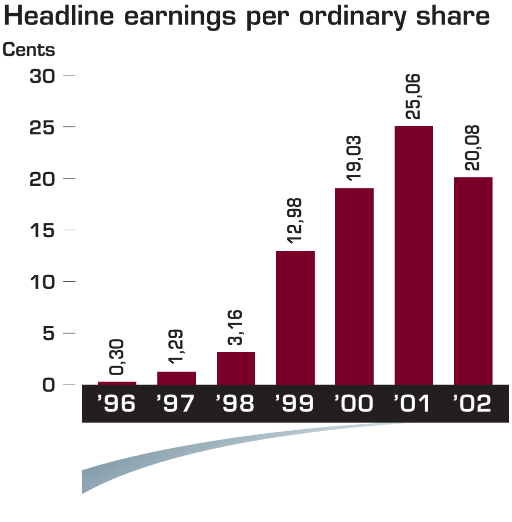
Economic conditions are likely to remain adverse over the medium term and so we will further curtail spend on non-current income generating activities. Consolidating the infrastructure services businesses, reducing market development spend and a smaller head office will reduce overhead costs, protecting net margins with a material positive impact from the second half of 2003.

Key areas of IT spend in the current economic environment will be increasing efficiencies and cost reduction, improving customer value management to increase sales. The IT services market, where AST is the dominant local player, is cyclical. During periods of economic contraction, professional services help to re-engineer processes, improve productivity and reduce cost. In IT services, this translates into product support, maintenance services and the operation of infrastructure and IT processes – normally through outsourcing. In line with our philosophy of forming long-term strategic partnerships with our clients and alliance partners we will participate in this trend which will sustain the Group's organic growth – currently more than 50% of our revenue is generated from long-term annuity contracts comprising outsourcing of clients' infrastructure.

Financial highlights

for the twelve months ended 30 June 2002	**30 June 2002 (12 months) R'000**	30 June 2001 (12 months) R'000	30 June 2000 (12 months) R'000	30 June 1999 (3 months) R'000
Income statement				
Revenue	**2 219 650**	1 513 542	1 027 103	210 263
Earnings before exceptional items	**153 813**	183 811	117 327	25 422
Operating margin before exceptional items (%)	**6,93**	12,14	11,42	12,09
Headline earnings	**112 557**	137 877	103 039	22 947
Headline earnings (%)	**5,07**	9,11	10,03	10,91
Balance sheet				
Cash and cash equivalents	**111 731**	160 958	203 951	81 168
Total assets	**1 153 472**	1 054 920	675 311	461 740
Ordinary shareholders' funds	**336 264**	370 162	348 606	317 107
Number of shares in issue	**575 046**	554 123	546 321	540 678
Weighted average number of shares	**560 556**	550 271	541 517	540 678
Fully diluted number of shares	**605 552**	580 004	552 500	555 909
Financial statistics				
Headline earnings per ordinary share (cents)	**20,08**	25,06	19,03	4,24
Fully diluted headline earnings per ordinary share (cents)	**18,59**	23,77	18,65	4,13
Cash from operating activities per ordinary share (cents)	**36,77**	29,48	37,95	6,47
Net asset value per ordinary share (cents)	**58,48**	66,80	63,81	58,65
Selected returns and ratios				
Effective tax rate (%)	**25,18**	22,39	19,74	22,43
Current ratio	**0,87**	0,97	1,39	1,56
Return on equity (before amortisation)	**17,56**	28,68	29,67	29,16
Average debtor collection days	**48,10**	55,75	56,55	55,90
Cash conversion ratio (%)	**120,52**	77,12	143,68	111,03
Number of employees	**3 961**	2 882	2 448	2 029
Revenue per employee	**560**	525	420	104
Operating profit per employee	**39**	64	48	13

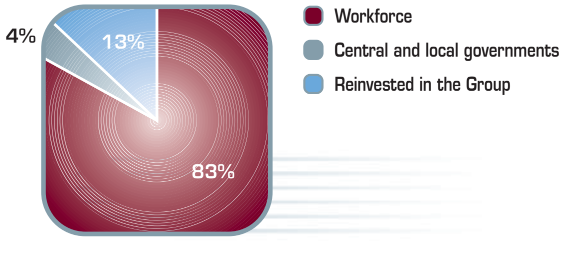




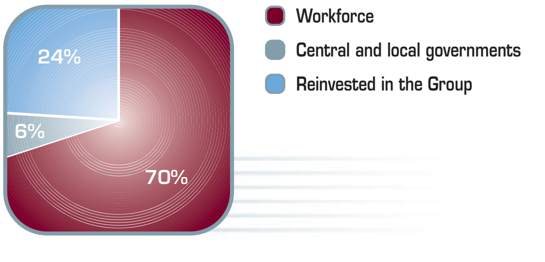
Group value added statement

for the twelve months ended 30 June 2002	Group 2002	Group 2001
Wealth creation		
Group turnover	2 219 650	1 513 543
Cost of materials and services	(1 121 380)	(723 922)
Value added	1 098 270	789 621
Net interest	(3 432)	1 923
Total wealth created	1 094 838	791 544
Wealth distribution		
Workforce		
Salaries, wages, bonuses, pension, medical aid, other benefits and contractor fees	905 377	561 213
Attributable to minority shareholders and associates	7 293	745
Central and local governments	42 799	47 538
Tax	29 605	41 342
Rates and taxes	2 549	411
Skills development levy	5 600	2 314
Regional services levies	5 045	3 471
Reinvested in the Group	139 369	182 048
Depreciation and amortisation	194 249	166 135
Net (loss)/profit for the year	(54 880)	15 913
Total wealth distributed	1 094 838	791 544
Taxes paid and collected		
VAT	113 754	79 890
PAYE	175 400	114 138

Wealth distribution 2002



Wealth distribution 2001



Board of Directors

Back row from left to right: Mofasi Lekota, Marthinus Erasmus, Pieter Bouwer, Malcolm Macdonald, Jannie Mouton, Joop Groeneveld*, Jac van der Walt

Front row from left to right: Thinus Mulder*, Jan van Zyl, Sipho Ndlovu, Gerrie de Klerk, John Miller, Con Fauconnier

**Resigned October 2002 but remain on the executive management team*

Board of Directors

Name: Gerhardus Johannes de Klerk
Age: 55 **Appointed:** April 1999
Title: Chairman
Summary: Gerrie's IT career started in 1965. His experience covers the full spectrum, from data centre management, software development, distribution to e-business. After holding a number of senior positions in IT, Gerrie joined the AST Group in 1995 as Managing Director. With the decision to list AST in 1998, Gerrie was appointed Chairman and CEO of the AST Group. During 1999, the positions of Chairman and CEO were separated and Gerrie was appointed Executive Chairman of the AST Group.

Name: Jan Jacob van Zyl
Age: 43 **Appointed:** April 1999
Qualification: BCom (Hons), CTA, CA(SA), CISA
Title: Chief Executive Officer
Summary: Jan has 21 years' experience in commerce and industry, of which 18 were spent in the IT industry in a number of areas. He joined AST as Chief Operating Officer and had the responsibility of developing and positioning the various businesses within AST. With the listing of AST, Jan was appointed Chief Executive Officer of the AST Group.

Name: Marthinus Wessel Mulder
Age: 34 **Appointed:** August 2000
Qualification: BCom (Hons), CTA, CA(SA)
Title: Chief Financial Officer
Summary: After qualifying as a chartered accountant, Thinus joined Standard Bank as a project accountant. He became Group Financial Manager, Africa Operations, at Standard Bank before joining the Taxation Division as manager of International Structuring. Thinus joined the AST Group in 1998 and has been responsible for its finances and administration since then.

Name: Marthinus Gerhardus Erasmus
Age: 35 **Appointed:** April 1999
Qualification: BCom (Hons) CTA, CA(SA)
Title: Executive Director
Summary: Marthinus has been active in the IT industry for more than 10 years with experience in large corporates and entrepreneurial businesses. He has an extensive background in financial management, corporate finance, operational management and international business. He joined the AST Group in 1998 as Financial Director. His current position as Deputy CEO includes responsibility for the AST Group's international operations.

Name: Johannes Groeneveld
Age: 44 **Appointed:** April 1999
Title: Executive Director
Summary: Joop joined AST in 1989, shortly after its inception, and has been a Director of the company ever since. He is currently responsible for AST's Regional and SADC offices, and for developing "mega-opportunities" for the Group. He also plays a significant role in AST's black economic empowerment initiatives.

Name: Pieter Willem Johannes Bouwer
Age: 47 **Appointed:** May 2000
Title: Marketing Director
Summary: Pieter has been in the IT industry since 1974 and has held various management positions, from marketing manager to general manager. He has been an executive director of six IT companies prior to joining AST. He joined AST in 1999 to head up the Financial Services Industry business unit and was appointed to the AST board in March 2000. Pieter was the Executive Director responsible for the AST Industry Solutions business, as well as the service delivery business, prior to his appointment as the Executive Director responsible for Marketing.

Name: John Edward Miller
Age: 62 **Appointed:** October 2000
Qualification: AEP (Unisa)
Title: Sales Director
Summary: John joined what became the IT industry in 1961. He has extensive sales, marketing and general management experience in the ICT industry, most recently as Managing Director of Unisys Africa, a position he held for six years. Prior to this, John was an Executive Director of Unidata, Managing Director of Compusons (then the Computer Associates distributor for Southern Africa) and National Sales Director of ICL. He is currently responsible for Group Business Development and Industry Solutions at the AST Group.

Name: Dr Constantinus Johannes Fauconnier
Age: 54 **Appointed:** January 2001
Qualification: Holds four degrees in Mining Engineering, including his doctorate from the University of Pretoria. He also has an MBA from the University of Oregon, USA.
Title: Non-executive Director
Summary: Dr Fauconnier has 35 years' experience in the mining industry. He joined Iscor in 1995 as General Manager Business Development. He was appointed Deputy Managing Director of Iscor Mining and Executive Director of Iscor Limited in 1997. He became Managing Director of Iscor Mining on 1 February 1999. When Iscor restructured its business at the end of 1999, he was appointed as Executive Director Mining of Iscor Limited. After the unbundling of Iscor's mining assets in November 2001, Dr Fauconnier became the first Chief Executive Officer of the newly listed Kumba Resources Limited. Management positions held prior to those at Iscor were Managing Director and Chief Executive of the Coal and Base Metals Division, JCI Limited.

Name: Malcolm Macdonald
Age: 60 **Appointed:** April 1999
Qualification: BCom, CA(SA), ACIMA
Title: Non-executive Director
Summary: After holding various positions in financial management, Malcolm was appointed General Manager Finance at the Industrial Development Corporation of South Africa (IDC). Malcolm was appointed Executive Director Finance at Iscor Limited in January 1997.

Name: Jacobus Carolus Lodewiekus van der Walt
Age: 60 **Appointed:** April 1999
Qualification: BSc Eng Industrial
Title: Independent Director
Summary: Jac has spent his career at Iscor, initially in Industrial Engineering and other productivity services, but adding further responsibilities later, in the fields of management and logistic services. In 1990 Jac was appointed the Group General Manager for Information Management and Information Technology at Iscor. Before outsourcing the IT environment to AST Group, Jac also served on the Executive Committee of Iscor Limited. Jac is focusing his attention on the AST Group and doing consulting work on an ad hoc basis.

Name: Sipho Patrick Ndlovu
Age: 50 **Appointed:** February 2001
Qualification: BCom
Title: Independent Director
Summary: Sipho has been in the corporate world for 28 years, holding various financial positions. He held the position of Group Managing Director and Deputy Chairman at Spescom, and assisted in the transformation and employment equity of the Group.

Name: Johannes Frederikus Mouton
Age: 55 **Appointed:** June 2002
Qualification: BCom (Hons), CA(SA), AEP
Title: Independent Director
Summary: Jannie is founder and Chairman of PSG Group Limited, as well as Chairman of PSG Investment Bank Limited, Capitec Limited and various other companies within the PSG Group. He is also Director of the Klein Karoo Nasionale Kunstefees and Remgro Limited, Trustee of Stellenbosch University and trustee member of several other trusts and investment funds.

Name: Mofasi Lekota
Age: 45 **Appointed:** October 2002
Qualification: BCom (University of the North, SA), MBA (Rutgers University, USA)
Title: Independent Director
Summary: Mofasi is currently involved in strategic and operational aspects in the business consulting environment. He served Nafcoc as CEO for three years. He was Managing Director of the National Soccer League for one year. Mofasi gained further experience as Financial Controller with SA Breweries for 2,5 years. At Johnson & Johnson he was Financial Manager Trainee for two years. He finished his three-year accounting articles of clerkship with Deloitte & Touche.

Chairman's report

Introduction

AST has once again achieved excellent growth in revenue of 47% and in so doing has significantly increased its market share. We have now established the full service offering within our ICT services businesses that we envisaged four years ago at the time of AST's listing. The R1 027 million in total revenue generated in the financial year ended 30 June 2000 has increased significantly during the two subsequent financial years. In 2002, annuity revenue alone was R1 110 million. This growth has been achieved against the backdrop of considerably more difficult trading conditions and in a period when, according to independent sources of market information, there was less than 10% growth in ICT spend in South Africa. These difficult trading conditions have been borne out in significant margin pressure to which AST has not been immune.

AST has built a world-class competence in leading technologies and methodologies, an in-depth knowledge of our clients' businesses that reinforces long-term partnerships and a diversified client base that includes the leading companies in the industries of AST's focus. AST has established a reputation as a top-rated service provider in each of our horizontal market offerings. BMI-TechKnowledge (August 2001) rates AST as one of the top three service providers for five out of the six of our ICT business areas. Our capability in systems integration and in networking has further improved during 2002.

While we remain open to further market consolidation opportunities, there is no need for further "capacity-building" acquisitions. The bulk of the vendor payments in respect of our capacity-building acquisitions have been made in cash. Subject to performance, most of the amounts that remain due are scheduled for the forthcoming year. Thereafter, AST's gearing and balance sheet should improve significantly, benefiting from healthy operational cash flows. As an illustration, AST achieved a cash conversion ratio of 121%. This is partly due to having reduced debtor days from 56 days to 48 days for the period under review.

AST's core businesses are performing well. Its Infrastructure and Solutions divisions increased revenue and profits. Total workforce has increased by 30%, increasing the intellectual capital within the Group and providing AST with the capacity to strive for additional organic growth in the next financial year.

Financial performance

Revenue increased by 47%, from R1 514 million to R2 220 million for the 12 months ended June 2002. Almost two-thirds of the revenue growth was achieved organically. Operating profit before interest, exceptional items and goodwill decreased by 16%, from R184 million to R154 million – the continuing operating margin, excluding sales, general and administration costs, decreased from 19,6% to 13,3%.

A number of large contracts have significantly added to our turnover. However, the business has now diversified its earnings base and is no longer as significantly exposed to single contracts as was previously the case. AST's client base (excluding AST Networks with more than 3 000 clients) has grown to more than 300. Despite excellent turnover growth and strong performances in Managed Services, Networking and IT Solutions, there were a number of issues that resulted in headline earnings being below those of the previous year.

- Although still profitable, AST's consulting business in Australia performed significantly below expectations for the year and, overall, Australia had a diluting effect on the results. The Australian head office was closed and we incurred an additional R7 million, non-recurring, closure cost. The weak Australian performance also resulted in AST cancelling the acquisition of RedRock in April 2002.

- AST's investments in e-Ventures were slow in gaining client adoption, in line with the local industry trend. As a result of disproportionately increasing costs, we decided to sell, integrate or close the e-Venture businesses. While the increased costs affected the Group margins, the action taken also resulted in a once-off exceptional loss of R23 million.

- AST's Namibian subsidiary realised an after-tax loss of R12,2 million during the last quarter.

Basic earnings per share showed a loss of 9,79 cents, compared to a profit of 2,89 cents in the previous year. The basic earnings per share figure was affected by a significant goodwill write-off, which has been made in line with the Group's policy of writing off goodwill over the shorter of the period of the useful life or the period of the profit warranties associated with the acquisition. The goodwill write-off has peaked and, in the absence of further acquisitions, will reduce to below R50 million within 36 months.

Notwithstanding these challenges, AST strengthened cash flows for the period under review, generating R252 million cash from operations. After acquisition payments of more than R131 million during the year, cash on hand was R112 million at 30 June 2002.

Strategic overview

AST's value proposition is built on several pillars:

- The intellectual capital represented by our people
- The mutual trust between AST and its clients, and in-depth business knowledge that comes from – and leads to – long-term partnerships
- The comprehensive, end-to-end range of offerings
- Focused execution, enabled by best practices

AST is vendor independent. The Group exploits best-of-breed technologies on behalf of our clients, leveraging our intimate knowledge of their businesses to make them more competitive and effective. This remains our primary role and our priority. AST's Consulting business has diversified and has established itself as a leader in each of its service offerings. The IT Solutions Division, with more than 1 600 IT professionals, is now one of the top two systems integration players in South Africa and a highly valued partner of SAP, IBM, Oracle, Honeywell and Microsoft (Gold certified).

AST's hosting, networking, distributed technology services, secure transaction services and technology rental services have been consolidated into the newly formed ICT Infrastructure Division, which will better unlock synergies. This division is, according to independent market research, the dominant managed services provider in South Africa. Its competitive position is further complemented by a stable income base, as 64% of its revenue is annuity based. AST's ICT Infrastructure Division is an accredited partner of IBM, HP, Cisco and Nortel.

The current businesses in the United Kingdom have much potential and we intend to gradually increase our activities in that region. Our international focus remains on Australia.

Social responsibility and BEE

The AST Group's black economic empowerment (BEE) model has continued to gain acceptance in the public sector, as is evidenced by our ongoing success in winning government and related contracts. AST has an excellent record of skills transfer and development, social responsibility projects, affirmative procurement and focused efforts towards attaining employee equity within the Group. AST helped to establish Thuso, a highly respected ICT company, the majority shares of which are black-owned and which includes grass roots shareholding. Thuso has more than 100 employees and tangible delivery capacity, and is receiving focused attention to expand the capacity even further. Our initiative of attracting significant BEE is of utmost importance to maintain and increase AST's market share.

Prospects

Taking into account the annuity profile of our current revenue stream, commitments for orders for the forthcoming year and the prospects currently under negotiation, we are confident that during the 2003 financial year our rate of growth will again exceed that of the local IT market. Between the government and the financial services sector, AST has recently secured

Business Services

Consulting

Chairman's report

contracts that will generate R350 million in revenue over the next 18 months. However, the tough market conditions are likely to persist. Despite the competitive market conditions, AST's "run and leverage" services will grow by at least 20% in the coming year. Management expects margins to continue to be under pressure during 2003, but is targeting a margin in excess of 9%, which is 3% below what the Group achieved in 2001.

The capacity-building acquisition phase is behind us. More than 80% of the vendor earn-outs have been settled already, predominantly with cash in order to minimise the dilution of shareholders' interest in the Group. In the four years since listing, shareholder dilution has been less than 6%.

The effect is that AST's remaining investment payments will decrease, while the cash generated from operations will continue to grow. We expect these benefits to come into effect in October 2002. The free cash flow, after taking into consideration provision for organic growth as AST continues to expand, will have a positive impact in building AST's balance sheet. We maintain that AST has never been better positioned to take advantage of the opportunities ahead.

Conclusion

We are confident for the year ahead – AST is now a strong and diversified ICT services provider, with critical mass and stable core businesses that are at the leading edge in their markets. The Group is highly focused in a number of selected client industries and we have formed, and continue to form, long-term partnerships with an increasing number of top companies in those industries.

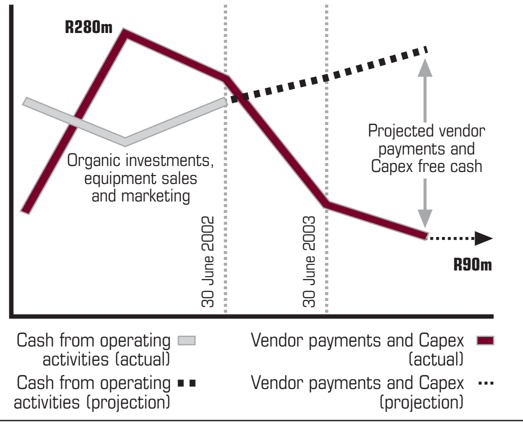
We are very proud of and grateful to our employees. With ongoing training and development programmes, we continue to invest in the intellectual capital that they represent. AST has a better staff retention record than most of the industry. Due to depressed stock markets, the share option scheme currently has little value as an incentive and, as a result, AST is currently reviewing the existing share option scheme. AST has already reverted to paying cash bonuses to worthy performers. Shareholder approval and full disclosure on SENS will precede any changes to the scheme. Re-pricing of the existing share option scheme will not be considered.

On behalf of the Board, I wish to extend our sincere thanks to AST's executive and senior management teams and their personnel, for their outstanding contributions and their ongoing dedication and commitment. We are also grateful to our valued clients, business partners and investors, who are contributing to the success of this fine company through their continued support and participation.

For and on behalf of the Board

Gerrie J de Klerk

Free cash flow



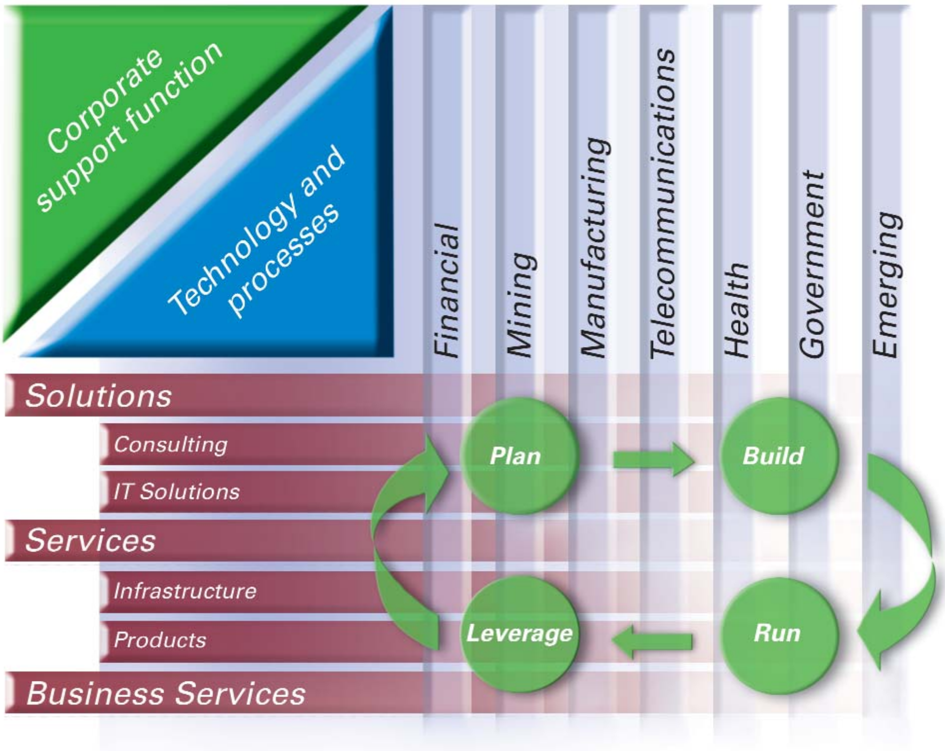
Chief Executive Officer's report

Introduction

Our Chairman's report covered both the Group's results and some of the strategic factors that contributed to our success during the past year. I will report on our business operations which, in spite of generally tough market conditions, saw AST continuing to gain significant market share.

Our comprehensive service delivery capability is embodied in business units that have each achieved critical mass in their target markets. This capability is enhanced by the Group's business process expertise and specialised industry knowledge.

The AST Group's go-to-market model has evolved to the following collaborative structure:



I am proud to report that our growth in market share has resulted not only from entrenching relationships with existing key clients, but also from the formation of several new client relationships, some of them large, all of them important.

The year under review has been characterised by an increased focus on efficiencies.

In consolidating the delivery capacity in the services divisions and establishing a focused marketing and sales organisation, AST is, for the first time, fully optimising both its sales force and service delivery best practices. An internal review process to analyse efficiencies within the Group has been very successful and resulted in a far more streamlined organisation. This project has now become a continuous improvement programme that will strive to make us a more effective and competitive organisation. Our focus on working capital management resulted in a dramatic improvement in debtors' collection days and in cash conversion ratios. The management of working capital will continue to enjoy high priority.

Operations

SOLUTIONS

Consulting

Our consulting division, Bentley West, has once again, exceeded its objectives for the year. It has increased its service offering and has enhanced its expertise in the government and parastatal market. Strategic market research expertise has further enhanced its offering.

Chief Executive Officer's report

Marketing Services

IT Solutions
The IT Solutions business achieved or exceeded all its strategic goals, while also gaining market share. To further improve the management of staff utilisation rates, a fully-fledged People Practice Management System has been developed and implemented. The integration of the industry-focused service delivery capability into IT Solutions has been completed and will benefit from the practice management and methodologies that has made IT Solutions a star performer.

SERVICES

Infrastructure
The establishment of AST Infrastructure Services Division, by combining the hosting, networking, distributed technology services and technology rentals businesses, has been completed. This new division holds a great deal of promise – an integrated service delivery model will improve client satisfaction and better unlock synergies. The division's turnover of almost R1 billion attests to its leadership position in the local market. Further value will be unlocked when overlaps between the incorporated operations have been dealt with, a project which is in progress.

The integration of a number of other business units (smart cards, biometrics, transaction switching etc) has resulted in the establishment of AST Secure Transaction Services. This business unit focuses on providing products and services relating to all aspects of transaction processing and switching.

Products
During the year, the refocus in the Products Division paid off. It exceeded its profit targets and is firmly on track. As a result of the increased attractiveness of this market, AST may consider a higher exposure to products in the future.

BUSINESS SERVICES

Business Services has made significant progress in packaging the outsourcing of human resource management. Our attractive value proposition should allow us to grow this business aggressively. Although the outsourcing of non-core business processes and business functions has not yet taken off in South Africa in line with international trends, we have found that organisations are now starting to consider this as an option. We concluded a transaction with Columbus Stainless during the year that will enhance reference-ability for our product and service offerings.

INDUSTRY SOLUTIONS

The Industry Solutions Division has been refocused with a renewed emphasis on significant cost savings and also to a greater urgency in strategic marketing.

In line with the Group's focus on efficiencies during the year, the Group Sales function has come under the spotlight. Initiatives included:

- Alignment of the Sales organisation to AST Group's strategic objectives
- Re-training of our sales force to international standards and best practices
- Clearly focusing the sales force on selected clients, industries and opportunities
- Specifically managing the sales performance in each business unit
- Implementing a common sales funnel management system across the Group.

e-VENTURES

AST's initial strategy was to exploit the Internet by providing start-up capital to promising new businesses. This strategy has delivered mixed results, with some of the investments taking longer to realise because of slower adoption rates in South Africa.

At the end of the 2001 calendar year, we commenced a process of reviewing each of the e-Ventures according to a number of criteria, including measurement against original objectives, financial performance, management performance, market conditions, market acceptance, and potential to achieve required payback period.

As a result, some of these businesses have been absorbed into AST's core operations, some have been closed and others, with longer payback periods, have been sold. The Group now has no exposure to e-Ventures although the capability to deliver ebusiness services exists in other business units.

REGIONS

The Group unfortunately experienced underperformance against budget in some outlying regions, primarily as a result of the postponement of decisions on potential key contracts.

However, the strategic positioning of the business units in the regions is in place and we expect recovery in the short-term, as the brand continues to gain ground nationally.

Although AST Namibia realised an after-tax loss of R12,2 million during the last quarter, the problems have been rectified. Immediate remedial action was taken, with the main focus on improving the financial administration procedures and the availability and quality of management information. The implementation of critical business processes, improved governance and focus on annuity income will address the issue of general underperformance in the future. The process to return AST Namibia to profitability has already begun.

Financial overview

The revenue growth of 47% is supported by strong growth in long-term contracts. The annuity income of the Group increased from R787 million to R1 110 million – 50% of total revenue versus 52% last year. This is as a result of a number of substantial contracts, which were signed in the last quarter and so were only reflected for a small portion of the period under review. Revenue on long-term annuity contracts is recognised in the income statement by strictly applying the Group's accounting policy – clients are invoiced on a monthly basis.

Operating profit before interest, tax, depreciation and amortisation of goodwill decreased by 6%, from R223 million to R210 million. The decrease is mainly attributable to the lower utilisation rates in the consulting business in Australia after 11 September 2001; once-off losses made by our Namibian operations; a R7 million impairment of investments; the delay in substantial projects after resources were geared up in anticipation; and pressure applied by clients due to economic conditions.

Although overall operating margins were lower, we are pleased that the gross margins in the core businesses, IT Solutions and Infrastructure, were stable. The profitability of the long-term annuity contracts is measured quarterly with an operational overview to ensure that client scope creep does not influence the margin.

In line with the historic treatment of goodwill, these intangibles are amortised against income over the useful life of the acquisition or the warrantee period, whichever is the shortest. The provision has been calculated on the achievement of post-acquisition profit warranties and, based on our current forecast, goodwill will be written off to zero over three years provided no further acquisitions are made. The settlement of R46 million vendor claims in the next six months and the R25,6 million next year will eliminate the majority of the outstanding vendor claims on the balance sheet. Amounts due to vendors are provided for on the assumption that all the profit warranties will be achieved on post-acquisition performance.

The headline earnings per share reduced by 20%, from 25,06 cents per share to 20,08 cents per share. The fully diluted earnings per share of 18,59 cents was calculated by taking into account the provision for shares that may be issued to vendors on achievement of profit warranties and using the year-end share price. It will remain AST policy to negotiate with the vendors to settle the liability in cash to protect shareholder value.

The Group maintained strong cash flows from operations of R252 million. Lower cash balances were the result of utilising more than R131 million of internally generated cash to fund acquisitions and meet earn-out commitments. Debtor days decreased in the last six months, impacting positively on cash from operations – the Group's cash conversion ratio exceeded 120%. We have implemented measures to maintain the improvement in working capital and to sustain the cash conversion ratio above 100%. The Group's cash flow forecast is highly predictable because of the high percentage of annuity contracts.

The net asset value of the Group decreased from 66,80 cents per share in 2001 to 58,48 cents in 2002, mainly due to the amortisation of goodwill. The increase in assets was primarily due to the upgrade of our income-generating computer equipment and the establishment of the Midrand Command Centre. The decrease in investments in associates was mainly due to the write-off of investments in e-Ventures. The cash benefit of the deferred tax asset will be released over the next seven years.

Secure Transaction Services

Chief Executive Officer's report

Infrastructure Services

The Group's working capital has been financed from internally generated cash. The current liquidity ratio of about 88% will improve in the next financial year.

The increase in interest-bearing liabilities, from R62 million to R86 million, relates to the three-year Aus$-denominated term loan to fund the acquisition of GEM Consulting that is repayable from Australia. The increase represents the conversion of the loan to Rand for the consolidated financial statements.

Financial risk management

Interest rate risk is the potential impact of repricing AST's loans and investments on future cash flows and earnings. Current liquidity requirements dictate that investments are presently short-term. As a result, interest rate management is currently focused on the Group's liabilities. AST's loans currently have floating interest rates and the Group continuously monitors this exposure in consultation with its corporate advisor. In order to manage the interest rate risk and costs, AST considers the use of interest rate derivatives to fix and/or float rates whenever opportunities present themselves. Interest on the Australian loan is fixed quarterly and the local mortgage loan was fixed in December 2001 for a year.

Currency risk is the potential impact of exchange rate fluctuations on AST's foreign assets and liabilities. Whenever the Group invoices in local currency and has a foreign currency exposure, it manages this exposure by entering into forward exchange contracts or other derivative instruments and hedges with major commercial banks where appropriate. Alternatively AST adjusts the prices charged to clients to take account of rate fluctuations.

Potential concentrations of credit risk reside mainly within cash and trade debtors. The Group limits its counterparty exposures from its cash resources by only dealing with well-established financial institutions with high credit ratings. Trade debtors comprise a large number of blue-chip clients and ongoing credit checks are performed on the financial position of all debtors. Trade debtors are presented net of the provision for bad and doubtful debt.

Conclusion

Success in southern Africa continues to be fundamental to the future success of AST. Expanding internationally, particularly in Australia and UK, remains important, but prevailing poor market conditions in these markets further increases management's caution towards international expansion. Due care and diligence are called for, particularly in making significant acquisitions.

The majority of AST's management team and staff have invested a great deal of time and energy over the past three years and this is reflected in the growth of revenue and earnings.

The management team is indebted to the stakeholders of the Group for their support and commitment during the year. Without our employees we would not have maintained our solid growth record. Once again, we look forward to the year ahead – further capitalising on the progress made to date.

Jan J van Zyl

Sustainability report

The AST Group is committed to progressive transformation. Having assumed a leadership position in the ICT industry, we believe that we have to care about the wellbeing of the society in which we function. The wellbeing and prosperity of the stakeholders of this company are closely linked to the future of South Africa.

Social responsibility

The AST Group's social responsibility agenda emphasises the need to promote security and stability for all. We are aware of the limitless needs and demands that have to be addressed to ensure economic growth and development in South Africa. Within our means, we are committed to playing a significant role in fostering sustainable development and combating poverty. We choose to work constructively with the community, business and government to promote real economic growth.

- The Chairman's Learnership Programme is a school-to-work initiative, offering school-leavers from previously disadvantaged communities the opportunity to acquire an IT qualification. This six-month programme, which provides the learners with theoretical and practical knowledge, culminates in the award of an A+ certificate. The learner may be offered a position with AST and is placed with a mentor who takes responsibility for the new employee's further development. The success of the first project in the 2001/2002 financial year will be followed by a more comprehensive programme for the 2002/2003 financial year.

- Lithuba, which means opportunity, is the name given to the entry-level programming course developed by WS&L IT Training, the internationally accredited IT training business unit of the AST Group. Designed specifically to train students from previously disadvantaged educational backgrounds, the course has been very successful, with graduates being offered positions with organisations such as Old Mutual. The project obtained recognition by being awarded a R1 million grant from the ISSET SETA.

- The Ubuntu Day Project is a channel for the divisions and staff of AST to contribute, on a more personal level, to the communities in which they live and work. While funds, clothing and other necessities are collected, the focus of the project is to make a visible contribution, especially to charities and community institutions. All activities are funded and carried out by AST staff.

The AST Group's BEE agenda complements its social responsibility initiatives, but it goes beyond the acquisition of equity by BEE groups and the procurement of goods and services from black-owned SMMEs.

IT alliances and business partners

AST's approach is to foster sustainable economic empowerment and capacity growth, as opposed to merely utilising "fronts", with their associated short-term, non-sustainable personal enrichment. We insist that our BEE partners have significant delivery capacity, or a real strategy for building it.

An AST-led bid consortium may include a number of BEE companies, each with a predetermined share of the work. The consortium contract is then used as an opportunity to build capacity within the BEE entities, with the transfer of skills from – or facilitated by – the AST Group.

Human Resources

Sustainability report

IT Solutions

Because suitable BEE partners are not readily available, the AST Group has assisted in establishing a number of BEE enterprises by means of joint ventures in which AST takes a minority shareholding. In the initial stages, the Group may provide these organisations with infrastructure, management support and start-up capital. However, once they reach maturity, they operate as fully-fledged, independent businesses.

Thuso Information Technology was the first of these joint ventures, with Magoshi Investments the majority shareholder.

The share of the profits accruing to the black majority shareholders in the joint ventures is used to acquire shareholding in the AST Group. In this commercially sound manner, meaningful and tradable wealth is created for AST's BEE partners. Furthermore, significant shareholding in the AST Group is transferred to black shareholders.

Employment equity

The AST Group supports the transformation taking place in South Africa and the resultant labour law dispensation. The Group is committed to the creation, facilitation and development of an organisation that supports the equality of all South Africans. We view employment equity as a positive process, whereby people from previously disadvantaged sectors of the population will gain access to opportunities and development.

Health, safety and environment

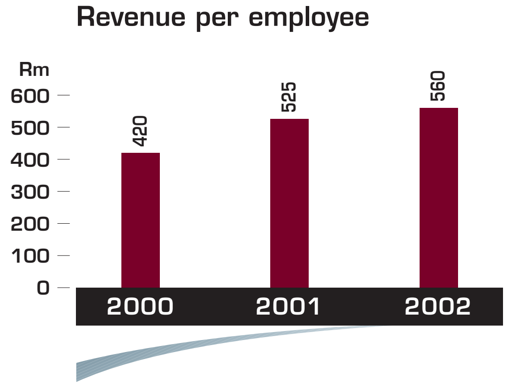
Due to the nature of AST's operations, which are mainly conducted in an office environment, there is little threat to employees' occupational health and safety, but existing policies, for example maintaining smoke-free buildings, are continuously enforced. As a result of the nature of the Group's activities, the AST Group has a very insignificant impact on the environment. Nevertheless, the Group tries to minimise any environmental impact by recycling paper, toner cartridges and conserving energy and water.

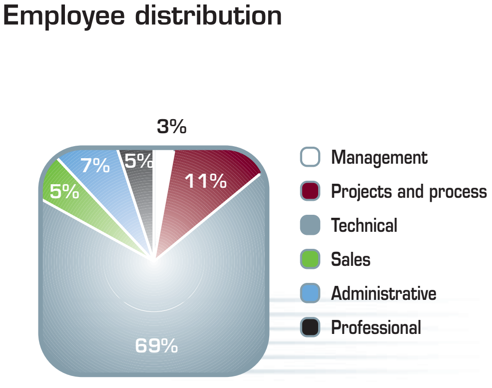
Corporate Finance

Value added report

AST employees

By means of new outsourcing contracts being awarded and acquisitions, 647 people were successfully transitioned into the AST Group.





Client value statements

The AST Group's objective is to create long-term business value for all our clients by applying best-of-breed ICT solutions while remaining well-positioned and flexible, enabling us to support our clients in dealing with the challenges and opportunities in their environments.

Iscor Limited

Louise van der Bank
General Manager: Information Management

"The working partnership between Iscor and the AST Group has always resulted in technology benefits and true business value for Iscor. AST invests in its people. This ensures that AST is able to provide the necessary expertise, whether technical or business, to assist Iscor in the creation of value for its shareholders. Since AST, from top management downwards, understands Iscor's business drivers, it is able to assist Iscor in facing the challenge of simplifying and standardising business processes."

Department of Justice and Constitutional Development

Hassen Ebrahim
MD of Information and System Management

"The AST Group is playing a pivotal role in the modernisation of almost 600 courts throughout South Africa. This project, which is proving to be the envy of other departments, provides the Department of Justice with a state-of-the-art infrastructure that will enhance the ability of the courts to share case information, to access and exchange legal research and to communicate more effectively. The progress thus far has been made possible by a joint effort of the two organisations – a real team effort. Due to mutual co-operation and a common vision, the relationship with AST has become a strategic one and not just another vendor-client relationship. The Department's relationship with AST will continue to grow and prosper in the future."

Products

Samancor Chrome
Sollie Swanepoel
Group IT Manager

"AST's flexible and customised approach has allowed us to become a reference site for our other divisions worldwide. AST knows the environment that we operate in and has brought in the expertise needed to do a job we can be proud of. As a result of AST's excellent change management and thorough communication, the transfer of Samancor employees to AST was managed in a highly professional manner. The transferred employees also received an opportunity to expand their horizons. Samancor may now concentrate on its core business, in the knowledge that, in AST, it has a strategic ICT partner who has the expertise to drive down costs while constantly improving service levels."

SANParks
Hannes Combrink
General Manager: Corporate Finance and Information Systems

"The AST Group has provided a more cohesive approach towards infrastructure and solution building at the South African National Parks, through their capacity and expertise to provide end-to-end solutions throughout South Africa."

Medihelp
Anton Rijnen
Chief Executive Officer

"With the help of AST, Medihelp has successfully implemented a fully integrated IT system in our Call Centre, combining key administrative components in an electronic format to deliver outstanding client service to all our target markets. AST has customised its offering according to Medihelp's needs and provided ample opportunity to test the new system before finally implementing it. During the testing phase, AST supported Medihelp throughout the process, assisting our personnel in acquiring the necessary knowledge and skills to effectively use the system to its full potential. What really impressed Medihelp was the excellent after-sales service that AST provided – AST's personnel never hesitated to assist with queries and problems during the first few months after implementation. The new system allows Medihelp to optimise client service while saving on production costs, as fewer staff members do more work."

Kumba Resources
Andrew McEwan
General Manager Information Management

"The integrated service that the AST Group provides for Kumba Resources enables us to focus on strategic information management as opposed to information technology. This means that Kumba Information Management is able to focus on how information can support the core business."

Absa
Leon du Rand
Group Executive: Group Information Technology

"Absa has entered into a strategic partnership with AST because of its proven ability to consistently reduce total cost of ownership while improving service levels in large-scale outsourcing projects. AST has, in addition, a collaborative approach to doing business and innovative funding structures, which are indicative of a keen understanding of the financial services industry.

"AST-DTS has certainly met the key goals of our strategic partnership, namely to ensure business continuity and to create a world-class working environment for the staff while ensuring a service-first culture. Their delivery of processes, systems and service ethic has gone a long way to meet the total cost of ownership and service improvement objectives we have set."

Group Annual Financial Statements
Part II

Content

Average debtor collection days	Average trade receivables, net of provision for bad debts, divided by revenue.
Cash and cash equivalents	Cash on hand and current accounts in bank, net of bank overdrafts together with any liquid investments readily convertible to known amounts of cash and not subject to significant risk of changes in value.
Cash conversion ratio	Cash generated from operations as a percentage of operating profit before exceptional items, depreciation and amortisation.
Cash from operating activities per ordinary share (cents)	Cash generated from operating activities divided by the weighted average number of ordinary shares in issue.
Current ratio	Current assets divided by current liabilities.
Earnings per share ordinary (cents)	Earnings attributable to ordinary shareholders divided by the weighted average number of ordinary shares in issue.
Effective tax rate (%)	The income statement tax charge as a percentage of profit before tax and amortisation.
Fully diluted earnings	Earnings attributable to ordinary shareholders is increased by the after-tax amount of any profits required by profit warrantees that would result in the issue of the dilutive potential ordinary shares in the future.
Fully diluted earnings per ordinary share (cents)	Earnings attributable to ordinary shareholders and the weighted average number of shares outstanding are adjusted for the effects of dilutive, projected future issues of ordinary shares.
Headline earnings	Earnings attributable to ordinary shareholders before exceptional items.
Headline earnings per ordinary share (cents)	Headline earnings divided by the weighted average number of ordinary shares in issue.
Headline earnings (%)	Headline earnings as a percentage of revenue.
Net asset value per share (cents)	Ordinary shareholders' funds divided by the number of ordinary shares in issue at the year-end.
Number of employees	Permanent and temporary employees employed at year-end, but excluding contractors.
Operating margin before exceptional items (%)	Operating profit before exceptional items as a percentage of revenue.
Operating profit per employee	Operating profit before exceptional items divided by number of employees.
Return on equity (before amortisation) (%)	Headline earnings as a percentage of ordinary shareholders' funds before current year's amortisation charge on intangible assets.
Revenue per employee	Revenue divided by number of employees.

Corporate governance

The AST Group and its Directors affirm their commitment to the principles of openness, integrity and accountability and are committed to providing timely, relevant and meaningful reporting to all stakeholders, to ensure that the Group's business is conducted in accordance with high standards of corporate governance in line with local and internationally accepted corporate practice and that the Group complies with all relevant laws and regulations.

The Directors support the principles of transparency, integrity and accountability advocated by the Code of Corporate Practices and Conduct as set out in the King II Report on Corporate Governance, and the Board has set itself the objective of continuously complying with the guidelines of that Report. In addition, the Board and the individual Directors are in agreement that they have a duty and a responsibility to commit themselves to the principles as set out in the King II Report. An investigation was initiated, after the publication of the King II Report on Corporate Governance, to determine the Group's level of compliance with the report and to address any areas of non-compliance. The Group complies essentially with these requirements. The Board and the sub-committees had previously initiated a series of self-assessment exercises to determine the Group's effectiveness and efficiency. These exercises will continue on an annual basis.

Ethics

A code of ethics for the AST Group was approved by the Board of Directors and this code was made available to all employees within the Group. The Directors and employees of the Group subscribe to and actively promote a corporate spirit that requires them to maintain the highest personal ethical standards and ensures that business is conducted in an irreproachable manner. The AST Group expects its shareholders, competitors, suppliers and bankers/financiers to subscribe to the same high standard of ethics. The Human Resources Director is charged with actively promoting and monitoring the implementation of the code of ethics within the Group.

The AST Group's purpose is to create optimum value for all its stakeholders in a balanced manner, over the long-term, and with impeccable ethics – integrity, honesty and honour are never negotiable.

Its mission is to achieve this through excellence in the application of IT, providing comprehensive, integrated solutions customised to the specific needs of the clients, preferably within partnering relationships.

Board of Directors

The Board is responsible for directing and controlling the Group's strategy and activities and for providing leadership and guidance to executive management and to Business Unit boards. The mandate of the Board is defined and approved and the Board acts accordingly. The delegation of authority to the Chairman is set out in the mandate.

On 1 October 2002, the Board comprised of five executive directors (Messrs de Klerk, van Zyl, Bouwer, Erasmus and Miller), two non-executive directors (Dr Fauconnier and Messrs Macdonald) and four independent directors (Messrs van der Walt, Ndlovu, Lekota and Mouton). The non-executive and independent directors contribute an objective and independent viewpoint on all major decision processes and standards of conduct. The Company initiated formal information sessions for non-executive and independent directors during the previous financial year and the meetings of the non-executive directors' forum will continue. The offices of Chairman and Chief Executive Officer are separated. The executive directors, who are full-time employees, are appointed to the Board to bring to the management and direction of the Group the skills and experience appropriate to its needs as a business.

The Board meets at least quarterly, with additional meetings when necessary, and although specific authority has been delegated to Board Committees and management as appropriate, the Board retains full and effective control over the Company and the Board continues to monitor management's implementation of Board plans and strategies. During the past financial year, Board meetings were held on the following dates:

- 13 August 2001 – apologies offered by Mr Macdonald;
- 6 November 2001 – apologies offered by Mr Macdonald;
- 18 February 2002 – apologies offered by Mr Macdonald;
- 5 March 2002 – apologies offered by Messrs Groeneveld, Vermeulen and Ramatsui;
- 10 April 2002 – apologies offered by Messrs Groeneveld, Vermeulen, Ramatsui, Dr Fauconnier; and
- 8 May 2002 – apologies offered by Mr Macdonald.

All directors have access to the services and advice of the Company Secretary and are entitled to seek independent professional advice, at the Company's expense, on any legislative, regulatory or procedural matter relating to the Company's affairs at any time. The Company Secretary continues to play a pivotal role in corporate governance of the Group and the Board is aware of the importance of this function. The Board also has unrestricted access to all the Group's information, documents and property.

All directors are provided with appropriate and timely information, including detailed Board packs prior to all Board and Board Committee meetings, and updates or changes in JSE rules and other relevant legislation.

Under the Articles of Association of the Company, a staggered rotation of all Directors is followed, with one-third of the Directors retiring every year; if eligible, they may be re-elected. At the last annual general meeting, Messrs Macdonald, van der Walt and Bouwer retired and were re-elected.

Board Committees

Various Board Committees have been established, which operate within the terms of reference defined in writing by the Board. Board Committees have the right to investigate any matter within their written mandates. To ensure that procedures for appointment to the Board are formalised and transparent, a Nomination Committee was established during the past year to assist the Board in this regard. The Committee has already held a formal meeting and various informal discussions.

The Board Committees include the Nomination Committee, the Audit Committee, the Remuneration Committee, the Transformation Committee and the Investment Committee.

The Audit and Nomination Committees are chaired by non-executive Directors, while independent Directors chair the Remuneration and Transformation Committee. In line with the recommendations of the King II Report, the chairperson of each of the Board's committees, especially the Audit, Nomination and Remuneration committees, is expected to be present at the Group's annual general meeting.

Nomination Committee

The Nomination Committee will make nominations to the Board for the appointment of new executive and non-executive Directors, and will make recommendations on the composition of the Board generally and the balance between executive and non-executive Directors. The Committee will also review the Board structure, size, composition and diversity and make recommendations regarding these issues as required. The Committee is also tasked with identifying and nominating candidates to fill Board vacancies and to put succession plans into place. The chairman of the Nomination Committee is Dr Fauconnier. The majority of the members of the Nomination Committee are independent or non-executive Directors. The first formal meeting of the Nomination Committee was held on 30 May 2002 and was attended by all members. The members are Dr Fauconnier, Messrs Ndlovu, van der Walt and de Klerk.

Audit Committee

The Directors' Report contains a statement relating to the Directors' responsibilities. In order to enable the Directors to fulfil these responsibilities, the Audit Committee is responsible for monitoring the adequacy of the Group's financial controls and reporting. It is charged with, inter alia, reviewing the audit plans of the external auditors and those of the internal auditors, ascertaining the extent to which the scope of the audit can be relied upon to detect weaknesses in internal controls, and ensuring that interim and year-end financial reporting meets Generally Accepted Accounting Standards in South Africa. Meetings take place on a regular basis; representatives of the external auditors are invited to these meetings and all members of the Audit Committee have full and unrestricted access to the external auditors. The Audit Committee operates under the chairmanship of a non-executive director and the members are: Messrs Macdonald, van der Walt, de Klerk and van Zyl.

During the past financial year, meetings of the Audit Committee were held as follows:

- 9 August 2001 – apologies offered by Mr de Klerk;
- 1 November 2001 – apologies offered by Mr Macdonald and Mr de Klerk acted as chairman;
- 13 February 2002 – apologies offered by Mr Macdonald and Mr de Klerk acted as chairman;
- 6 May 2002 – attended by all members.

Remuneration Committee

The Remuneration Committee is primarily responsible for formulating the remuneration strategy and policies of the Group and the terms and conditions of employment of executive Directors and senior executives, while the Board of Directors grants final approval of their recommendations.

The Chairman is Mr van der Walt, an independent director, while Professor J Rall, an external consultant, is the other independent member of the committee; neither has any personal interest in the outcome of their decisions. Messrs de Klerk and van Zyl are the other two members of the committee. The Remuneration Committee meets on a quarterly basis and provides the Board of Directors with feedback on their activities. Meetings of the Remuneration Committee took place on the following dates:

- 17 July 2001 – attended by all members;
- 2 November 2001 – attended by all members;

- 12 February 2002 – attended by all members; and
- 2 May 2002 – attended by all members.

Transformation Committee

The role of the Transformation Committee is to assist the Board of Directors in monitoring the employment equity policy and programme, oversees the develop of a social responsibility programme for the Group, to reconsider the current AST bursary programme with emphasis on the development of entry-level graduates from the previously disadvantaged communities and to put forward proposals for means of co-operation between the Group and the various economic empowerment groups. The Transformation Committee, which meets four times a year, is chaired by a independent director, Mr Ndlovu, with three executive directors, namely Messrs de Klerk, van Zyl and Miller. Messrs Ramatsui and Ferreira and Ms Olivier are the other members of the Transformation Committee, as is Ms Mathenjwa, who was appointed as AST's Transformation Manager during the past year. The following meetings of the Transformation Committee took place during the financial year under review:

- 19 October 2001 – apologies offered by Mr Ramatsui and Ms Olivier;
- 14 February 2002 – apologies offered by Mr Miller; and
- 17 May 2002 – apologies offered by Ms Olivier.

Investment Committee

The Investment Committee was established to assist the Board in discharging its responsibilities to grow the business by means of organic and inorganic investments. This is achieved by making sound investments that will maximise shareholder value, while safeguarding the Group's assets against potentially unsuccessful transactions. The Investment Committee assesses and monitors risk relating to mergers, acquisitions and organic investments; assesses and monitors the Group's inorganic growth strategy, approves investment criteria, oversees the setting-up and implementation of the Group's internationalisation strategy, oversees overall investment strategies by ensuring that transactions increase shareholder value and meet the predetermined criteria set by the Board of Directors, provides the Board with an assessment of each transaction approved by it, makes recommendations to the Board regarding transactions that require Board approval and ensures compliance with JSE Securities Exchange South Africa, Reserve Bank and Competition Commission regulations and other statutory requirements. The Chairman of the Investment Committee is Mr de Klerk, with Messrs van Zyl, Erasmus, Bouwer, Mulder, van der Walt, Macdonald and Miller being the other members. During the past financial year, the Investment Committee held the following meetings:

- 19 September 2001 – apologies offered by Mr de Klerk (Mr van Zyl acted as chairman) and Mr Macdonald;
- 27 November 2001 – all members present; and
- 24 January 2002 – apologies offered by Mr Miller.

Executive Committee

The day-to-day operations of the Group is managed by the Executive Committee, which meets on a weekly basis and consists of executive directors and senior managers. The Executive Committee is responsible for recommending the Group's policies and strategies to the Board, and for monitoring their implementation according to the Board's directives. It deals with all executive matters, is responsible for all material matters not specifically reserved for the Board and co-ordinates and monitors the use of resources to achieve the aims of the Group.

Strategic Business Unit boards

The Business Unit boards manage the individual business units according to the business governance model of the Group, as approved by the Executive Committee.

Management maturity is cultivated to enable full delegation, "empowering the people at the coal-face". Employees are encouraged to act as entrepreneurs and co-ordinators who promote synergy. Managers are expected to accept stewardship for the strategy and financial results of their respective business units, while remaining committed to the promotion of the common good.

AST-A Share Incentive Trust

Two independent trustees (Messrs van der Walt and Malan, an outside consultant) manage the AST-A Share Incentive Trust. The Committee meets twice per year. The Committee is responsible for the financial management of the AST-A Share Incentive Trust and for ensuring adherence to the Share Trust Deed.

Risk management

Board responsibilities with regard to risk management

The management of risks is an important aspect of AST's goal of creating wealth for all stakeholders. The approach to risk management as set out in these paragraphs represents the current views of the Directors and executive management in this regard.

In order to adhere to AST's risk philosophy, a holistic approach to risk management is followed by co-ordinating a risk framework that takes into consideration all aspects of risk management. The framework for risk management includes risk measurement, policies and procedures, control structures and management of risks by means of a top-down and bottom-up approach.

Risk management structures

The AST Board of Directors is ultimately responsible for managing risks to acceptable levels within the organisation, bearing in mind the principle that risk and return on investment usually go hand-in-hand. The AST management takes care to ensure that the levels of risk that the Group faces are acceptable, in order to exploit opportunities that will result in the returns expected by stakeholders. The Board of Directors is assisted by the following Board Committees, which are responsible for ensuring that sound risk management policies are followed by the Group.

The role of the Audit Committee in risk management

The Audit Committee supports the Board in maintaining effective control over the total process of risk management, including accounting policies, internal control, financial reporting practices and identification of and exposure to significant financial risks.

The Risk Control Committee

This Committee provides the structures required to guide and co-ordinate the Group-wide management of risks and to assist the business units in attaining their risk management objectives. The Committee furthermore monitors the risks identified in all areas of AST's business activities; it ensures that financial risks are made visible to the Audit Committee and that business risks are reported to the Board.

Strategic Business Unit boards and risk management

The individual business units' senior management teams identify, evaluate and manage risks, on an ongoing basis, to a level that is acceptable to the Group. The focus of the business units differs from that of the Group, since they focus primarily on the strategic and operational risks that could directly impact on the achievement of their business objectives, whereas the Group focuses more on Group related risks, processes and procedures. Risks are reported to the Business Unit boards on a quarterly basis; the Business Unit boards then report to the Board of Directors.

Internal Audit

The Internal Audit Department examines and evaluates the adequacy and effectiveness of the systems of internal control implemented by the Group. Its principle aim is to manage the risks that are significant to the fulfilment of the Group's business objectives. In this way, the company's assets are safeguarded and the value of the shareholders' investments are enhanced. The Group Risk Manager and Internal Auditor source audit staff as required to conduct internal audits. The Audit Committee, relying on substantial input from both the external and internal auditors, plays a major role in advising the Directors on the adequacy and effectiveness of the accounting system, records and internal controls.

Risk management processes

The Board of Directors has established its risk management process which encompasses both the corporate and Business Unit level and has satisfied itself that the Group's risks and those of the individual Business Units are addressed as part of the day-to-day activities of the Group. The Executive Committee and each Business Unit's senior management team identifies, evaluates and manages significant business risks on an ongoing basis and reports to the Board of Directors through existing channels.

Employment equity, worker participation, social responsibility and black economic empowerment

These matters are addressed in detail in the section "Sustainability Reporting."

Stakeholder communication

The Board considers balanced and understandable communication of the Group's activities to stakeholders to be essential and strives to present clearly any matters material to a proper appreciation of the Group's position. The interests and concerns of stakeholders are addressed, whenever possible, by making public information as it becomes known, regardless of the potentially positive or negative impact. The Group also engages in dialogue with institutional investors, based on constructive engagement and mutual understanding of objectives. The Group provides quarterly updates of business progress in the form of AST site visits at the conclusion of the first and third quarters, and bi-annual financial results presentations to the Investment Analysts Society after publication of the interim and annual results. The essence of these communications are also published on JSE SENS.

Share dealings

No Director or employee may deal, whether directly or indirectly, in AST Group shares on the basis of unpublished price-sensitive information. Directors and employees are subject to an embargo on the trade in AST Group shares during certain closed periods.

The closed periods include the periods surrounding finalisation and announcement of the interim financial results and the annual financial results. The Directors and employees are also kept informed of any new stipulations of the Insider Trading Act and JSE rules that are relevant.

STRATE charity shares

Shareholders who find that the cost of selling odd lots or small numbers of shares uneconomical, may wish to consider donating them to charity. An independent, non-profit making organisation, called STRATE Charity Shares, has been established to administer this process. SARS has advised that the value of any shares donated may be deducted from taxable income, as the scheme is registered under Section 18A of the Income Tax Act. For further details, queries and/or donations contact the STRATE Share Call's toll-free help line on 0800 202 363, or +27 11 775 3449 if phoning from outside South Africa, or email charityshares@gscom.co.za.

Remuneration report

Remuneration Committee

The remuneration strategy and policy of the Group is the responsibility of the Remuneration Committee. An independent non-executive director who is assisted by a committee member who is an external specialist from a professional institution chairs the Remuneration Committee. The remuneration and reward of Executive as well as non-executive Directors and senior AST employees are the responsibility of the Committee. The Committee works in close relationship with the AST Human Resources division and makes use of internal as well as external consultation in determining the remuneration strategy and guidelines.

Remuneration policy

The Remuneration Committee adopted a remuneration strategy for the Group giving guidelines to the business and determining the remuneration of the senior executives. The aim of the overall strategy of the Remuneration Committee is to ensure competitive remuneration and incentives for executives and senior management. The remuneration of the Executive Directors consist of guaranteed total cost to company (including all contributions to medical aid and retirement funds), an at risk performance bonus linked to the achievement of financial targets and a longer term deferred delivery share incentive scheme linked to the achievement of agreed balanced scorecard objectives. The Board sanctions no remuneration change or incentive unless approved by the Remuneration Committee.

The Remuneration Committee makes recommendations to the main Board on an annual basis at the beginning of the financial year. Incentives can be awarded twice a year after the interim results and after the financial year-end.

Executive Directors' salaries for 2002

The guaranteed remuneration of the executive Directors includes all contributions to medical and retirement schemes and is reflected as a total cost to company. The Remuneration Committee determines the levels of remuneration annually after industry information is compared in terms of similar positions based on revenue and profit parameters. Refer to page 20 for detailed analysis.

Executive Directors' bonuses

No bonuses were paid to Executive Directors in the 2001/2002 financial year.

Incentive plans

Based on the achievement of balanced scorecard objectives with an EPS performance override, the Executive Directors could have qualified for deferred delivery share options in the financial year. Due to underachievement on the financial objectives, none of the Executive Directors were entitled to any incentive for the 2001/2002 financial year. The deferred options were allocated during the previous financial years at strike prices of R1,95 and R2,30 respectively. Refer to page 20 for detailed analysis.

Non-Executive Directors' remuneration

The fees of the non-executive Directors are approved annually by the Board of Directors on the recommendation the Remuneration Committee.

Executive service contracts

There are no service contracts in place for Executive Directors in excess of three years.

Report of the independent auditors

To the members of
AST GROUP LIMITED

We have audited the annual financial statements and group annual financial statements of AST Group Limited and its subsidiaries set out on pages 7 to 35 for the year ended 30 June 2002. These financial statements are the responsibility of the Company's Directors. Our responsibility is to express an opinion on these financial statements, based on our audit.

Scope

We conducted our audit in accordance with statements of South African Auditing Standards. Those standards require that we plan and perform the audit to obtain reasonable assurance that the financial statements are free of material misstatement. An audit includes:

– examining, on a test basis, evidence supporting the amounts and disclosures in the financial statements;
– assessing the accounting principles used and significant estimates made by management; and
– evaluating the overall financial statement presentation.

We believe that our audit provides a reasonable basis for our opinion.

Audit opinion

In our opinion, the financial statements fairly present, in all material respects, the financial position of the Company and the Group at 30 June 2002 and the results of its operations and cash flows for the year then ended in accordance with Statements of Generally Accepted Accounting Practice in South Africa, and in the manner required by the South African Companies Act, 1973.

PricewaterhouseCoopers Inc

PricewaterhouseCoopers Inc
Registered Accountants and Auditors
Chartered Accountants (SA)
Pretoria

12 August 2002

Directors' responsibility

for the year ended 30 June 2002

In accordance with Companies Act requirements, the Directors are required to prepare annual financial statements that conform to Generally Accepted Accounting Practice in South Africa and that fairly present the state of affairs of the Company and the Group as at the end of the financial year, and of the profit or loss for that period.

The Directors are ultimately responsible for the system of internal controls. The Directors delegate day-to-day responsibility for internal control to management. Standards and systems of internal control are designed and implemented by management to provide reasonable assurance as to the integrity and reliability of the financial statements and to adequately safeguard, verify and maintain accountability of the Group's assets. Appropriate accounting policies, supported by reasonable and prudent judgements and estimates, are applied on a consistent and going-concern basis. These systems and controls include the proper delegation of responsibilities within a clearly defined framework, effective accounting procedures and adequate segregation of duties.

Internal controls are monitored throughout the Group. Greater detail of the Group's systems and controls is provided in the Corporate Governance Statement.

Based on the information and explanations given by management, the Directors are of the opinion that the accounting controls are adequate and that the financial records may be relied upon in preparing the financial statements and maintaining accountability for the Group's assets and liabilities. The full extent of the losses in Namibia were only detected in the last quarter of the year. However, remedial action was taken in the region. Apart from this loss, nothing has come to the attention of the Directors to indicate that any breakdown in the functioning of these controls, resulting in material loss to the Group, has occurred during the year. The Directors have a reasonable expectation that the Company has adequate resources to continue in operational existence for the foreseeable future. For this reason, they continue to adopt the going-concern basis in preparing the financial statements.

The independent auditors concur with the above statements by the Directors.

The financial statements which appear on pages 7 to 35 were approved by the Board of Directors on 12 August 2002 and signed on its behalf by:

JJ van Zyl

G J de Klerk	**J J van Zyl**	**M W Mulder**
Chairman	*Chief Executive Officer*	*Chief Financial Officer*

Group Secretary's certification

for the year ended 30 June 2002

The Group Secretary certifies that AST Group Limited has lodged with the Registrar all such returns as are required of a public company in terms of the Companies Act 61 of 1973. All such returns are correct and up to date.

J C Rademan
Group Secretary

Directors' report

Your directors have pleasure in submitting the annual financial statements of the Company and the Group for year ended 30 June 2002 and report as follows:

Nature of business

AST Group Limited is the holding company for the interests of the AST Group. A more detailed description of the nature of the business is provided in the Chief Executive Officer's review.

Group results

A general review of the operations of the major business units is given in the Chief Executive Officer's review.

Revenue increased by 47% to R2,2 billion from R1,51 billion and headline earnings per share declined by 19,9% to 20,08 cents per share compared to 25,06 cents per share in 2001. Net asset value per share declined by 12,5% to 58,48 cents per share.

Dividends

To date, it has been the AST Group's policy not to pay dividends and all earnings generated by the Group have been utilised to fund future growth and development. The dividend policy was recently reviewed by a working committee of the Board of Directors and it was decided, in principle, subject to the financial parameters of current ratio and liquidity, to approve the payment of dividends in future years. There will, however, be no dividend payments for the 2002 financial year.

Subsidiary undertakings

The interests in subsidiary companies, where considered material in the light of the Group's financial position and results, are set out in page 35.

Acquisitions and disposals during the year

The Group entered into the following acquisition agreements during the course of the financial year:

- ACMS Canada, ACMS South Africa (Pty) Ltd and RTTM Mining Consultants: The Group acquired the businesses of these companies as a going concern;
- A-Fin Capital (Pty) Ltd: The Group acquired the entire issued share capital and claims against the company;
- AST WebAccess (Pty) Ltd: The Group entered into agreements with Liberty Moon Investments 34 (Pty) Ltd trading as iWeb to establish a joint venture company, AST WebAccess (Pty) Ltd, in terms of which the Group owns 60% of the issued share capital in the joint venture company;
- EBIT Solutions: The Group acquired the business of EBIT Solutions as a going concern;
- End-to-End Logistics: The Group acquired the business of End-to-End Logistics as a going concern;
- Estra Systems: The Group entered into an agreement with Messrs K Weistra and A P Esterhuizen to acquire the business of Estra Systems as a going concern, which business is being conducted under the name AST Contractor Management Solutions (Pty) Ltd;
- Marknet Occupational Health and Safety Systems 2000 (Pty) Ltd: acquired the entire issued share capital and claims against the company;
- Nemotech (Pty) Ltd: The Group entered into an agreement in terms of which the Group acquired 51% of the issued share capital in the company, which was subsequently renamed to AST Smart Card Solutions (Pty) Ltd;
- Philips Telecommunications and Data Systems (Pty) Ltd: The Group acquired the entire issued share capital and claims against the company, which was subsequently renamed to AST Business Communications (Pty) Ltd;
- ProcureTrade Holdings (Pty) Ltd: The Group obtained the entire issued share capital and claims against the company;
- The Trading Desk: The Group acquired the treasury business conducted under the name "The Trading Desk" as a going concern from TTD Technologies (Pty) Ltd.

The Group also entered into agreements in terms of which it disposed of the following assets:
- e-Bisonline (Pty) Ltd: sold the 30% interest that the Group held in the company;
- Lidonga IT Solutions (Pty) Ltd: sold the 40% interest that the Group held in the company;
- ProcureTrade Holdings (Pty) Ltd: disposed of 74% of the ownership in this company in terms of a management buy-out.

Directorate and management

The names of the Directors and their biographical details appear under the section "Board of Directors" on page 5.

The following changes in the directorate have taken place since the last annual report:

Resignations

Constance Nkosi resigned 29 January 2002
Phillipus Daniel Vermeulen resigned 12 June 2002
John Ramatsui resigned 24 June 2002. (Joined the AST Executive Committee)
Marthinus Wessel Mulder resigned 1 October 2002. (Remains on AST Executive Committee)
Johannes Groeneveld resigned 1 October 2002. (Remains on AST Executive Committee)

Appointments

Johannes Frederikus Mouton was appointed on 12 June 2002.
Mofasi Lekota was appointed on 1 October 2002.

Group secretary and registered office

The Group Secretary is Johan Cornelius Rademan. The address of the Secretary and the registered address of the Company appear on the inside back cover.

Interest of Directors in the capital of the Company

At 30 June 2002, the Directors of AST held in aggregate 88 659 041 AST shares. The following Directors held shares in the Company

	30 June 2002				30 June 2001			
	Beneficial direct	**Beneficial indirect**	**Non-beneficial**	**Total**	Beneficial direct	Beneficial indirect	Non-beneficial	Total
G J de Klerk	**10 100 000**	**9 400 000**	**15 100 000**	**34 600 000**	12 600 000	9 400 000	11 100 000	33 100 000
J Groeneveld	**13 833 400**	**15 510 000**	**–**	**29 343 400**	13 833 400	15 510 000	–	29 343 400
J J van Zyl	**2 526 000**	**14 860 800**	**2 000 000**	**19 386 800**	2 526 000	14 760 800	2 000 000	19 286 800
J C L van der Walt	**296 715**	**2 000 000**		**2 296 715**	–	2 000 000		2 000 000
M G Erasmus	**1 830 126**	**33 000**	**–**	**1 863 126**	1 830 126	33 000	–	1 863 126
P W J Bouwer	**860 000**	**–**	**–**	**860 000**	860 000	–	–	860 000
J E Miller	**309 000**	**–**	**–**	**309 000**	309 000	–	–	309 000
				88 659 041				86 762 326

Share capital

The Group had an issued share capital of 575 046 474 shares on 30 June 2002. During the year, 20 923 555 ordinary shares were issued in part funding of acquisitions.

STRATE (share transactions totally electronic)

The Company's shares were dematerialised on 9 July 2001, with electronic trading commencing on 30 July 2001 and first electronic settlements taking place on 6 August 2001.

Fixed assets

There was no change in the nature of the fixed assets of the Group or in the policy regarding their use.

Post-balance sheet events

No post-balance sheet events noteworthy to report have occurred.

Special resolutions

The following special resolution was passed at an annual general meeting of the Company held on 7 November 2001, resolving:

"That the directors shall have a general authority to contract the Company or any of its subsidiaries to acquire shares in the Company issued by it, when the directors consider it appropriate under the circumstances subject to the following:

- This authority shall not endure beyond the next annual general meeting of the Company, provided that it should also not extend beyond 15 (fifteen) months from the date of this meeting;
- The repurchase of shares being implemented on the open market of the JSE Securities Exchange South Africa;
- The aggregate percentage of issued shares which the Company or any of its subsidiaries may acquire shall not exceed 10% (ten percent) of the Company's ordinary issued capital at the time of this meeting;
- Repurchases may not be made at a price more than 5% (five percent) above the weighted average of the market value of the shares for the 5 (five) business days immediately preceding the date of repurchase;
- Any acquisition shall be subject to:
- the Companies Act, as amended;
- the rules and requirements of the JSE Securities Exchange South Africa and any other applicable securities exchange, as may be amended from time to time; and any other relevant authority."

Contracts

No contracts in which Directors and officers of the Company had an interest and which significantly affected the affairs or business of the Company or any of its subsidiaries were entered into during the period.

Management by third parties

No third person or any company in which a Director had an interest has managed any of the businesses of the Company or its subsidiaries during the reporting period.

Auditors

PricewaterhouseCoopers Inc will continue in office as external auditors of the Group in accordance with section 270(2) of the Companies Act.

Going concern

The Board has satisfied itself that the Group has adequate future annuity revenue, a budget for the next year reflecting growth on the current year's results and a cash forecast that indicates that the Group will be able to honour all its liabilities. The Group's financial statements have accordingly been prepared on a going-concern basis.

Accounting policies

The following are the principal accounting policies of the Group, which are consistent in all material respects with those applied in the previous year, except as otherwise indicated.

1. Basis of preparation

The consolidated and Company financial statements are prepared in accordance with and comply with Statements of General Accepted Accounting Practice (GAAP) in South Africa. The consolidated and Company financial statements are prepared under the historical cost convention as modified by the revaluation of certain property, plant and equipment, marketable securities and investment properties.

2. Consolidation

Subsidiary undertakings, which are those companies in which the Group, directly or indirectly, has an interest of more than one half of the voting rights or otherwise has power to exercise control over the operation, have been consolidated. Subsidiaries are consolidated from the date on which effective control is transferred to the Group and are no longer consolidated from the date that control ceases. All intercompany transactions, balances and unrealised surpluses and deficits on transactions between Group companies have been eliminated. Where necessary, accounting policies for subsidiaries have been changed to ensure consistency with the policies adopted by the Group. Separate disclosure is made of minority interests.

Effective control is defined as the power to govern the financial and operating policies of a subsidiary so as to obtain benefits from its activities.

3. Investment in associates

Investments in associated undertakings are accounted for by the equity method of accounting. These are undertakings over which the Group has between 20% and 50% of the voting rights, and over which the Group exercises significant influence, but which it does not control. Provisions are recorded for impairment in the carrying value.

Equity accounting involves recognising in the income statement the Group's share of the associate's profit or loss for the year. The Group's interest in the associate is carried in the balance sheet at an amount that reflects its share of the net assets of the associate and includes goodwill on the acquisition.

4. Joint venture

Investments in a jointly controlled entity are accounted for by way of the proportionate consolidation method whereby the Group's proportionate share of the assets, liabilities, revenues and expenses of joint ventures are combined on a line-by-line basis, with similar items in the financial statements of the Group. The results of joint ventures are included from the effective dates of their acquisition and up to the effective dates that control ceases.

5. Investments

Investments are stated at cost less any provisions for impairment. Dividends are accounted for on the last day for registration in respect of listed investments and when declared in respect of unlisted investments. On the disposal of an investment, the difference between the net disposal proceeds and the carrying amount is charged or credited to the income statement.

6. Property, plant and equipment

Property, plant and equipment are stated at historical cost less accumulated depreciation. Depreciation is calculated on the straight-line method to write off the cost of each asset to its residual value, over its estimated useful life as follows:

	Annual rates
Buildings	2,0%
Furniture, fittings and office equipment	16,6%
Electronic and computer equipment and software	33,3%
Leasehold improvements	20,0%
Mainframe equipment and software	20,0%
Vehicles	25,0%

Expenditure on additions and improvements to tangible property, plant and equipment including the cost of related licences is capitalised for major projects on the basis of measured work completed and for all other projects as the expenditure is incurred. Items of equipment with a purchase price less than R1 000 is expensed directly against operating income.

Gains or losses on disposal of property, plant and equipment are taken into account in determining operating profit.

Due to the issue of AC 135, which distinguishes between owner-occupied buildings and investment properties, the Group changed the classification of its buildings from investment properties to owner-occupied buildings. Owner-occupied buildings are treated in accordance with the requirements of AC 123 and are depreciated at 2% on the straight-line method. This constitutes a change in accounting policy and comparative figures have been restated.

7. Goodwill

Goodwill represents the excess of the cost of an acquisition over the fair value of the Group's share of the net assets of the acquired subsidiary/associated undertaking or business at the date of acquisition. Goodwill on acquisitions is reported in the balance sheet as an intangible asset and is amortised using the straight-line method over its estimated useful life or the post acquisition warranty period, whichever is more appropriate, but not exceeding six years.

The post-acquisition warranty period is only used when an acquisition is not integrated with an existing business and the investment is separately identifiable. When an acquisition is integrated with an existing business the goodwill is written-off in total in the year of acquisition.

The carrying amount of goodwill is reviewed annually and written down for impairment losses.

The gain or loss on disposal of an entity includes the unamortised balance of goodwill relating to the entity disposed of.

8. Borrowing costs

Interest costs are charged against income in the period in which they are incurred.

9. Leased assets

Leases of property, plant and equipment where the Group assumes substantially all the benefits and risks of ownership are classified as finance leases. Assets leased in terms of finance lease agreements are capitalised at amounts equal at the inception of the lease to the fair value of the leased property, or, if lower, at the present value of the minimum lease payments and are depreciated in accordance with the policies acceptable to equivalent property, plant and equipment. The corresponding rental obligations, net of finance charges, are included in long-term liabilities. Lease finance charges are amortised over the duration of the leases by using constant periodic rate of interest on the remaining balance of the liability for each period. The interest element of the finance charge is charged to the income statement over the lease period.

Leases under which the lessor effectively retains the risks and benefits of ownership are classified as operating leases. Obligations incurred under operating leases are charged to the income statement in equal instalments over the period of the lease, except when an alternative method is more representative of the time pattern from which benefits are derived.

10. Inventories

Inventories are valued at the lower of cost or estimated net realisable value. Estimated net realisable value is the estimated selling price in the ordinary course of business less any costs of completion or disposal. Cost is determined on the following basis:

Raw materials and consumable stores are valued at average cost.

The cost of work in progress comprises raw materials, direct labour, other direct costs and related overheads.

Obsolete redundant and slow moving inventory is identified and written down to their estimated net realisable value.

11. Deferred tax

Deferred tax is provided in full, using the liability method, on temporary differences arising between the tax bases of assets and liabilities and their carrying values for financial reporting purposes. Tax rates enacted or substantially enacted by the balance sheet date are used to determine the deferred income tax.

Deferred tax liabilities are recognised for all taxable temporary differences, unless the deferred tax liabilities arises from:

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

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

– is not a business combination; and

– at the time of the transaction, affects neither accounting profit nor taxable profit.

12. Foreign currencies

Transactions in foreign currencies are accounted for at the rates of exchange ruling on the date of the transactions. Gains and losses arising from the settlement of such transactions and from the translation of monetary assets and liabilities denominated in foreign currencies are recognised in the income statement.

13. Accounting for foreign entities

Income statements of foreign entities are translated into the Group's reporting currency at average exchange rates for the year and the balance sheets are translated at the closing exchange rates ruling on 30 June.

Exchange differences arising from the translation of the net investment in foreign subsidiaries and associated undertakings are taken to a translation reserve in shareholders' equity. On disposal of the foreign entity such translation differences are recognised in the income statement as part of the gain or loss of sale.

Goodwill and fair value adjustments arising on the acquisition of a foreign entity are treated as assets and liabilities of the foreign entity and translated at the closing rate.

14. Employee benefit information

The Group operates a defined contribution pension plan, the assets of which are held in separate trustee-administered funds. The Board of Trustees of the Fund are employees of the Group in order to ensure independence.

The Group's contributions to the defined contribution pension plan are charged to the income statement in the year to which they relate. External advisors ensure that the strategies and investment process maximise value for their members.

15. Revenue recognition

Revenue comprises the invoiced value of sales and services rendered and exclude investment and other non-operating income and value added taxation. Consolidated revenue excludes sales to Group companies.

Revenue from the sale of software licences, goods and services is recognised when the significant risks and rewards of ownership of the goods are transferred to the buyer in accordance with the substance of the relevant agreement.

Revenue from long-term and fixed-price contracts is recognised on the stage of completion basis or based on the achievement of certain agreed or contracted milestones. The stage of completion is determined by reference to the time spent to date in relation to the total estimated time and materials required to complete the contract or milestones agreed with customers.

Revenue on time and materials contracts is recognised based on the actual time spent and materials used to date.

16. Finance lease income

Assets held under a finance lease are recognised in the balance sheet and presented as a receivable at an amount equal to the present value of future lease payments. The difference between the gross receivable and the cost of the assets is recognised as unearned finance income. Finance income is recognised based on a pattern reflecting a constant periodic rate of return on the net investment outstanding in respect of the finance lease.

17. Research and development costs

Research and development expenditure is recognised as an expense except for costs incurred on development projects that are recognised as development costs (intangible assets) to the extent that such expenditure is expected to have future benefits. However, development costs initially recognised as an expense are not recognised as an asset in a subsequent period.

Development costs that have been capitalised are amortised from the commencement of the commercial production of the product to which they relate on a straight-line basis over the period of their expected benefit but not exceeding ten years.

18. Provisions

Provisions are recognised when the Group has a present legal or constructive obligation as a result of past events, it is probable that an outflow of resources embodying economic benefits will be required to settle the obligation, and a reliable estimate of the amount of the obligation can be made.

Employee entitlements to annual leave are recognised when they accrue to employees. A provision is made for the estimated liability for annual leave as a result of services rendered by employees up to the balance sheet date.

19. Financial instruments

Financial instruments carried on the balance sheet include cash and bank balances, investments, receivables, trade creditors, borrowings and derivative instruments.

The particular recognition methods adopted are disclosed in the individual policy statements associated with each item.

The Group is also party to financial instruments that reduce exposure to fluctuations in foreign currency exchange and interest rates. These investments, which mainly comprise foreign currency forward contracts and interest rate swap agreements, are not recognised in the financial statements on inception. The purpose of these instruments is to reduce risk.

Foreign currency forward contracts protect the Group from movements in exchange rates by establishing the rate at which a foreign currency asset or liability will be settled. Any increase or decrease in the amount required to settle the asset or liability is off-set by a corresponding movement in the value of the forward exchange contract. The gains and losses are therefore offset for financial reporting purposes and are not recognised in the financial statements. The fee incurred in establishing each agreement is amortised over the contract period.

Interest rate swap agreements protect the Group from movements in interest rates. Any differential to be paid or received on an in interest rate swap agreement is recognised as a component of interest revenue or expense over the period of the agreement. Gains and losses on early termination of interest rate swaps or on repayment of the borrowing are recognised in the income statement.

Accounting for derivative instruments and hedging activities

All derivatives are recognised on the balance sheet at their fair value. All derivative contracts held by the Group are hedges of forecasted transactions (cash flow hedges). Derivative instruments are not entered into for trading or speculative purposes.

Changes in the fair value of a derivative that is highly effective, and that qualifies as a cash flow hedge, are recognised directly in equity (hedging reserve). Amounts deferred in equity are included in the income statement in the same periods during which the hedged firm commitment or forecasted transaction affects the net profit or loss.

The Group formally documents all relationships between hedging instruments and hedged items, as well as its risk management objective and strategy for undertaking various hedge transactions. This process includes linking all derivatives designated as hedges to specific firm commitments or forecasted transactions. The Group also formally assesses, both at the hedge inception and on an ongoing basis, whether the derivatives that are used in hedging transactions are highly effective in offsetting changes in fair values or cash flows of hedged items in fair values or cash flows or hedged items.

Details of the nature and amounts of the various derivative instruments used for hedging purposes are disclosed in note 28. Movements in the hedging reserve are shown in the statement of changes in equity.

20. Cash and cash equivalents

For the purposes of the cash flow statement, cash includes cash on hand, deposits held on call with banks, investments in money market instruments, and net of bank overdrafts.

21. Comparative figures

Where necessary, comparative figures have been adjusted to conform to changes in presentation in the current year.

With the exception of AC 135 (investment properties) there were no changes in accounting policy that affect operating profit.

	Notes	Group 2002 R'000	Group 2001 R'000	Company 2002 R'000	Company 2001 R'000
Assets					
Non-current assets		**602 219**	554 060	**270 727**	248 839
Property, plant and equipment	7	**164 683**	133 102	**–**	–
Interest in subsidiary company	8	**–**	–	**270 727**	244 839
Interest in associate companies	9	**604**	12 149	**–**	–
Investments and loans	10	**24 245**	21 167	**–**	4 000
Intangible assets	11	**281 498**	261 192	**–**	–
Deferred tax asset	12	**131 189**	126 450	**–**	–
Current assets		**551 253**	500 860	**4 113**	110
Rental assets	13	**34 915**	11 375	**–**	–
Inventories	14	**30 452**	18 950	–	–
Accounts receivable	15	**374 155**	309 577	**113**	110
Cash and cash equivalents	16	**111 731**	160 958	**4 000**	–
Total assets		**1 153 472**	1 054 920	**274 840**	248 949
Equity and liabilities					
Capital and reserves		**336 264**	370 162	**274 840**	248 949
Ordinary share capital	17	**58**	55	**58**	55
Share premium	18	**253 519**	228 359	**273 582**	248 130
Distributable reserves	19.1	**78 278**	144 788	**1 200**	764
Non-distributable reserves	19.2	**4 409**	(3 040)	**–**	–
Minority interest	20	**60 960**	55 814	**–**	–
Non-current liabilities		**125 230**	112 959	**–**	–
Interest-bearing liabilities	21	**86 656**	62 290	**–**	–
Amounts due to vendors	22	**25 667**	46 168	**–**	–
Deferred tax liability	23	**12 907**	4 501	**–**	–
Current liabilities		**631 018**	515 985	**–**	–
Accounts payable	24	**562 666**	417 076	**–**	–
Amounts due to vendors	22	**46 563**	60 999	**–**	–
Tax liability		**21 789**	37 910	**–**	–
Total equity and liabilities		**1 153 472**	1 054 920	**274 840**	248 949
Net asset value per ordinary share (cents)		**58,48**	66,80	**–**	–
Fully diluted net asset value per ordinary share (cents)		**55,53**	63,82	**–**	–

Income statements
for the year ended 30 June 2002

		Group		Company	
		2002	2001	**2002**	2001
	Notes	**R'000**	R'000	**R'000**	R'000
Revenue		**2 219 650**	1 513 542	**–**	–
Cost of sales		**(1 699 222)**	(1 261 481)	**–**	–
Gross profit		**520 428**	252 061	**–**	–
Operating expenses		**(366 615)**	(68 250)	**–**	–
Earnings before exceptional items	2	**153 813**	183 811	**–**	–
Loss on sale and discontinuance of business	2	**(30 184)**	(1 197)	**–**	–
Operating profit		**123 629**	182 614	**–**	–
Net (finance cost)/interest received	3	**(3 432)**	1 923	**436**	436
Share of results of associates	9	**(2 619)**	69	**–**	–
Profit before tax and amortisation		**117 578**	184 606	**436**	436
Amortisation of goodwill	11	**(138 179)**	(126 547)	**–**	–
(Loss)/profit before tax		**(20 601)**	58 059	**436**	436
Tax	4	**(29 605)**	(41 342)	**–**	–
(Loss)/profit after tax		**(50 206)**	16 717	**436**	436
Minority interest	20	**(4 674)**	(814)	**–**	–
Net (loss)/profit for the year		**(54 880)**	15 903	**436**	436
(Loss)/earnings per ordinary share (cent)	5	**(9,79)**	2,89	**–**	–
Fully diluted (loss)/earnings per ordinary share (cent)	5	**(9,06)**	2,74	**–**	–
Headline earnings per ordinary share (cent)	5	**20,08**	25,06	**–**	–
Fully diluted headline earnings per ordinary share (cent)	5	**18,59**	23,77	**–**	–

		Group		Company	
		2002	2001	**2002**	2001
	Notes	**R'000**	R'000	**R'000**	R'000
Operating activities					
Cash generated from operations	32.1	**252 954**	172 278	**–**	–
Interest received		**10 878**	12 008	**–**	–
Finance costs		**(14 310)**	(10 085)	**–**	–
Normal tax paid		**(43 433)**	(11 975)	**–**	–
Cash from operating activities		**206 089**	162 226	**–**	–
Investment activities					
Acquisition of subsidiaries and businesses	32.2	**(131 661)**	(185 721)	**–**	–
Increase in/redemption of unlisted investments		**(546)**	(4 014)	**4 000**	–
Additions to property, plant and equipment		**(72 292)**	(77 185)	**–**	–
Proceeds from the sale of property, plant and equipment		**3 680**	2 233	**–**	–
Additions to rental assets		**(94 304)**	(27 770)	**–**	–
Proceeds from the sale of rental assets		**65 518**	16 435	**–**	–
Additions to intangible assets		**(13 468)**	(4 670)	**–**	–
Cash used in investment activities		**(243 073)**	(280 692)	**4 000**	–
Financing activities					
Purchase of treasury shares		**–**	(6 570)	**–**	–
(Repayments of)/proceeds from long-term borrowings		**(12 243)**	82 043	**–**	–
Cash (used in)/from financing activities		**(12 243)**	75 473	**–**	–
Net (decrease)/increase in cash and cash equivalents		**(49 227)**	(42 993)	**4 000**	–
Cash and cash equivalents at the beginning of the year		**160 958**	203 951	**–**	–
Cash and cash equivalents at the end of the year		**111 731**	160 958	**4 000**	–

Statements of changes in equity

for the year ended 30 June 2002

	Group		Company	
	2002	2001	**2002**	2001
	R'000	R'000	**R'000**	R'000
Share capital	**58**	55	**58**	55
Balance at the beginning of the year	**55**	55	**55**	55
New shares issued during the year	**3**	–	**3**	–
Share premium	**253 519**	228 359	**273 582**	248 130
Balance at the beginning of the year	**228 359**	220 920	**248 130**	234 121
Premium on new shares issued during the year	**52 880**	18 885	**52 880**	18 885
Share issue expenses written off	**(246)**	(830)	**(246)**	(830)
Movement in amounts due to vendors	**(27 182)**	(4 046)	**(27 182)**	(4 046)
Purchase of treasury shares	**(292)**	(6 570)	**–**	–
Distributable reserves	**78 278**	144 788	**1 200**	764
Retained earnings	**87 009**	141 889	**1 200**	764
Balance at the beginning of the year	**141 889**	125 986	**764**	328
– as shown previously	**143 026**	126 544	**764**	328
– adjusted for AC 135	**(1 137)**	(558)	**–**	–
Net (loss)/profit for the year	**(54 880)**	15 903	**436**	436
Foreign entity translation reserve	**(8 731)**	2 899	**–**	–
Balance at the beginning of the year	**2 899**	733	**–**	–
Currency translation differences for the year	**(11 630)**	2 166	**–**	–
Non-distributable reserves	**4 409**	(3 040)	**–**	–
Foreign entity translation reserve	**10 360**	(3 040)	**–**	–
Balance at the beginning of the year	**(3 040)**	354	**–**	–
Currency translation differences for the year	**13 400**	(3 394)	**–**	–
Deferred hedging reserve	**(5 951)**	–	**–**	–
Balance at the beginning of the year	**–**	–	**–**	–
Losses on hedging instruments for cash flow hedges	**(5 951)**	–	**–**	–
Balance at the end of the year	**336 264**	370 162	**274 840**	248 949

	2002 Revenue R'000	2002 Operating profit/loss R'000	2001 Revenue R'000	2001 Operating profit/loss R'000
1. Segment information				
IT solutions	**1 110 090**	**153 917**	860 197	192 404
Infrastructure	**1 067 012**	**145 308**	653 345	105 059
Secured transaction services	**10 942**	**(2 560)**	–	–
Business services	**31 606**	**(2 599)**	–	–
Support overheads	**–**	**(140 253)**	–	(113 652)
	2 219 650	**153 813**	1 513 542	183 811

The parent company is registered in South Africa where the main operating activities of the Group are located.

	2002 Revenue R'000	2001 Revenue R'000
Mining	**291 356**	181 625
Manufacturing	**443 252**	363 249
Health	**42 180**	30 271
Telecommunications	**205 020**	90 812
Financial services	**699 700**	408 656
Government	**347 222**	242 166
Other	**190 920**	196 763
	2 219 650	1 513 542

Reconciliation of segment results with the net (loss)/profit for the year	**2002 R'000**	2001 R'000
Segment results	**153 813**	183 811
Loss on sale and discontinuance of business	**(30 184)**	(1 197)
Net (finance costs)/interest received	**(3 432)**	1 923
Share of results of associates	**(2 619)**	69
Profit before tax and amortisation	**117 578**	184 606
Amortisation of goodwill	**(138 179)**	(126 547)
(Loss)/profit before tax	**(20 601)**	58 059
Tax	**(29 605)**	(41 342)
Loss/profit after tax	**(50 206)**	16 717
Minority interest	**(4 674)**	(814)
Net (loss)/profit for the year	**(54 880)**	15 903

Assets and liabilities are not individually shown as they are not separately identifiable. The capital base of the Group is managed as a whole with only working capital managed at segment level.

2. Profit from operations

Operating profit is arrived at after taking into account:

	2002 R'000	2001 R'000
Revenue from:		
– Sale of goods	**284 198**	196 761
– Rendering of services	**1 935 452**	1 316 781
	2 219 650	1 513 542
Revenue from:		
– Sale of goods (%)	**13**	13
– Rendering of services (%)	**87**	87

	Group		Company	
	2002	2001	**2002**	2001
	R'000	R'000	**R'000**	R'000

2. Profit from operations (continued)

Auditors' remuneration:				
– Audit fees	**1 568**	989	**–**	–
– Other services	**390**	263	**–**	–
– Expenses	**104**	45	**–**	–
	2 062	1 297	**–**	–
Depreciation: Property, plant and equipment				
– Land and buildings – owned	**679**	614		
– Computer equipment – owned	**37 143**	28 294	**–**	–
– Computer equipment – leased	**2 579**	130	**–**	–
– Furniture, fittings and office equipment – owned	**3 794**	2 209	**–**	–
– Office equipment – owned	**2 468**	1 193	**–**	–
– Motor vehicles – owned	**1 786**	394	**–**	–
– Leasehold improvements	**2 374**	2 094	**–**	–
	50 823	34 928	**–**	–
Depreciation: Rental assets				
– Computer equipment – owned	**5 202**	4 633	**–**	–
– Furniture, fittings and office equipment – owned	**29**	11	**–**	–
– Motor vehicles – owned	**16**	16	**–**	–
	5 247	4 660	**–**	–
Foreign exchange gains and (losses)	**22 198**	(135)	**–**	–

The foreign exchange gain resulted mainly from the revaluation of inter group AUD loan balances at the spot rate of 5 744 on 30 June 2002. These loans will be collectable in the short-term.

Loss on sale and discontinuance of business	**30 184**	1 197	**–**	–
Tax effect	**–**	–	**–**	–
Minority interest	**–**	–	**–**	–
	30 184	1 197	**–**	–

During the year the investment in e-Ventures was sold for a loss of R23 million. This formed part of the Group's strategy to close, sell or integrate all its e-Ventures. R7 million of costs were incurred relating to the closure of the Australian head office.

Provision for restructuring costs	**1 000**	–	**–**	–
Tax effect	**–**	–	**–**	–
Minority interest	**–**	–	**–**	–
	1 000	–	**–**	–

During the year a decision was made to close A-Fin Capital (Pty) Ltd as part of closing down the e-Ventures. The provision for restructuring costs include provision for retrenchment packages. The business was closed on 31 August 2002

Fees for services:				
– Secretarial	**418**	632	**–**	–
– Professional	**2 604**	1 906	**–**	–
	3 022	2 538	**–**	–
Operating leases:				
– Land and buildings	**15 600**	10 035	**–**	–
– Furniture, fittings and office equipment	**3 551**	406	**–**	–
	19 151	10 441	**–**	–

During the 2001 financial year the Group entered into a major property rental agreements with Zenprop Property Holdings (Pty) Ltd and Charmond Investments (Pty) Ltd. The rental agreements expire in March 2012 and October 2005 respectively. Various other smaller rental agreements are in place and expire between 2002 and 2005. The Group's total rent per month amounts to R1 306 002 and escalates by approximately 8% per annum.

2. Profit from operations (continued)

Future minimum lease payments	Not later than 1 year	Later than 1 year and not later than 5 years	Later than 5 years	Total
June 2002	16 567	43 190	91 481	151 238
June 2001	13 438	46 398	143 954	203 790

		2002			2001
Directors' emoluments:	Director's fees R'000	Basic salary R'000	Retirement and other benefits R'000	Total R'000	Total R'000
Executive directors					
P W J Bouwer	–	1 427	–	1 427	836
G J de Klerk	–	1 426	–	1 426	836
M G Erasmus	–	1 102	–	1 102	626
J Groeneveld	–	1 195	–	1 195	817
J E Miller	–	1 071	–	1 071	630
M W Mulder	–	1 323	–	1 323	685
J Ramatsui	–	641	–	641	358
J J van Zyl	–	1 408	–	1 408	808
P D Vermeulen	–	1 218	–	1 218	610
Non-executive directors		–			
C J Fauconnier	27	–	–	27	4
M Macdonald	27	–	–	27	27
S P Ndlovu	88	–	–	88	4
C Nkosi	13	–	–	13	–
J C L van der Walt	64	–	–	64	43
	219	10 811	–	11 030	6 284

	Number of options held June 2000 '000	Number of options held June 2001 '000	**New option allocated during 2002 '000**	**Number of options held 30 June 2002 '000**
Executive directors				
P W J Bouwer	160	461	**–**	**621**
G J de Klerk	425	990	**–**	**1 415**
M G Erasmus	340	396	**–**	**736**
J Groeneveld	340	495	**–**	**835**
J E Miller	–	297	**–**	**297**
M W Mulder	221	333	**–**	**554**
J J van Zyl	425	990	**–**	**1 415**
	1 911	3 962	**–**	**5 873**

All directors' remuneration was paid by subsidiary companies.

		Group		Company	
		2002	2001	**2002**	2001
		R'000	R'000	**R'000**	R'000
2.	**Profit from operations** (continued)				
	Salaries and wages	**853 337**	532 920	**–**	–
	Pension costs	**52 040**	28 293	**–**	–
		905 377	561 213	**–**	–
	Staff costs exclude payments made to contractors.				
	Average number of employees employed:				
	Business segment				
	IT solutions	**1 812**	1 577	**–**	–
	Infrastructure	**1 700**	1 200	**–**	–
	Support services, secured transaction services and business services	**449**	105	**–**	–
		3 961	2 882	**–**	–
3.	**Net (finance cost)/interest received**				
	Interest received	**10 442**	11 572	**–**	–
	– Cash balances	**10 442**	10 339	**–**	–
	– Call accounts	**–**	1 233	**–**	–
	Dividend income	**436**	436	**436**	436
		10 878	12 008	**436**	436
	Less: Finance costs	**(14 310)**	(10 085)	**–**	–
	– Interest on overdraft	**(2 812)**	–	**–**	–
	– Interest on long-term loans	**(11 498)**	(10 085)	**–**	–
		(3 432)	1 923	**436**	436
	For set-off of preference share dividends against interest paid refer to note 10.				
4.	**Tax**				
	Normal tax				
	Current tax				
	– current year	**29 423**	34 337	**–**	–
	– prior years	**(4 384)**	(1 473)	**–**	–
	Deferred tax				
	– current year	**2 368**	10 298	**–**	–
	– prior years	**2 135**	(1 841)	**–**	–
	Share of tax of associates	**63**	21	**–**	–
		29 605	41 342	**–**	–
	Reconciliation of tax rate				
	Profit before tax	**117 578**	184 606	**–**	–
	Statutory tax rate (%)	**30,00**	30,00	**30,00**	30,00
	Utilisation of assessable losses (%)	**(3,70)**	(0,13)	**–**	–
	Disallowable expenditure (%)	**0,45**	1,31	**–**	–
	Capital losses created on sale of business (%)	**7,57**	–	**–**	–
	Foreign tax rate differential (%)	**(0,52)**	(2,26)	**–**	–
	Income not subject to tax (%)	**(3,18)**	(4,99)	**(30,00)**	(30,00)
	Capital expenditure allowances (%)	**(3,58)**	(0,45)	**–**	–
	Prior year (over)/under provision (%)	**(1,86)**	(1,09)	**–**	–
	Effective tax rate (%)	**25,18**	22,39	**–**	–
	Calculated income tax loss carried forward	**(33 627)**	(11 380)	**–**	–
	Calculated capital gains tax loss carried forward	**(3 380)**	–	**–**	–
	Unutilised STC credits	**1 622**	715	**–**	–

	Group 2002 R'000	Group 2001 R'000	Company 2002 R'000	Company 2001 R'000
5. Earnings per share				
Basic earnings per share				
Basic earnings per share is calculated by dividing the earnings attributable to ordinary shareholders by the weighted average number of ordinary shares in issue during the year				
Net (loss)/profit attributable to ordinary shareholders	**(54 880)**	15 902	**–**	–
Weighted average number of ordinary shares in issue (thousands)	**560 556**	550 271	**–**	–
Basic (loss)/earnings per ordinary share (cents)	**(9,79)**	2,89	**–**	–

Diluted earnings per share

The fully diluted number of shares includes the provision for shares to be issued to vendors on the achievement of profit warranties. The dilution was calculated by using an average share price of 85 cents per share. To protect shareholder value the Group will, provided it is affordable, settle the liability in cash. Not all shares required to be issued in terms of contractual obligations, have a dilutive effect.

	Group 2002 R'000	Group 2001 R'000
Net (loss)/profit attributable to ordinary shareholders	**(54 880)**	15 902
Profit required for achievement of profit warranties with a dilutive effect	**–**	–
Net (loss)/profit used to determine diluted earnings per ordinary share	**(54 880)**	15 902
Weighted average number of ordinary shares	**560 556**	550 271
Dilutive shares to be issued for settlement of acquisitions on the achievement of profit warranties.	**44 996**	29 733
Weighted average number of ordinary shares for diluted earnings per share	**605 552**	580 004
Fully diluted (loss)/earnings per share	**(9,06)**	2,74

Headline earnings per share

Reconciliation between earnings and headline earnings:	Profit/(loss) before tax R'000	Tax R'000	Minority interest R'000	Net profit R'000
For the year ended 30 June 2002				
Per the annual financial statements	**(20 601)**	**(29 605)**	**(4 674)**	**(54 880)**
Adjustments				
Loss on sale and discontinuance of business				**30 184**
Provision for restructuring costs				**1 000**
Loss on impairment of investments (refer to note 10)				**7 087**
Amortisation of goodwill				**129 166**
Headline earnings				**112 557**
Headline earnings per ordinary share (cents)				**20,08**
Fully diluted headline earnings per ordinary share (cents)				**18,59**
For the year ended 30 June 2001				
Per the annual financial statements	58 059	(41 342)	(814)	15 903
Adjustments				
Loss on sale of business				1 197
Amortisation of goodwill				120 777
Headline earnings				137 877
Headline earnings per ordinary share (cents)				25,06
Fully diluted headline earnings per ordinary share (cents)				23,77

6. Change in accounting policy

The Group depreciated buildings in the current year on the straight-line method over a period of 50 years in accordance with AC 123. These buildings were previously classified as investment properties but this classification changed due the definition of owner-occupied properties as defined in AC 135. This constitutes a change in accounting policy where the comparative figures were adjusted as follows:

	Gross R'000	Tax effect R'000	Minority interest R'000	Net R'000
Profit for the year				
2002	**679**	**–**	**–**	**679**
2001	579	–	–	579
Accumulated profit beginning of the year				
2002	**1 137**	**–**	**–**	**1 137**
2001	558	–	–	558

7. Property, plant and equipment

Group Year ended 30 June 2002	Total	Land and buildings	Computer equipment	Furniture and fittings	Office equipment	Vehicles	Leasehold improvements
– Opening net carrying amount	**133 102**	**27 864**	**77 502**	**11 865**	**6 233**	**1 458**	**8 180**
– New subsidiaries and businesses	**11 656**	**747**	**2 475**	**120**	**537**	**7 751**	**26**
– Additions	**74 428**	**882**	**57 290**	**4 963**	**4 406**	**1 660**	**5 227**
– Disposals and adjustments	**(3 680)**	**(738)**	**2 410**	**838**	**1 295**	**(7 615)**	**130**
– Depreciation charge	**(50 823)**	**(679)**	**(39 722)**	**(3 794)**	**(2 468)**	**(1 786)**	**(2 374)**
– Closing net carrying amount	**164 683**	**28 076**	**99 955**	**13 992**	**10 003**	**1 468**	**11 189**
At 30 June 2002							
– Cost	**336 834**	**30 103**	**241 780**	**23 424**	**15 542**	**3 832**	**22 153**
– Accumulated depreciation	**(172 151)**	**(2 027)**	**(141 825)**	**(9 432)**	**(5 539)**	**(2 364)**	**(10 964)**
– Closing net carrying amount	**164 683**	**28 076**	**99 955**	**13 992**	**10 003**	**1 468**	**11 189**
Leased assets included above comprised of:							
Cost	**19 675**	**–**	**19 675**	**–**	**–**	**–**	**–**
Accumulated depreciation	**(2 579)**	**–**	**(2 579)**	**–**	**–**	**–**	**–**
Net carrying amount	**17 096**	**–**	**17 096**	**–**	**–**	**–**	**–**

Year ended 30 June 2001	Total	Land and buildings	Computer equipment	Furniture and fittings	Office equipment	Vehicles	Leasehold improvements
– Opening net carrying amount	90 949	18 239	53 620	7 702	4 676	1 037	5 675
– New subsidiaries and businesses	3 371	–	2 977	265	58	71	–
– Additions	75 943	10 088	51 732	5 651	2 980	749	4 743
– Disposals and adjustments	(2 233)	151	(2 403)	456	(288)	(5)	(144)
– Depreciation charge	(34 928)	(614)	(28 424)	(2 209)	(1 193)	(394)	(2 094)
– Closing net carrying amount	133 102	27 864	77 502	11 865	6 233	1 458	8 180
At 30 June 2001							
– Cost	254 431	29 212	179 605	17 503	9 305	2 036	16 770
– Accumulated depreciation	(121 329)	(1 348)	(102 103)	(5 638)	(3 072)	(578)	(8 590)
– Closing net carrying amount	133 102	27 864	77 502	11 865	6 233	1 458	8 180
Leased assets included above comprised of:							
Cost	3 930	–	3 902	–	28	–	–
Accumulated depreciation	(145)	–	(130)	–	(15)	–	–
Net carrying amount	3 785	–	3 772	–	13	–	–

Assets are shown at depreciated historical cost and are not revaluated.

The Group has the option to purchase the following property after the expiry date of the lease contract in March 2012.

– Samrand Office Park, 47 Landmark Avenue, Kosmosdal, Samrand

		Group		Company	
		2002	2001	**2002**	2001
		R'000	R'000	**R'000**	R'000
8.	**Interest in subsidiary company**				
	Shares at cost less amounts written off	**–**	–	**–**	–
	Loans owing by subsidiary company	**–**	–	**270 727**	244 839
		–	–	**270 727**	244 839
	Loans owing to subsidiary company	**–**	–	**–**	–
	Net interest in subsidiary company	**–**	–	**270 727**	244 839
9.	**Interest in associate companies**				
	Opening carrying amount	**12 149**	–	**–**	–
	Investment made during the year	**–**	12 101	**–**	–
	Sale of investment in e-Ventures	**(8 863)**	–	**–**	–
	Share of results before tax	**(2 619)**	69	**–**	–
	Share of tax	**(63)**	(21)	**–**	–
	Closing carrying amount	**604**	12 149	**–**	–

The associates, which are unlisted, are:	Country of incorporation	% interest held	
– Naledi Computers (Pty) Ltd	South Africa	20%	
– E-Bisonline (Pty) Ltd	South Africa	30%	This investment was sold off effective 1 May 2002
– Procure Trade (Pty) Ltd	South Africa	26%	

		Group		Company	
		2002	2001	**2002**	2001
		R'000	R'000	**R'000**	R'000
	Directors' valuation of shares	**604**	12 149	**–**	–
10.	**Investments and loans**				
	Unlisted investments at cost:				
	– Preference shares	**–**	4 000	**–**	4 000
	– Other	**17 133**	11 626	**–**	–
	Directors' valuation – R17 133 (2001: R15 626)				
	Loan to Work Force IT Solutions (Pty) Ltd	**7 112**	5 541	**–**	–
	Directors' valuation – R7 112 (2001: R5 541)				
		24 245	21 167	**–**	4 000

Included in other unlisted investments are shares held by AST Western Australia for AUD 1 514 000 that is shown after an impairment of AUD 751 000 was provided for. This represents investments received in lieu of fees for cash.

Preference share investments and long-term loans to the value of R70 million (R2001: R70 million) were off-set due to the existence of a legal right of set-off and the relation of the same fiscal authority.
The legal right of set-off exists due to the rand amount, the period and the counter parties being the same.
These investments act as security for cost-efficient loans to fund working capital requirements and properties.
The transactions are neutral and no additional security is provided.
The preference shares bear dividends linked to the prime interest rate and the loans bear interest at fixed rates from 15,5% to 18,33%.

Preference dividends of R7 262 973 received were off-set against finance costs.

	Goodwill	Group Development cost	Total
11. Intangible assets			
Year ended 30 June 2002			
Opening carrying amount	**256 522**	**4 670**	**261 192**
Additions	**144 827**	**13 658**	**158 485**
Amortisation charge	**(133 561)**	**(4 618)**	**(138 179)**
Closing carrying amount	**267 788**	**13 710**	**281 498**
At 30 June 2002			
Cost	**527 706**	**18 518**	**546 224**
Accumulated amortisation	**(259 918)**	**(4 808)**	**(264 726)**
Carrying amount	**267 788**	**13 710**	**281 498**
Year ended 30 June 2001			
Opening carrying amount	–	1 179	1 179
Additions	382 879	3 681	386 560
Amortisation charge	(126 357)	(190)	(126 547)
Closing carrying amount	256 522	4 670	261 192
At 30 June 2001			
Cost	382 879	4 860	387 739
Accumulated amortisation	(126 357)	(190)	(126 547)
Carrying amount	256 522	4 670	261 192

	Opening balance	Charge/(credit) to income statement	Exchange differences	Closing balance
12. Deferred tax asset				
Balance as at 30 June 2002				
Trade mark 11(gA)	**105 733**	**(15 105)**	**–**	**90 628**
Tax loss carried forward	**2 525**	**10 088**	**–**	**12 613**
Other deductible temporary differences	**18 192**	**9 756**	**–**	**27 948**
	126 450	**4 739**	**–**	**131 189**
Balance as at 30 June 2001				
Trade mark 11(gA)	120 838	(15 105)	–	105 733
Tax loss carried forward	1 020	1 505	–	2 525
Other deductible temporary differences	9 370	4 605	4 217	18 192
	131 228	(8 995)	4 217	126 450

	Total	Computer equipment	Furniture and fittings	Vehicles
13. Rental assets				
Year ended 30 June 2002				
– Opening net carrying amount	**11 375**	**11 307**	**12**	**56**
– Additions	**94 305**	**94 257**	**48**	**–**
– Disposals and adjustments	**(65 518)**	**(65 518)**	**–**	**–**
– Depreciation charge	**(5 247)**	**(5 202)**	**(29)**	**(16)**
– Closing net carrying amount	**34 915**	**34 844**	**31**	**40**
At 30 June 2002				
– Cost	**43 572**	**43 416**	**74**	**82**
– Accumulated depreciation	**(8 657)**	**(8 572)**	**(43)**	**(42)**
– Closing net carrying amount	**34 915**	**34 844**	**31**	**40**

	Total	Computer equipment	Furniture and fittings	Vehicles
13. Rental assets (continued)				
Year ended 30 June 2001				
– Opening net carrying amount	4 700	4 618	10	72
– Additions	27 770	27 757	13	–
– Disposals and adjustments	(16 435)	(16 435)	–	–
– Depreciation charge	(4 660)	(4 633)	(11)	(16)
– Closing net carrying amount	11 375	11 307	12	56
At 30 June 2001				
– Cost	17 408	17 301	25	82
– Accumulated depreciation	(6 033)	(5 994)	(13)	(26)
– Closing net carrying amount	11 375	11 307	12	56

Rental assets resembles inventory and were reclassified as current assets rather than fixed assets.

	Group		Company	
	2002	2001	**2002**	2001
	R'000	R'000	**R'000**	R'000
14. Inventories				
Work in progress	**6 498**	13 216	**–**	–
Consumables	**542**	3 153		
Finished goods	**23 412**	2 581	**–**	–
	30 452	18 950	**–**	–
15. Accounts receivable				
Trade debtors	**323 458**	297 362	**–**	–
Provision for bad and doubtful debts	**(11 637)**	(24 124)	**–**	–
	311 821	273 238	**–**	–
Prepayments	**20 279**	12 805	**–**	–
Current portion of long-term debtors	**–**	161	**–**	–
Other receivables	**42 055**	23 373	**113**	110
	374 155	309 577	**113**	110

Trade debtors are secured by a cession to Standard Bank of the debtor's book of AST-A Holdings (Pty) Ltd of R184 million.

	Group 2002 R'000	Group 2001 R'000	Company 2002 R'000	Company 2001 R'000
16. Cash and cash equivalents				
Cash at bank and in hand	**134 344**	160 778	**4 000**	–
Short-term bank deposits	**–**	180	**–**	–
	134 344	160 958	**4 000**	–
Less: Overdrafts	**(22 613)**	–	**–**	–
	111 731	160 958	**4 000**	–

The weighted average effective interest rate on short-term bank deposits was 10,4% (2001: 9,5%).

	Group		Company	
	2002	2001	**2002**	2001
	R'000	R'000	**R'000**	R'000

17. Ordinary share capital

Authorised				
1 000 000 000 ordinary shares of 0,01 cent each	**100**	100	**100**	100
Issued				
575 046 474 ordinary shares of 0,01 cent each	**58**	55	**58**	55
(2001: 554 122 919 ordinary shares of 0,01 cent each)				
Balance at the beginning of the year	**55**	55	**55**	55
Shares issued during the year	**3**	–	**3**	–
Balance at the end of the year	**58**	55	**58**	55

The Directors are authorised, by resolution of the shareholders and until the forthcoming annual general meeting, to dispose of the unissued shares for any purpose and upon such terms and conditions as they seem fit.

Share options are granted to all employees. Movements in the number of share options outstanding are as follows:

Balance at the beginning of the year	**44 964**	15 331	**–**	–
Granted	**27 798**	32 442	**–**	–
Exercised	**(735)**	(1 364)	**–**	–
Lapsed	**(4 222)**	(1 445)	**–**	–
Balance at the end of the year	**67 805**	44 964	**–**	–

The average strike price of the share options was R2,37 with a share price of R0,85 at year-end. The purpose of the share incentive scheme was to reward staff for excellent performance. The current low share price eliminated this benefit. The Group will investigate other options to motivate staff, including the payment of cash bonuses.

Share options outstanding at the end of the year have the following terms:

Exercise price	Current	2 – 5 years	**Total 2002**	Total 2001
R0 – R1,00	1 164	1 286	**2 450**	1 437
R1,01 – R2,00	6 834	8 328	**15 162**	12 268
R2,01 – R3,00	14 613	27 639	**42 252**	22 423
R3,01 – R4,00	3 538	4 403	**7 941**	8 836
	26 149	41 656	**67 805**	44 964

The calculation of diluted earnings per share does not take into account options granted but not yet exercised.

	Group		Company	
	2002	2001	**2002**	2001
	R'000	R'000	**R'000**	R'000

18. Share premium

Balance at the beginning of the year	**228 359**	220 920	**248 130**	234 121
Premium on shares issued during the year	**52 880**	18 885	**52 880**	18 885
Movement in amounts due to vendors	**(27 182)**	(4 046)	**(27 182)**	(4 046)
Share issue expenses written off	**(246)**	(830)	**(246)**	(830)
Treasury shares purchased	**(292)**	(6 570)	**–**	–
Balance at the end of the year	**253 519**	228 359	**273 582**	248 130

Amounts due to vendors represents shares estimated to be issued, subject to the achievement of profit warrantees, to the vendors of businesses acquired. The total liability is disclosed under contingent liabilities. (Refer to note 29.)

	Not later than 1 year	Later than 1 year and not later than 5 years	**Total 2002**	Total 2001
Future issue of shares provided	34 096	12 363	**46 459**	73 642

	Group 2002 R'000	Group 2001 R'000	Company 2002 R'000	Company 2001 R'000
19. Reserves				
19.1 Distributable reserves				
Balance at the beginning of the year	**144 788**	126 718	**764**	328
– As previously stated	**145 925**	127 276	**764**	328
– Adjustment due to AC 135	**(1 137)**	(558)	**–**	–
Profit for the year	**(54 880)**	15 903	**436**	436
– As previously stated	**(54 201)**	16 482	**436**	436
– Adjustment due to AC 135	**(679)**	(579)	**–**	–
Currency translation differences for the year	**(11 630)**	2 167	**–**	–
Balance at the end of the year	**78 278**	144 788	**1 200**	764
Group distributable reserves at the end of the year comprise:				
Company	**1 200**	764		
Subsidiary companies	**77 078**	144 024		
	78 278	144 788		
19.2 Non-distributable reserves				
Currency translation differences	**10 360**	(3 040)	**–**	–
Deferred hedging reserve	**(5 951)**	–	**–**	–
	4 409	(3 040)	**–**	–
20. Minority interests				
Opening balance	**55 814**	–	**–**	–
New investments made during the year	**472**	55 000	**–**	–
Share of net profit in subsidiaries	**4 674**	814	**–**	–
Closing balance	**60 960**	55 814	**–**	–
21. Interest-bearing liabilities				
Long-term loan	**76 367**	58 428	**–**	–
– Total liability	**104 903**	85 648	**–**	–
– *Less:* Short-term portion moved to account payable	**(28 536)**	(27 220)	**–**	–
Liabilities under capitalised finance lease agreements	**10 289**	3 862	**–**	–
– Total liability	**15 949**	5 458	**–**	–
– *Less:* Short-term portion moved to account payable	**(5 660)**	(1 596)	**–**	–
	86 656	62 290	**–**	–

The Group entered into a loan agreement on 28 September 1999 for an amount of R14,4 million. The long-term loan is secured over freehold land and buildings. The loan term is ten years with a fixed interest rate and an option to swap the fixed rate to a floating rate. On 28 December 2001 the Group exercised the option to cancel the swap agreement and to convert to a fixed rate of 13,47% for 12 months.

The Group entered into a loan agreement on 21 February 2001 for an amount of A$15 000 000. The loan term is 36 months and bears interest at a rate calculated based on LIBOR. The rate is fixed every three months. The loan is not hedged since the AUD profits will be utilised to repay the loan. Trade debtors of AST-A Holdings (Pty) Ltd is held by Standard Bank as security for this loan.

Interest on finance leases are paid at various rates linked to the prime overdraft rate. The leases are secured by cession over the assets to which they relate. Refer to note 7.

	Group 2002 R'000	Group 2001 R'000	Company 2002 R'000	Company 2001 R'000

21. Interest-bearing liabilities (continued)

The future minimum lease payments under non-cancellable financing leases are as follows:

	Group 2002 R'000	Group 2001 R'000	Company 2002 R'000	Company 2001 R'000
Not later than 1 year	**6 369**	2 045	**–**	–
Later than 1 year and not later than 5 years	**7 910**	3 943	**–**	–
Later than 5 years	**1 670**	–	**–**	–
	15 949	5 988	**–**	–
Future finance charges on finance leases	**–**	(530)	**–**	–
	15 949	5 458	**–**	–
Less: Current portion	**(5 660)**	(1 596)	**–**	–
	10 289	3 862	**–**	–

In terms of the articles of association:

The Directors may exercise all the powers of the Company to borrow money and to mortgage or encumber its undertaking, property or any part thereof and to issue debentures or debenture stock and other securities whether outright or as security for any debt, liability or obligation of the Company or of any third party but subject to any statutory requirements and the rules and regulations of the JSE as amended from time to time.

Loans to the value of R70 million was off-set against preference share investments of R70 million. (Refer to note 10.)

22. Amounts due to vendors

A provision was raised for the estimated outstanding cash purchase consideration on the acquisition of businesses or companies that achieved the contractual profit warrantees. The maximum exposure as limited in the acquisition agreements were used to calculate the contingent liability. (Refer to note 29.)

	Not later than 1 year	Later than 1 year and not later than 5 years	Later than 5 years	**Total 2002**	Total 2001
Future minimum payments	46 563	25 667	–	**72 230**	107 167

23. Deferred tax liability

	Opening balance	Charge/(Credit) to income statement	Closing balances
Balance as at 30 June 2002			
Asset revaluations	**20**	**–**	**20**
Accelerated tax depreciation	**–**	**6 207**	**6 207**
Provisions	**4 481**		**4 481**
Prior year adjustment	**–**	**2 199**	**2 199**
	4 501	**8 406**	**12 907**
Balance as at 30 June 2001			
Asset revaluations	–	20	20
Provisions	823	3 658	4 481
	823	3 678	4 501

	Group		Company	
	2002	2001	**2002**	2001
	R'000	R'000	**R'000**	R'000
24. Accounts payable				
Trade payables	**315 986**	226 857	**–**	–
Income received in advance	**43 059**	62 662	**–**	–
Current portion of long-term liabilities	**34 196**	28 816	**–**	–
Provisions	**42 012**	17 355	**–**	–
Other payables	**127 413**	81 386	**–**	–
	562 666	417 076	**–**	–

The comparative figure for provisions has been adjusted to conform with the disclosure of accruals as part of trade creditors in the current year.

Provisions	Total	Leave pay	Commissions	Warrantees	Other
Balance at the beginning of the year	17 355	13 430	1 818	–	2 107
New provisions created	77 050	55 907	18 086	2 805	252
Provisions utilised	(52 393)	(37 919)	(14 474)	–	–
Balance at the end of the year	**42 012**	**31 418**	**5 430**	**2 805**	**2 359**

	2002		2001	
	Foreign currency $'000	**Rand equivalent R'000**	Foreign currency $'000	Rand equivalent R'000
25. Foreign currency information				
The following foreign currency assets and liabilities of the Group recognised in the balance sheet, are not covered by forward exchange contracts. The risk of exchange rate fluctuations are carried by the client because the Group invoices in dollar denominated amounts.				
Amounts payable	**2 406**	**24 682**	302	3 377

26. Financial instruments

26.1 In order to manage risks arising from fluctuations in interest rates, the Group makes use of the following derivative instruments:

Interest rate swaps

The Group entered into interest rate swap contracts that entitles it to pay interest at floating rates on a notional principle amount. The interest rate swaps allows the Group to raise long-term borrowings at fixed rates and swap them into floating rates that are lower than those available if it borrowed at floating rates directly. Under the interest rate swap, the Group agrees with the other party to exchange, at specified intervals (mainly quarterly) the difference between the fixed rate and the floating rate interest amount calculated by reference to the agreed notional principle amount. At 30 June 2002, the fixed interest rates vary from 13,47% to 18,33% (2001: 15,79% to 18,33%) and the floating rate is linked to the BA rate.

The Group entered into a interest swap agreement at BoE Bank Ltd on 28 September 1999. On 28 December 2001 the Group exercised the option to cancel the swap agreement and to convert to a fixed rate. The fixed rate was set at 13,47% for 12 months.

The remaining terms and notional principle amount of the outstanding interest rate swap contract at 30 June 2002 were:

	Group		Company	
	2002	2001	**2002**	2001
	R'000	R'000	**R'000**	R'000

26. Financial instruments (continued)

Less than one year	**2 552**	2 562	**–**	–
One to five years	**15 221**	9 682	**–**	–
Five to ten years	**10 689**	19 266	**–**	–
	28 462	31 510	**–**	–

The Group entered into an interest rate swap contract at MLS Bank Limited on 2 February 2001. This loan was set off against a preference share investment at United Towers (Pty) Ltd. At 30 June 2002, the fixed interest rate was 15,5% and the floating rate was linked to the BA rate. (Refer to note 10.)

The remaining terms and notional principle amount of the outstanding interest rate swap at 30 June 2002 were:

Less than one year	**18 023**	18 026	**–**	–
One to five years	**46 779**	54 113	**–**	–
Five to ten years	**–**	10 689	**–**	–
	64 802	82 828	**–**	–

	Group		Company	
	Carrying value	Fair value	Carrying value	Fair value
	R'000	R'000	R'000	R'000
26.2 The fair value of the Group's financial assets and liabilities is stated below:				
Financial assets				
Cash and cash equivalents	**111 731**	111 731	**4 000**	4 000
Trade and other receivables	**374 155**	374 155	**113**	113
Investments	**24 245**	24 245	**270 727**	270 727
	510 131	510 131	**274 840**	274 840
Financial liabilities				
Trade and other payables	**562 666**	562 666	**–**	–
Amounts due to vendors	**72 230**	72 230	**–**	–
	634 896	634 896	**–**	–

26.3 Liquidity risk management

The Group manages liquidity risk by monitoring forecast cash flows and ensuring that adequate cash levels are maintained. The high percentage of annuity contracts enables the Group to forecast the cash inflow accurately.

26.4 Credit rate risk

The Group has no significant concentrations of credit risk. Derivative instruments are entered into with, and cash is placed with substantial financial institutions. The credit exposure of derivatives are represented by the net fair values of the contracts.

	Group		Company	
	2002	2001	**2002**	2001
	R'000	R'000	**R'000**	R'000

27. Commitments

Capital commitments

Capital expenditure contracted for at the balance sheet date but not recognised in the financial statements is as follows:				
Property, plant and equipment:				
Command Centre, Samrand Office Park	**5 000**	11 500	**–**	–
This capital expenditure is to be financed as follows:				
– internally generated funds	**5 000**	11 500	**–**	–

	Foreign amount	Rand amount	Fair value	Unrealised loss

28. Foreign exchange position

Forward exchange contracts that hedge forecasted transactions (cash flow hedge):

	Foreign amount	Rand amount	Fair value	Unrealised loss
US dollars	4 200	50 405	44 454	5 951

These forward exchange contracts do not relate to specific items on the balance sheet, but were entered into to cover foreign commitments not yet due. The forward exchange contracts will be utilised for the purposes of trade during the following year. The foreign exchange contracts have maturity dates ranging from 31 July 2002 to 31 December 2002.

	Group		Company	
	2002	2001	**2002**	2001
	R'000	R'000	**R'000**	R'000

29. Contingent liabilities

Bank and other guarantees

At 30 June 2002 the Group had contingent liabilities in respect of bank and other guarantees.

	Group 2002 R'000	Group 2001 R'000	Company 2002 R'000	Company 2001 R'000
In the ordinary course of business the Group has given the following guarantees:	**6 414**	13 047	**–**	–

Amounts due to vendors

Amounts due to vendors represent the total potential payments, subject to the achievement of profit warranties as set out in the acquisition agreements that are to be made in the form of cash payments or the issue of shares. The Group's policy is not to provide for the total potential amount due in terms of the warranties. Instead, management's best estimate of the amount is provided for as either shares or cash. In previous years the Group provided for the maximum amount that would fall due if the profit warranties were achieved in full. The portion not provided for is now disclosed as a contingent liability. This represents a change in accounting estimate.

Amounts provided for as cash liabilities	Total exposure per contract R'000	Vendor claims provided R'000	Contingent liability R'000
	92 305	**72 230**	**20 075**

Amounts provided for as shares	Total exposure per contract R'000	Vendor claims provided R'000	Contingent liability R'000	Total exposure liability Number of shares	Vendor claims Number of shares	Contingent Number of shares
	101 213	**46 459**	**54 754**	**65 277**	**44 603**	**20 674**

30. Retirement benefits

The Group has made provision for pension and provident schemes covering substantially all employees.The AST-A Retirement Scheme was established on 1 July 1999. The fund is a defined contribution fund and is governed by the Pension Fund Act of 1956. The assets of the fund are held independently of the Group's assets in separate trustee administered funds. The total employer contributions are recognised as an expense.

	Percentage holding	
	2002	2001
31. Share in joint venture		
The Group's investment in material joint ventures is reflected below:		
SafeGuard iT (Pty) Ltd	**50**	50
Thuso IT (Pty) Ltd	**40**	40

SafeGuard iT (Pty) Ltd provides disaster recovery services and is a joint venture with SunGuard International. Thuso IT (Pty) Ltd is a joint venture with Magoshi Investments and is a black economic empowerment venture. The following amounts represent the Group's share of the assets and liabilities and revenue and expenses of the joint venture and are included in the consolidated balance sheet and income statement:

	Group		Company	
	2002	2001	**2002**	2001
	R'000	R'000	**R'000**	R'000
Property, plant and equipment	**7 852**	5 616	**–**	–
Current assets	**7 359**	6 348	**–**	–
Total assets	**15 211**	11 964	**–**	–
Long-term borrowing	**3 754**	–	**–**	–
Provisions for liabilities and charges	**1 067**	–	**–**	–
Current liabilities	**5 426**	9 500	**–**	–
Total liabilities	**10 247**	9 500	**–**	–
Revenue	**37 764**	19 575	**–**	–
Profit before tax and amortisation	**2 474**	1 557	**–**	–
Amortisation	**(1 944)**	–	**–**	–
Profit before tax	**530**	1 557	**–**	–
Tax	**(1 006)**	(467)	**–**	–
(Loss)/profit after tax	**(476)**	1 090	**–**	–
Proportionate interest in joint ventures cash flows				
Cash from operating activities	**4 239**	(3 865)	**–**	–
Cash used in investing activities	**(2 236)**	–	**–**	–
Cash from financing activities	**3 754**	–	**–**	–
Net cash inflow	**5 757**	(3 865)	**–**	–

	Group 2002 R'000	Group 2001 R'000	Company 2002 R'000	Company 2001 R'000

32. Cash flow information

32.1 Reconciliation of profit before tax to cash generated from operations

	Group 2002 R'000	Group 2001 R'000	Company 2002 R'000	Company 2001 R'000
Profit before tax and amortisation	**117 578**	184 606	**–**	–
Adjustments for:				
Depreciation	**56 069**	39 586	**–**	–
Non-cash flow adjustments	**18 542**	9 261	**–**	–
Interest received	**(10 878)**	(12 008)	**–**	–
Finance costs	**14 310**	10 085	**–**	–
Currency translation differences	**(21 483)**	(3 394)	**–**	–
Operating profit before working capital changes	**174 138**	228 136	**–**	–
Working capital changes				
Increase in inventories	**(7 467)**	(14 855)	**–**	–
Decrease/(Increase) in accounts receivable	**21 391**	(111 636)	**–**	–
Increase in accounts payable	**64 892**	70 632	**–**	–
Cash generated from operations	**252 954**	172 278	**–**	–

32.2 Acquisitions of subsidiaries and businesses

During the period under review the Group acquired the entire issued share capital in and claims against Phillips Telecoms and Data Systems (Pty) Ltd, Marknet Occupational Health and Safety Systems 2000 (Pty) Ltd, ACMS (Canada) (Pty) Ltd, ACMS South Africa (Pty Ltd, RTTM Mining Consultants, Nemotech (Pty) Ltd, A-Fin (Pty) Ltd, and the businesses of End-to-End Logistics, EBIT Solutions (Pty) Ltd and The Trading Desk Estra Systems.

The Group also made payments to vendors as purchase consideration for acquisitions made in previous years. This is reflected under historical acquisitions.

Details of net assets acquired and goodwill are as follows:

	PTDS (Pty) Ltd	Marknet	Other	Historical acquisitions	2002	2001
Purchase consideration						
– cash paid	18 549	4 067	13 223	92 240	**128 079**	191 517
– fair value of shares issued and provision for vendor claims	–	5 864	4 337	–	**10 201**	186 222
Total purchase consideration	18 549	9 931	17 560	92 240	**138 280**	377 739
Fair value of net assets acquired	(6 396)	(1 067)	10 798	–	**3 335**	5 140
Goodwill	12 153	8 864	28 358	92 240	**141 615**	382 879
The assets and liabilities arising from the acquisition are as follows:						
Cash	(5 514)	1 007	925	–	**(3 582)**	5 796
Inventories	3 296	–	–	–	**3 296**	34
Accounts receivable	36 597	733	1 428	–	**38 758**	25 304
Property, plant and equipment	9 234	78	2 344	–	**11 656**	2 374
Short-term loans	–	–	(1 712)	–	**(1 712)**	1 590
Tax	–	–	–	–	**–**	(1 339)
Interest bearing liabilities	–	–	–	–	**–**	(1 711)
Accounts payable	(37 217)	(751)	(13 783)	–	**(51 751)**	(37 188)
Fair value of net assets	6 396	1 067	(10 798)	–	**(3 335)**	(5 140)
Goodwill	12 153	8 864	28 358	92 240	**141 615**	382 879
Total purchase consideration	18 549	9 931	17 560	92 240	**138 280**	377 739
Less: Discharged by shares issued	–	(5 864)	(4 337)	–	**(10 201)**	(186 222)
Cash and cash equivalents acquired	5 514	(1 007)	(925)	–	**3 582**	(5 796)
Current year cash outflow on acquisitions acquired	24 063	3 060	12 298	92 240	**131 661**	185 721

Details of subsidiary companies

Subsidiary undertaking	Nature of operation	Issued capital	Percentage holding
Advanced Software Technologies International Holdings (Incorporated in Mauritius)	Holding company	US$7	100
A-Fin Capital (Pty) Ltd	Procurement of financial solutions	100	100
AST Botswana (Pty) Ltd (Incorporated in Botswana)	Trading in computer hardware and software	Pula 3 000	100
AST Contractor Management Solutions (Pty) Ltd	Application services provider in field of contractor management	100	100
AST Mining Canada Inc.	Holding company	CAD 1	100
AST Distributed Technology Services (Pty) Ltd	Desktop services	1 000 (1c)	70
AST Health Solutions (Pty) Ltd	Healthcare solutions	10	100
AST Offshore Holdings (Incorporated in Mauritius)	Holding company	US$1	100
AST Property Management (Pty) Ltd	Property management	100	100
AST Smartcard Solutions (Pty) Ltd	Smart card systems integrator	1 333	51
AST Technology Rentals (Pty) Ltd	IT rental solutions	1 000	100
AST-A Holdings (Pty) Ltd	Software and IT services	1	100
Business & Design Software (Pty) Ltd	Electronic commerce	1 000	100
Graphic Mining Solutions International (Pty) Ltd	Mining management software	100 000 (1c)	100
Incito Supply Chain Management (Pty) Ltd	Supply chain management	1 000	100
Integrated Commerce Solutions (Pty) Ltd	IT services	1 000	100
Marknet Occupational, Health and Safety Systems 2000 (Pty) Ltd	Health and safety systems	100	100
Matsema International B.V. (Incorporated in the Netherlands)	Holding company	Euro 18 200	100
Online Outsource (Pty) Ltd	Outsourced IT services	100 000 (1c)	75
SIHAN Computer Services (Pty) Ltd	Professional resourcing	100	100
VAST Automation (Pty) Ltd	Manufacturing execution systems	4 400	100
Work Force Solutions (Pty) Ltd	Professional Resourcing	100	100
Abraxas Management Services (Pty) Ltd	Dormant	1	100
Visionael Corporation (Pty) Ltd	Dormant	100	100
Trustkey Technologies (Pty) Ltd t/a	Dormant	100	100
Access Market International	Dormant	100	100
SX Holdings (Pty) Ltd	Dormant	99	100
SX Investment Holdings (Pty) Ltd	Dormant	99	100
Table Mountain Offshore Solutions (Pty) Ltd	Dormant	100	100
PLINY (Pty) Ltd	Dormant	100	100
Enterprise Competency Centre (Pty) Ltd	Dormant	100	100
Camagu Technology Holdings (Pty) Ltd	Dormant	100	100
Centenary Services (Pty) Ltd	Dormant	120	100
Benefic Computers (Pty) Ltd	Dormant	100	100
Bentley West Management Consultants (Pty) Ltd	Dormant	100	100
AST Security Management (Pty) Ltd	Dormant	1 000	100
AST Cape (Pty) Ltd	Dormant	100	100
AST Collaborative Solutions (Pty) Ltd	Dormant	10 500	100
AST Business Communications (Pty) Ltd	Dormant	1 900 000 (1c) and 45 600 000 "A" class shares (1c)	100
AST Consulting (Pty) Ltd	Dormant	1 000	100
AST Education (Pty) Ltd	Dormant	100	100
AST Enterprise Hosting (Pty) Ltd	Dormant	1 000	100
AST Enterprise Solutions (Pty) Ltd	Dormant	100	100
AST Enterprise Solutions Management (Pty) Ltd	Dormant	1 000	100
AST Abraxas IT Solutions (Pty) Ltd	Dormant	100	100
AST Identification Solutions (Pty) Ltd	Dormant	100	100
AST Networks (Pty) Ltd	Dormant	1 000	100
AST Open Solutions (Pty) Ltd	Dormant	100	100
AST Output Solutions (Pty) Ltd	Dormant	1 000	100
Joint ventures			
AST WebAccess (Pty) Ltd	Internet access solutions and services	100	60
SafeGuard iT (Pty) Ltd	Disaster recovery	200	50
THUSO Information Technology (Pty) Ltd	Software and IT services	100	40
Balfour Information Technology (Pty) Ltd	Information technology services	300	40
Emthonjeni Resourcing (Pty) Ltd	Resourcing and selection placement	1 000	49
Lechabile AST (Pty) Ltd	Software and IT services	1 000	50
Shwemso Communications (Pty) Ltd	Software and IT services	100	40
Associates			
ProcureTrade Holdings (Pty) Ltd	B2B trading on internet	1 000	26
Naledi Computer Systems (Pty) Ltd	Software and IT services	1 000	20

AST Group
(Incorporated in the Republic of South Africa)
(Registration number 1998/021790/06)
("AST Group" or "AST")
(Share code: AAA)
(ISIN: ZAE000027397)

Announcement – AST Group and Red Rock Consulting

AST Group (AST) and Red Rock Consulting have come to a mutual agreement to reverse the acquisition by AST of Red Rock Consulting, which was announced on 18 September 2001.

- All obligations relating to the original contract have been cancelled.
- No consideration has been paid by AST to the vendors in respect of this acquisition and no further transactional costs will be incurred as a result of the cancellation of the agreement.
- The pro forma impact on six-months HEPS to 31 December 2001 is a 2% reduction in basic HEPS from 12,91c to 12,65c and a 2% increase in fully diluted HEPS from 11,51c to 11,73c.

Market conditions in Australia have deteriorated since the announcement of the acquisition, with the global economic slowdown impacting heavily on demand in the Australian ICT market. As a result, AST and Red Rock Consulting have mutually agreed that under these conditions, the current combination will not achieve the envisaged objectives and therefore the acquisition should be reversed.

AST remains committed to the existing consulting and products subsidiaries in the region. Both these businesses are profitable and are generating positive free cash flows. However, they have been negatively impacted by market conditions and growth has slowed.

Current cash flow from the Australian subsidiaries is insufficient to fund the progress of the Australian roll out in the time scales initially envisaged. The rand has also devalued sharply against the Australian dollar from R4,40 in September 2001 to a worst level of R6,50 in December 2001 and currently to R5,90.

As a result of these two factors, to continue the acquisitive growth in Australia at the pace planned would place an unacceptable rand funding burden on AST. Consequently, while our commitment to Australia remains in place, the realisation of our objectives will be delayed.

Financial effects
Red Rock Consulting was consolidated from the effective date of acquisition of 1 July 2001. The unaudited pro forma financial impact on the AST Group Limited interim results for the six months ended 31 December 2001, had the Red Rock Consulting transaction not been concluded is, set out below for illustrative purposes only:

Unaudited pro forma income statement for the six months ended 31 December 2001

	Including Red Rock R'000	Excluding Red Rock R'000
Revenue	1 004 032	975 871
Ebitda	135 953	131 996
Operating profit	110 518	106 561
Profit before tax and amortisation	104 168	101 520
Amortisation of goodwill	44 158	38 207
Profit before tax	60 010	63 313
Profit after tax	31 996	36 486
Net profit for the period	29 352	33 842
Headline earnings	71 313	69 852

Summary of pro forma effects on earnings per share

Six months ended 31 December 2001	Including Red Rock	Excluding Red Rock	% change
Headline earnings per ordinary share (cents)[1]	12,91	12,65	(2)
Fully diluted headline earnings per ordinary share (cents)	11,51	11,73	2
Earnings per ordinary share (cents)[1]	5,31	6,13	15
Fully diluted earnings per ordinary share (cents)	4,74	5,68	20
Fully diluted number of shares ('000)	619 465	595 322	(4)

1 Based on 552 280 weighted shares in issue.

Unaudited pro forma balance sheet as at 31 December 2001

	Including Red Rock R'000	Excluding Red Rock R'000
Assets		
Non-current assets (excluding goodwill)	309 028	305 149
Goodwill	440 540	391 464
Current assets	535 537	519 763
Total assets	1 285 105	1 216 376
Equity and liabilities		
Capital and reserves[1]	510 190	452 072
Minority interest	58 458	58 458
Non-current liabilities	175 733	175 120
Current liabilities	540 724	530 726
Total equity and liabilities	1 285 105	1 216 376

1 *On 31 December 2001, the amounts due under the acquisition agreement were accounted for by a potential issue of shares through increasing the share premium and share capital accounts. This led to an increase in the fully diluted number of shares which has now been reversed.*

Summary of pro forma effects on net asset value per share

31 December 2001	Including Red Rock	Excluding Red Rock	% change
Net asset value per ordinary share issued (cents)	89,35	79,17	(11)
Fully diluted net asset value per ordinary share (cents)	82,6	75,94	(8)

Shareholders' information
as at 30 June 2002

Analysis of shareholdings

Range issued	Number of shareholders	Number of shares as a %	Number of members issued	% of shares
1 – 1 000	1 366	786 601	25,82	0,14
1001 – 5 000	2 060	6 134 177	38,94	1,07
5 001 – 10 000	699	5 659 160	13,21	0,98
10 001 – 100 000	933	29 979 141	17,63	5,21
100 001 – 1 000 000	155	53 432 808	2,93	9,29
> 1 000 000	78	479 054 587	1,47	83,31
Totals	5 291	575 046 474	100,00	100,00

Analysis of ordinary shareholders/beneficial holders

	Number of Shareholders	Number of shares	% of shares issued
Institutions and body corporates	287	412 853 588	71,21
Public and individuals	5 004	162 192 886	28,21
Totals	5 291	575 046 474	100,00

Summary of shareholder spread

	SA registered holders				Foreign registered holders				Totals			
Shareholder type	Members	%	Shares	%	Members	%	Shares	%	Members	%	Shares	%
Public												
Registered	1 833	34,6	257 356 749	44,8	–	–	–	–	1 833	34,64	257 356 749	44,8
Beneficial	3 439	65,0	29 836 657	5,2	6	0,11	20 519 617	3,57	3 445	65,11	50 356 274	8,8
Non-public												
Directors	7	0,1	88 659 041	15,4	–	–	–	–	7	0,13	88 659 041	15,4
Other registered	–	–	–	–	–	–	–	–	–	–	–	–
Other beneficial	6	0,1	178 674 410	31,1	–	–	–	–	6	0,12	178 674 410	31,1
Totals	5 285	99,89	554 526 857	96,43	6	0,11	20 519 617	3,57	5 291	100	575 046 474	100

Shareholding over 1%

Registered/beneficial holder	Number of shares	% of shares held
Kumba Resources Limited	175 500 000	30,52
Sanlam	24 615 019	4,28
Old Mutual	22 478 023	3,91
Tradek Balderson Nominees	20 343 400	3,54
Gerrie de Klerk Family Trust	15 100 000	2,45
Investec Emerging Companies Fund	13 355 638	2,32
Liberty Life Association of Africa Ltd	11 687 806	2,03
James Capell (Channel Island)	10 480 800	1,82
G J de Klerk	10 000 000	1,74
Absa Bank Ltd	9 836 066	1,71
Franklin Templeton NIB	9 593 732	1,67
CADTECH (Pty) Ltd	9 400 000	1,63
m Cubed Holdings	8 574 600	1,49
Public Investment Commission	8 000 000	1,39
Richard Miles	6 710 017	1,17
Transnet Pension Fund	6 210 066	1,08

JSE Securities Exchange performance

Number of shares traded	171 432 000
% of total issued shares	29,81%
Value of shares traded	R323 120 000
Share price quoted (cents)	
• Highest	290c
• Lowest	77c
• Closing	85c
Market capitalisation at year-end	R488 790 000
Price earning ratio	7,38
Earning yield	15,92

Shareholders' diary

Annual general meeting	6 November 2002
Reports and financial statements	
Annual results announcements (published)	14 August 2002
Publication of annual report (mailed to shareholders)	14 October 2002
Interim results announcements (published)	5 March 2003
Financial year-end	30 June 2003

Administration

Secretary and registered office
J C Rademan
Lords Office Estate
276 West Street
Centurion
0157
(PO Box 10629, Centurion, 0046)

Transfer secretaries
Ultra Registrars (Pty) Ltd
(Registration number 2000/007239/07)
Ground Floor, Diamond Building
Diagonal Street
Johannesburg, 2000
(PO Box 4844, Johannesburg, 2000)

Sponsors
Cazenove South Africa (Pty) Ltd
(Registration number 1998/011736/07)
First Floor Moorgate Dunkeld Park
6 North Road
Dunkeld West, 2196
(PO Box 412468, Craighall, 2024)

Auditors
PricewaterhouseCoopers Inc
Chartered Accountants SA
(Registration number 1998/012055/21)
32 Ida Street
Menlo Park (Menlyn), 0182
(PO Box 35296, Menlo Park, 0120)

Attorneys
Moss-Morris Incorporated
(Registration number 1994/008751/21)
20th Floor
Sandton City
5th Street, Sandton, 2146
(PO Box 786728, Sandton, 2146)

Commercial bankers
The Standard Bank of South Africa Limited
(Registration number 1962/000738/06)
3 Simmonds Street
Johannesburg, 2001
(PO Box 61344, Marshalltown, 2107)

Absa Corporate Bank
(Registration number 1986/004794/06
230 Van der Walt Street
Pretoria, 0002
(PO Box 4210, Pretoria, 0001)

First National Bank of Southern Africa Limited
(Registration number 1905/001225/06)
6th Floor, 4 First Place Bank City
Cnr Pritchard and Simmonds Street
Johannesburg, 2001
(PO Box 8122, Centurion, 0046)

Nedbank Limited
A division of Nedcor Bank Limited
(Registration number 1966/010630/06)
2nd Floor Corporate Place Sandton
135 Rivonia Road
Sandton, 2196
(PO Box 1144, Johannesburg, 2000)

Notice is hereby given that the third annual general meeting of members of AST Group Limited ("the Company") will be held in the boardroom of the Company at Lords Office Estates, 276 West Street, Centurion, on 6 November 2002 at 15:00, to conduct the following business:

1. To confirm that the auditors' report was received and adopted as correct.
2. To confirm that the annual financial statements of the Company for the year ended 30 June 2002 were received and adopted as correct, this being the annual financial statements, with respect to the state of affairs, the business and the profit or loss of the Company and its subsidiaries.
3. To elect directors of the Company in the place of the following persons who, in accordance with the provisions of the Company's articles of association, retire by rotation and, being eligible, offer themselves for re-election:
   - Mr J F Mouton
   - Mr M Macdonald
   - Mr J J van Zyl
   - Mr M G Erasmus
   - Mr M H Lekota
4. To confirm the directors' emoluments in 2003.
5. To grant a general authority to directors in respect of the following:
   - The allotment and issue of the unissued ordinary shares of the Company upon such terms and conditions as they in their sole discretion may determine, subject to the provisions of the Companies Act, No 61 of 1973, as amended, and the requirements of the JSE Securities Exchange South Africa.
   - The allotment and issue of shares for cash, as and when suitable conditions arise, shall be subject to the following:
     – This authority shall be valid until the next annual general meeting of the Company.
     – The shares must be of a class already in use.
     – The shares must be issued to public shareholders (as defined in paragraph 4.26 to 4.27 of the Listings Requirements of the JSE Securities Exchange South Africa) and not to related parties.
     – The general issues of shares for cash in the aggregate in any one financial year may not exceed 15% of the Company's issued share capital (number of shares) of that class.
     – The maximum discount at which shares may be issued is 10% of the weighted average traded price of those shares over the 30 business days prior to the date that the price of the issue is determined or agreed by the directors of the Company.
     – A 75% majority is required of votes cast by the shareholders present and presented by proxy at the general meeting to approve this resolution regarding the waiver of pre-emptive rights.
6. To confirm the re-appointment of the Group's auditors PriceWaterhouseCoopers.

A member entitled to attend and vote at the meeting may appoint a proxy to attend, speak and vote in his capacity. A proxy need not be a member of the Company. Proxy forms should be forwarded to reach the Company's registered office at least 48 hours before the meeting. The appointment of a proxy will not preclude a member from attending the meeting.

By order of the Board

J C Rademan
Group Secretary

Proxy form

AST Group Limited
(Incorporated in the Republic of South Africa)
(Registration number 1998/021790/06)
("AST" or "the Company")

Form of proxy
For use at the annual general meeting of the Company to be held on 6 November 2002, at 15:00 ("the meeting").

I/We

(Please print)

of

being a member/s of the Company holding [ ] ordinary shares in the Company, appoint
(see note 1)

1. or failing him,

2. or failing him,

3. the chairman of the annual general meeting,

as my/our proxy to act for me/us at the meeting of the Company which will be held in the boardroom, Lords Office Estates, 276 West Avenue, Centurion, at 15:00 on 6 November 2002, which meeting will be held for the purpose of considering, and if deemed fit, passing with or without modification, the resolutions to be proposed thereat and at each adjournment or postponement thereof, and to vote for and/or against such resolutions and/or abstain from voting in respect of the shares in the issued share capital of the Company registered in my/our name/s in accordance with the following instructions (see note 2):

Proposed ordinary and special resolutions	Number of AST shares		
	For	Against	Abstain
1. Adopt the auditor's report			
2. Adopt the annual financial statements			
3. Election of directors			
4. Confirm the directors' emoluments in 2003			
5. Place the unissued shares under the directors' control			
6. Confirm the re-appointment of the auditors			

(Please indicate instructions to proxy in the space provided above by inserting the relevant number of votes exercisable.)

Signed at on 2002

Signature

Assisted (where applicable)

Each shareholder is entitled to appoint one or more proxies (who need not be a shareholder/s of the company) to attend, speak and vote in place of that shareholder at the meeting.

Please read the instructions on the reverse side of this form of proxy.

This proxy is only for use by shareholders who hold their shares in certificated form or in own name dematerialised format. All other shareholders, who have dematerialised their shares and hold these shares in an account of a Central Securities Depository Participant ("CSDP") or broker, are requested to instruct such CSDP or broker to submit a proxy form on their behalf, indicating such shareholder's vote. Shareholders who hold their shares in dematerialised format through a CSDP or broker, who wish to attend the AGM, are requested to obtain written authority from the CSDP or broker to do so.

1. A shareholder may insert the name of a proxy or the names of two alternative proxies of the shareholder's choice in the space/s provided, with or without deleting "the chairman of the annual general meeting". Any such deletion must be initialled by the shareholder. The person present at the meeting whose name appears first on the form of proxy and has not been deleted will be entitled to act as proxy to the exclusion of those whose names follow.

2. A shareholder's instructions to the proxy must be indicated by the insertion of the relevant number of votes exercisable by that shareholder in the appropriate space provided. Failure to comply with the above will be deemed to authorise the chairman of the annual general meeting, if he is the authorised proxy, to vote in favour of the resolutions, or any other proxy to vote or abstain from voting at the annual general meeting as he/she deems fit, in respect of the shareholder's votes exercisable thereat. A shareholder or his/her proxy is not obliged to use all the votes exercisable by the shareholder or by his/her proxy, but the total of the votes cast and in respect whereof abstention is recorded may not exceed the total of the votes exercisable by the shareholder or by his proxy.

3. Any alteration or correction to this form of proxy must be initialled by the relevant signatory/ies.

4. Documentary evidence establishing the authority of a person signing this form of proxy in a representative capacity must be attached to this form unless previously recorded by the transfer secretaries of the Company or waived by the chairman of the annual general meeting.

5. The completion and lodging of this form will not preclude the relevant shareholder from attending the annual general meeting and speaking and voting in person thereat to the exclusion of any proxy appointed in terms hereof, should such shareholder wish to do so.

6. Forms of proxy must be lodged with or posted to the Company's business address (c/o Mr J C Rademan, Lords Office Estates, 276 West Street, Centurion or PO Box 10629, Centurion, 0046) at least 48 hours before the meeting.

7. The chairman of the annual general meeting may accept or reject a proxy which is completed and/or received other than in accordance with the instructions, provided that he shall not accept a proxy unless he is satisfied as to the manner in which a shareholder wishes to vote.

Contact details

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