AST GROUP

THE ICT BENCHMARK

AST Group

INNOVATION | CLARITY | TRUST

Annual Report 2003

Content

Foreword

AST Group, listed in the "Information Technology – Software and Computer Services" sector of the JSE Securities Exchange, is recognised as a dynamic and innovative Information and Communications Technology ("ICT") company. AST's intellectual capacity, critical mass, business model and strong customer base form the basis for its integrated services and solutions business. The AST Group is active throughout South Africa, with a growing presence in other southern African states. AST currently employs around 3 500 employees.

AST is a leading player in the provision of integrated IT services and solutions across a number of industries. This position is achieved through a combination of large divisions which have each achieved critical mass and strong competitive positions in their respective segments of the IT market. The combination of an integrated sales ability which positions the whole of AST's delivery capability to the customer as an integrated service and the industry knowledge and insight stemming from industry teams, dedicated to understanding the drivers of individual industries, drives the Group's customer-centric approach. All of this allows AST to position its offerings not only as technology services but as business solutions to its customers. The success of this model is evident from AST's extensive customer base, which includes some of the leading businesses in each of AST's industries of focus. These industries include financial services, mining, manufacturing and telecommunications.

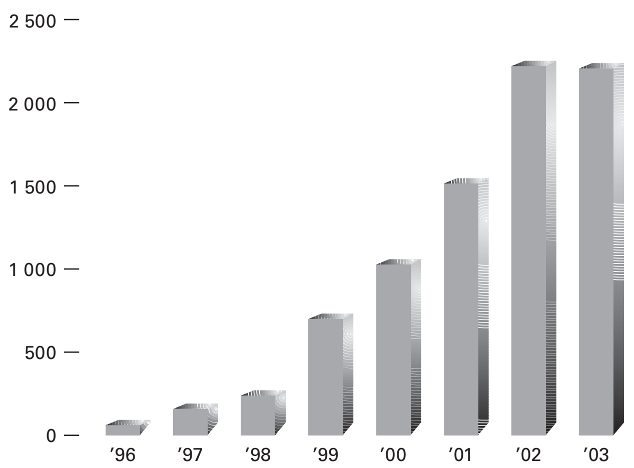
The IT market has changed rapidly as the global economy has slowed since 2001. Globally, company orders have been delayed or cancelled and lead times on large IT projects have lengthened significantly. The take-up of new technologies, notably in the area of e-business, has also declined. The South African economy has followed the rest of the world, and AST has also been affected by these developments. Not only are customers more conservative in the costs that they are willing to incur on their IT solutions, but they are also insisting that these IT solutions should add demonstrable value to their businesses.

Against this background, AST is able to offer its customers the benefits of economies of scale stemming from the critical mass achieved by its core businesses. The Group has access to a wide variety of technologies and skill sets contained within the business, as well as access to a comprehensive support infrastructure across southern Africa. This combination provides a compelling competitive advantage in the market. It is evidenced by the fact that AST continues to win new contracts on a monthly basis and the fact that during the last 12 turbulent months AST has succeeded in not only retaining all its significant customers but has also renewed some key contracts and gained new customers.

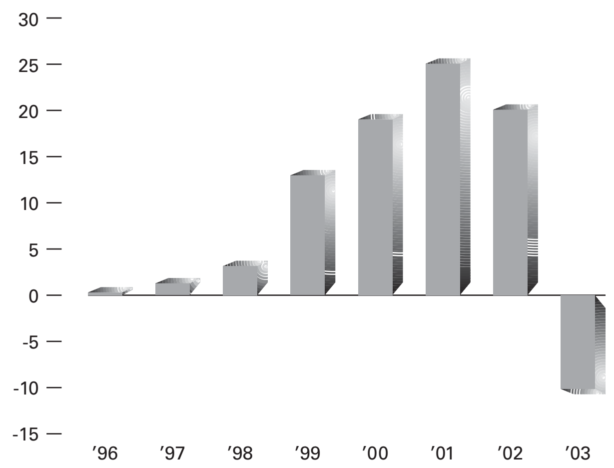
Highlights
for the twelve months ended 30 June 2003

	30 June 2003 (12 months)	30 June 2002 (12 months)	30 June 2001 (12 months)	30 June 2000 (12 months)	30 June 1999 (3 months)
Income statement					
Revenue	**2 205 612**	2 219 650	1 513 542	1 027 103	210 263
Operating (loss)/earnings before amortisation	**(84 987)**	123 629	182 614	117 885	25 422
Operating (loss)/earnings before amortisation (%)	**(3,85)**	5,57	15,83	11,48	12,09
Headline (loss)/earnings	**(62 239)**	112 557	137 877	103 039	22 947
Headline (loss)/earnings (%)	**(2,82)**	5,07	9,11	10,03	10,91
Balance sheet					
Cash and cash equivalents	**36 133**	111 731	160 958	203 951	81 168
Total assets	**1 044 146**	1 153 472	1 054 920	675 311	461 740
Ordinary shareholders' funds	**124 231**	336 264	370 162	348 606	317 107
Number of shares in issue	**673 105**	575 046	554 123	546 321	540 678
Weighted average number of shares	**613 233**	560 556	550 271	541 517	540 678
Fully diluted number of shares	**1 926 573**	605 552	580 004	552 500	555 909
Financial statistics					
Headline (loss)/earnings per ordinary share (cents)	**(10,15)**	20,08	25,06	19,03	4,24
Fully diluted headline (loss)/earnings per ordinary share (cents)	**(10,15)**	18,59	23,77	18,65	4,13
Cash (utilised in)/from operating activities per ordinary share (cents)	**(8,53)**	36,77	29,48	37,95	6,47
Net asset value per ordinary share (cents)	**18,46**	58,48	66,80	63,81	58,65
Selected returns and ratios					
Effective tax rate (%)	**32,99**	25,18	22,39	19,74	22,43
Current ratio	**0,74**	0,87	0,97	1,39	1,56
Return on equity (before amortisation)	**(64,38)**	17,56	28,68	29,67	29,16
Average debtor collection days	**55,33**	48,10	55,75	56,55	55,90
Cash conversion ratio (%)	**39,38**	120,52	77,12	143,68	111,03
Number of employees	**3 498**	3 961	2 882	2 448	2 029
Revenue per employee	**631**	560	525	420	104
Operating (loss)/profit per employee	**(24)**	31	63	48	13

Revenue (R million)



Headline earnings per ordinary share (cents)



Group value added statement
for the twelve months ended 30 June 2003

	Group 2003 (R'000)	Group 2002 R'000
Wealth creation:		
Group turnover	**2 205 612**	2 219 650
Cost of materials and services	**(1 191 167)**	(1 121 380)
Value added	**1 014 445**	1 098 270
Net finance cost	**(60 813)**	(3 432)
Total wealth created	**953 632**	1 094 838
Wealth distribution:		
Workforce		
Salaries, wages, bonuses, pension, medical aid, other benefits and contractor fees	**1 025 635**	905 377
Attributable to minority shareholders and associates	**(17 380)**	7 293
Central and local governments	**(33 141)**	42 799
Tax	**(48 435)**	29 605
Rates and taxes	**5 215**	2 549
Skills development levy	**4 758**	5 600
Regional services levies	**5 321**	5 045
Reinvested in the Group	**(21 482)**	139 369
Depreciation and goodwill amortisation	**205 999**	194 249
Net loss for the year	**(227 481)**	(54 880)
Total wealth distributed	**953 632**	1 094 838
Taxes paid and collected		
VAT	**131 735**	113 754
PAYE	**183 969**	175 400

Board of directors

From left to right: Pieter Bouwer, Johan Potgieter, Sipho Ndlovu, Hans Smith, Mofasi Lekota, John Miller, Marthinus Erasmus, Malcom Macdonald, Charles Meintjes, Jac van der Walt

Name: Hans Jurie Smith **Age:** 62
Title: Chairman
Business address: Lords Office Estates, 276 West Street, Centurion, 0157
Nationality: South African
Relevant experience: Hans graduated with a BSc (Eng Metallurgy) degree from the University of Pretoria, a BSc (Eng Mining) from the University of the Witwatersrand (1965) and a postgraduate diploma in Market Research and Advertising from the University of South Africa (1968). Hans started his career in the mining industry and held various senior positions before joining Iscor Limited ("Iscor") in 1993 as Chief Executive and Managing Director. In 1995 he became the Executive Chairman of Iscor Limited. In the relatively short period since then he was well on his way to transforming Iscor into a global competitor. This was achieved by initiating and implementing a comprehensive corporate restructuring programme. The massive and unprecedented corporate restructuring programme culminated in the successful listing of the mining assets of Iscor in 2001. Hans served as non-executive chairman of the newly listed Kumba Resources Limited until November 2002. He was appointed Chairman of AST in March 2003.

Name: John Edward Miller **Age:** 63
Title: Chief Executive Officer
Business address: Lords Office Estates, 276 West Street, Centurion, 0157
Nationality: South African
Relevant experience: 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 was appointed at AST as Marketing Director in 2001. John was appointed as CEO of the Group in December 2002.

Name: Pieter Willem Johannes Bouwer **Age:** 48
Title: Group Executive Director
Business address: Lords Office Estates, 276 West Street, Centurion, 0157
Nationality: South African
Relevant experience: 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 Sales and Marketing.

Name: Marthinus Gerhardus Erasmus **Age:** 36
Title: Financial Director
Business address: Lords Office Estates, 276 West Street, Centurion, 0157
Nationality: South African
Relevant experience: 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. He was appointed as Deputy CEO and his responsibilities included the AST Group's international operations. Marthinus was appointed Financial Director of AST in December 2002.

Name: Mofasi Horatius Lekota **Age:** 45
Title: Non-executive Director
Business address: 861 Kyoto Crescent, Kyalami Estate, Midrand
Nationality: South African
Relevant experience: 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 two and a half years. At Johnson & Johnson he was Financial Manager Trainee for two years. He finished his three-year accounting articles of clerkship with Deloitte & Touche.

Name: Malcolm Macdonald **Age:** 61
Title: Non-executive Director
Business address: Roger Dyason Road, Pretoria West, 0002
Nationality: South African
Relevant experience: 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 and to the AST board in April 1999.

Name: Charles Frederick Meintjes **Age:** 40
Title: Non-executive Director
Business address: Roger Dyason Road, Pretoria West, 0002
Nationality: South African
Relevant experience: Charles joined Iscor as Group Manager, Programmes and Information Management, 1999. He was appointed General Manager, Continuous Improvement, Iscor Steel in 1999. In 2000 he was appointed to the position General Manager, Corporate Information Management. Since July 2001 he is in the position of Executive Director: Corporate Services. Charles was appointed to the AST board in December 2002.

Name: Sipho Patrick Ndlovu **Age:** 51
Title: Non-executive Director
Business address: 5 Harrison Avenue, Douglasdale Ext X4
Nationality: South African
Relevant experience: 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. He was appointed to the AST board in February 2001.

Name: Jacobus Carolus Lodewiekus van der Walt **Age:** 61
Title: Non-executive Director
Business address: Lords Office Estates, 276 West Street, Centurion, 0157
Nationality: South African
Relevant experience: 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 was appointed to the AST board in April 1999 and is now focusing his attention on the AST Group and doing consulting work on an ad hoc basis.

Name: Cornelius Johannes Potgieter **Age:** 41
Title: Non-executive Director
Business address: Kingsley Centre, 10th Floor, 481 Church Street, Arcadia, 0183
Nationality: South African
Relevant experience: Johan has held the position of CEO of Coris Capital Ltd since 2001. Coris Capital Ltd is a financial services company with core focus of pension fund member administration and Multi Asset Management. Mr Potgieter built up vast experience in the investment and employee benefit industries during his career with the Iscor Pension Fund. During 1998 he initiated the privatisation process of the Iscor Pension Fund Investment and Employee benefit operations into a new company, Coris Capital Ltd, which is currently a successful player in the financial services industry. He was also Chairman of the Board of Directors of Prodigy-Coris, an Asset Management Company, with R8 billion assets under management. This company was sold in 2003 for R52 million. Johan was appointed to the AST board in June 2003.

Introduction

AST has made substantial changes and progress since December 2002. The board appointed a new management team, which implemented a more conservative and transparent management style, developed a "One AST" culture and gave the company a customer centric focus.

In December 2002 the board appointed our Australian consultancy practice, GEM Consulting, to assist in the restructuring of AST. After a validation study, a comprehensive Business Improvement Programme is now being implemented. This targets a number of areas including recapitalisation of the business through a rights issue, the sale or closure of non-core activities, increasing efficiency and substantial cost reductions.

The business has been stabilised and we have addressed a number of market concerns. The Business Improvement Programme is now in the implementation phase of the first wave confirming that our targeted annualised cost savings of more than R200 million are likely to be achieved.

We have retained strong relationships with our customers and have enjoyed their continued support. They mirror our confidence that AST is fit for business, as evidenced by the new business awarded since December 2002.

The Group is still facing some challenges in the industry but the board is happy with the progress in the short period of time, even though all the results are not yet visible.

Restructuring review

The Business Improvement Programme mapped the strategy for AST's restructuring and rebuilding. The management team has a more detailed understanding of the business than ever before, both with regards to efficiency and the cost drivers. This, combined with more effective interaction with our customers, focusing on making them more competitive in their target markets, has resulted in an improvement in customer satisfaction levels.

The first phase of implementing the Business Improvement Programme focused on the systematic redesign and implementation of the critical business activities in approximately half the addressable cost base. This included core business units from the Infrastructure Services and Solutions divisions and the recently centralised support functions. Various cost reduction initiatives are already in the process of implementation, with tangible benefits occurring to both margins and cash flow. Full realisation of the cost savings will however only be visible in the financial year to June 2005, as upfront costs associated with implementing the Business Improvement Programme will be absorbed during the 2004 financial year.

The roll out of the Programme is resulting in a simpler and flatter business structure with centralised support functions, better efficiencies and lower overhead costs. Service levels to our customers have improved because of our "One AST" focus and improved integration.

The recent appointment of a Customer Care Executive highlights the priority of the customer centric approach throughout the Group. Engagement models are being developed and implemented for all customers. We understand and prioritise their economic drivers, business and architecture strategy and critical service sensitive areas. Our understanding of our customers' operating environments continues to facilitate the delivery of high quality services. As a result of these initiatives AST has retained all of its major customers and thereby also maintained its annuity revenue base around the 40% mark.

We adopted a more selective approach to new opportunities and all new prospects underwent detailed evaluation including bidding costs and capital investments associated with implementation to ensure that they satisfy our requirements in terms of risks and returns. AST's selective approach will ensure profitability while we build a stronger balance sheet.

The transformation of both culture and demographics in the Group is a high priority. We have appointed a Transformation Executive who is driving implementation of the strategy already approved by the board. This includes meaningful PDI ownership and representation; cultural transformation and skills development as well as a focus on affirmative procurement.

Recapitalisation

As part of the Business Improvement Programme, a more effective capital management strategy is being implemented across the Group. This entails a complete analysis of the available sources of capital and the effective allocation and measurement of capital utilisation.

The recapitalisation was initiated by rescheduling the repayment terms on existing debt to reduce the pressure on cash flows. A further debt facility of R60 million was raised to improve liquidity in the Group. A fully underwritten rights offer for a minimum amount of R88,75 million will be completed by 7 October 2003. The proceeds will be used to reduce debt in the Group.

The Group continues to generate positive operating cash flows on a monthly basis, which is mostly applied to repaying the debt burden and to covering interest cost. Cash flow has been strengthened through the sale of non-core assets and businesses (R21 million) as well as a sharp focus on working capital management.

Currently the direct and indirect cost of the Business Improvement Programme still exceeds the direct cost benefits achieved. This position is expected to reverse in the next six to nine months. This should then become a significant contributor to creating cash flows as the savings are realised.

The measurement of divisional performance now encompasses return on capital and cash flow measurements in addition to profitability to ensure optimal allocation of resources in future.

Financial review

The downturn in the IT industry has required AST to apply a more conservative approach in the financial management of the Group to better reflect the impact of the downturn on the Group. Substantial once-off costs were incurred to reduce balance sheet risk and to scale down cost structures. These write-offs combined with high interest cost and substantial increases in gearing have had a negative impact.

We report a slight decrease in revenue from R2 220 million to R2 206 million for the twelve months ended 30 June 2003. Some R84 million of revenue was foregone due to the sale or closure of non-core businesses. In addition, we have become more selective in the business we conduct to ensure quality revenue and earnings.

We continue to operate in a highly competitive environment and as a result the margin before interest, tax, depreciation, amortisation and abnormal items reduced to 5,9% from 8,5% in 2002. Although we did not anticipate a positive margin impact from the Business Improvement Programme during 2003, the operating margin during the second half of the year improved to 6,0% from 5,7% in the first half. The Group's core businesses continue to deliver consistent and commendable results. These results are however mostly negated by the overhead and management cost structures.

Non-recurring expenditure amounting to R153,6 million during the year resulted in an operating loss before amortisation of R85 million. The board deemed it appropriate to impair the Group's investments in non-revenue generating assets by R23,4 million. Other once-off expenditure related to cost reduction (R26,8 million) and restructuring initiatives (R90 million). The substantial strengthening of the rand resulted in an exchange loss of R13,4 million. Net finance cost has increased significantly to R60,8 million from R3,4 million in 2002 as interest-bearing liabilities and other short-term liabilities increased by R131 million. We anticipate that with the recapitalisation and rights issue in October 2003, gearing will reduce by approximately R200 million in the 2004 financial year.

Further anticipated reductions in prime lending rates should have a positive impact on earnings and cash flow. As a result of the non-recurring expenditure and high finance cost we reported a headline loss per share of 10,15 cents compared to a 20,08 cents profit during 2002. The headline loss per share for the first six months was 9,05 cents.

The calculation of fully diluted shares includes shares that may be issued to vendors on achievement of profit warranties and the underwritten portion of the rights issue.

The total loss of R228 million and the increase in gearing had a substantially negative impact on the balance sheet with net asset value per share dropping from 58,48 cents per share to 18,46 cents per share and the debt to equity ratio dropping to 7,33. These ratios are expected to improve substantially during the next twelve months due to the impact of the rights offer, the repayment of debt and cash flow generated from improved margins.

Our policy of goodwill amortisation has not changed. No new acquisitions were made during 2003. We provided for vendor claims of R47,3 million, which represents the expected payment based on profit warranties achieved. Approximately R42,2 million will be settled with cash or scrip during 2004. We show a contingent liability of R24,3 million for vendor payments allowing for maximum performance against future profit warranties.

The increase in interest-bearing liabilities during 2003 resulted in the liquidity ratio decreasing from 0,87 to 0,74. The planned repayment of debt during 2004 and the impact of the rights offer will improve the Group's liquidity ratio to more acceptable levels. Debtor days remained at 55.

Capital expenditure

The capital expenditure for the Group during the period under review was R61,2 million, primarily in respect of purchases of income generating computer equipment. Commitments entered into over the same period to incur future expenditure amounts to R1,2 million.

Contingent liabilities

The South African Revenue Service (SARS) issued a revised assessment in respect of the 1999 tax year of a subsidiary of AST Group Limited. In terms of the revised assessment, certain allowances claimed in terms of section 11 (gA) of the Income Tax Act No 58 of 1962, as amended, have been disallowed by SARS. The company is in the process of lodging an objection in respect of the revised assessment. The Group regards the potential impact of the revised assessment as a contingent liability.

Dividend policy

There will be no dividend payments for the 2003 financial year.

Conclusion

The board and management of AST are committed to the successful implementation of the Business Improvement Programme. Significant progress has been made during 2003 to restore the Group to financial health. The Business Improvement Programme will continue during FY2004 and there is an unquestionable commitment at all levels of the business to achieving cost saving targets.

Once the recapitalisation is completed during the first half of 2004, we will be in a good position to continue strengthening the balance sheet and paying off debt. Remaining vendor liabilities will be settled during the year. With our selective approach to new opportunities and optimal allocation of capital, we will be able to unlock value for our shareholders.

We are reengineering our business and will emerge a more agile organisation – able to provide competitive services and solutions to our customers, and able to steer the business in line with prevailing market conditions. Our offering remains competitive – we have an excellent footprint in South Africa; we understand the industries in which our customers operate and we have an unquestionable commitment to delivering a competitive advantage to them.

We are committed to achieving full compliance with the requirements of the second King Report on Corporate Governance. Significant progress was made with the changes to the board and the implementation of internal audit and risk management. A conservative approach continues to underpin all activities and processes.

I wish to thank our stakeholders including our customers, employees, shareholders, our board of directors, suppliers and our bankers for their continued support and commitment.

For and on behalf of the board

John Miller
CEO
AST Group

18 August 2003

AST Customer Care Centre

The AST Group has established the Customer Care Centre that will assist them in establishing a customer care culture focusing on total customer satisfaction. In any type of relationship, one progresses through the phases of earning credibility and proving delivery capability, thereby establishing trust and creating a better relationship – that of a true partnership.

The Customer Care Centre will be looking at the interaction between the customer and the AST divisions. By listening to the customers' needs and understanding their perception of AST's delivery capability with regard to service and agility, AST will be able to address the identified gaps. As a result, the AST Customer Care Centre will be implementing procedures and processes to monitor and improve the ongoing customer care with service assurance, thereby building a positive relationship with the customers.

The Customer Care Centre will assist the AST Group in improving its way of interacting with the customer, on a customer-by-customer basis.

The emphasis will be on service assurance. This will be achieved by focusing on creating a customer-centric culture that will lead to consistency of delivery, building trustworthy relationships, understanding customer culture and being dynamic and innovative. AST will change with the customer's needs, delivering not just according to Service Level Agreements, but also to customers' unspoken requirements.

Customer value statements

Absa

Frik van der Merwe –
Chief Technology Officer

"*AST has demonstrated the ability to deliver service and cost improvements for Absa. AST has consistently maintained a service culture in difficult times. Staff and management respond to Absa's needs with enthusiasm and commitment. This enthusiasm and commitment is what Absa requires to meet the fast evolving and changing needs of the Distributed Computing environment into the future.*"

Iscor Limited

Louise van der Bank
General Manager: Information Management for Iscor Limited

"*Over the past few months Iscor and AST entered into various initiatives to optimise the processes between the organisations, resulting in substantial cost savings for Iscor. This proves that the partnership between Iscor and the AST Group resulted in not just technology benefits but also true business value for Iscor. AST continues to invest in its people enabling them to provide the necessary expertise, whether technical or business, to assist Iscor in the creation of value for its shareholders. AST as an organisation, understands Iscor's business drivers enabling them to assist Iscor to implement technologies resulting in optimised business processes.*"

Kumba Resources

Andrew McEwan
Chief Information Officer: Kumba Resources

"*AST's understanding of the mining industry and the issues driving the Kumba Resources business, position them to enjoy a long-term relationship with the company. Despite this, Kumba insists that there should be competition for our business. AST has successfully garnered both new and repeated business in this competitive environment whilst simultaneously executing their improvement programme. It is commendable that the AST operations are able to keep focused on the core business whilst undertaking a difficult and unenviable transition.*"

Samancor Chrome

Sollie Swanepoel
Group IT Manger: Samancor Chrome

"*Through AST's involvement in our business operations, Samancor has been able to 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 in the distributed technology environment.*

In addition, Samancor is already seeing real business value being transferred to all of our business units in the solution provided by AST with the fully integrated Chrome-wide Manufacturing Execution System that was implemented. We are also able to put back the expertise derived from the project, as well as value adding enhancements back into the business and leverage on that via a continuous improvement process.

Through the sharing of knowledge in the synergistic business optimisation processes, between AST and Samancor, we are fulfiling our strategic objectives and have the ability to look at our whole environment."

Nampak Glass

Rob Allman
Technical Director

"*After our furnace burnt down in April 2003, we needed to get back on our feet quickly. Therefore we needed a technology partner that was credible, and had a high-level of professionalism. This need was met by AST, who through their quick response time and their high-level of service has allowed them to manage Nampak's interest at all times during the course of the project.*

AST had the necessary methodologies to ensure that the schedule, cost and quality objectives of our project were met. This resulted in practical, cost-effective and timely solutions."

Employee report

During a difficult period in the lifecycle of the organisation, it was the employees, our people that pulled their weight to ensure continued success.

People process

The human resources (HR) management of the Group is run on a decentralised basis based on the people needs of the business. The process is glued together by an integrated SAP HR System that is enhanced by a People Practice Management module, enabling proper resource management and employee self services. The establishment of an HR Forum where top management and senior HR employees discuss and contemplate people related issues is the first step to drive the people process in the organisation.

Business Improvement Programme

The strategic initiative to improve efficiencies and general business performance had an impact on the employee numbers in the organisation and a general reduction of employees during this period was close to 10%. This was in spite of employee inflows due to the successful outsourcing bids of two major customers.

Skills development

Competent skilled employees are paramount to provide excellent innovative service to our customer base. The investment in skills development resulted in us reclaiming an amount of R3 395 262 from the ISSETSETA during this financial year. The Chairman's Learnership Programme and Experiential Training Programme are vehicles that were established to ensure the necessary skills levels also in previously disadvantaged communities.

Transformation

As transformation is one of the strategic focus areas of AST, the Transformation Committee, senior executives and a representative group of the organisation embarked on a new transformation strategy for the Group.

The new strategy was developed with the assistance of Tedaka Consulting and resulted in the following objectives:

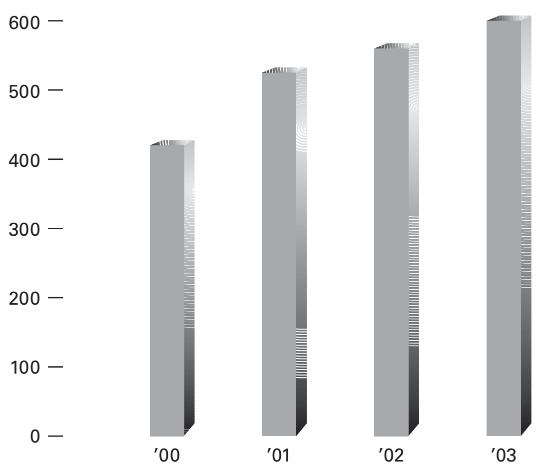
- Increase the number of employees from designated groups in all employment categories.
- The setting of new goals in terms of Affirmative Procurement.
- Diversity management and skills training sessions for all employees.
- Establish new Transformation Workgroups in the new business structure.

Employee well-being

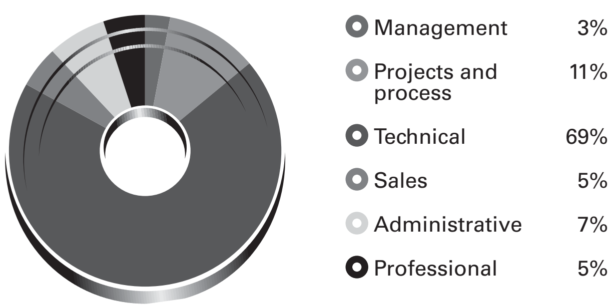
The employees of AST are facing difficult and stressful circumstances in the industry as well as in society. The need for employee assistance programmes was established and a service to give emotional support was introduced to all employees.

Regular HIV/Aids communication initiatives are launched across the organisation and a policy on HIV/Aids was approved and published.

Revenue per employee (R)



Employee distribution



Financial definitions

Average debtor collection days
Average trade debtors after provision for bad and doubtful 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 non-recurring expenses, 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 for the period 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 for the period 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 and related tax amounts.

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.

Operating margin before amortisation (%)
Earnings before amortisation as a percentage of revenue.

Operating profit per employee
Earnings before non-recurring expenses 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

Corporate practice and conduct

The AST Group and its directors affirm their commitment to the principles of openness, integrity and accountability and are committed to providing timeous, relevant and meaningful reporting to all stakeholders, ensuring that the AST Group's business is conducted in accordance with high standards of corporate governance and with local and internationally accepted corporate practice and that the AST 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 continually complying with these guidelines. 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. The AST Group is committed to the highest level of corporate governance and the directors are satisfied that the Group has complied with the provisions of the King II Report. The AST Group abides by the governance principles and structures as recommended by the King II Report. The majority of the board members are non-executive and independent directors as defined by the King II Report. All Committees are constituted in terms of the principles and guidelines set out by the King II Report. In 1999, the board and the Committees had started a process of self-assessment exercises of its effectiveness and efficiency, and this process continues on an annual basis.

Ethics

A code of ethics for the AST Group was approved by the board and this code is made available to all employees within the AST Group. The directors and employees of the Company and its subsidiaries 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 lenders 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 that are never negotiable.

Its mission is to achieve this through excellence in the application of ICT services, providing comprehensive, integrated solutions customised to the specific needs of the customers, preferably within partnering relationships. A culture of full disclosure exists.

Board of directors

The board is responsible for directing and controlling the AST Group's strategy and activities and for providing leadership and guidance to executive management and to business units. The mandate of the board is defined and approved, and the board acts accordingly. The delegation of authority to the chief executive officer and executive directors is set out in the mandate.

On 30 June 2003, the board comprised three executive directors (Messrs Bouwer, Erasmus, and Miller), four non-executive directors (Messrs Macdonald, Meintjes, Ndlovu and Potgieter) and three independent directors (Messrs Lekota, Smith and Van der Walt). Substantial changes have been effected since 30 June 2002 to the board and management structures:

- Mr J Groeneveld resigned as director on 30 September 2002.
- Mr MW Mulder resigned as director on 30 September 2002.
- Mr MH Lekota was appointed as director on 1 October 2002.
- Dr CJ Fauconnier resigned as director on 4 December 2002.
- The executive chairman of the Company, Mr GJ de Klerk, stepped down as executive director to assume the position of non-executive chairman as from 4 December 2002.
- The chief executive officer, Mr JJ van Zyl, resigned from the board on 4 December 2002.
- Mr JE Miller was appointed as chief executive officer as from 4 December 2002.
- Mr CF Meintjes was appointed as a non-executive director of the board of AST as from 4 December 2002.
- Mr GJ de Klerk resigned from his position as non-executive chairman on 24 March 2003.
- Mr JF Mouton resigned from his position as non-executive director on 24 March 2003.
- Mr HJ Smith, formerly chairman of Kumba Resources and Iscor, was appointed as chairman of AST on 24 March 2003.
- Mr CJ Potgieter was appointed as a non-executive director of the board effective from 1 June 2003.

The non-executive and independent directors contribute an objective and independent viewpoint on all major decision processes and standards of conduct. The Group initiated formal information sessions for non-executive and independent directors during the previous financial year and the meetings of the non-executive directors' forum are continuing. The offices of chairman and chief executive officer are separated. The Nomination Committee assesses the performance of the chairman and chief executive officer. The executive directors, who are full-time employees, are appointed to the board to bring to the management and direction of the AST Group the skills and experience appropriate to its needs as a business. The contracting period for executive directors is eighteen months.

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 Group and continues to monitor management's implementation of the board's plans and strategies. During the past financial year, board meetings were held on the following dates and were attended as follows:

Member	12 Aug	9 Oct	5 Nov	14 Nov	10 Dec	4 Mar	24 Mar	8 May	9 Jun
Bouwer, PWJ	P	P	P	P	P	P	A	P	P
De Klerk, GJ	P	P	P	P	P	A	–	–	–
Erasmus, MG	P	P	P	P	P	P	P	P	P
Fauconnier, CJ	P	A	A	A	–	–	–	–	–
Groeneveld, J	P	–	–	–	–	–	–	–	–
Lekota, MH	–	P	P	P	P	P	A	P	P
Macdonald, M	A	P	P	P	P	P	P	A	P
Meintjes, CF	–	–	–	–	P	P	P	P	P
Miller, JE	P	P	P	P	P	P	P	P	P
Mouton, JF	P	A	P	P	P	A	–	–	–
Mulder, MW	P	–	–	–	–	–	–	–	–
Ndlovu, SP	P	P	P	P	P	P	P	P	P
Potgieter, CJ	–	–	–	–	–	–	–	–	P
Smith, HJ	–	–	–	–	–	–	–	P	P
Van der Walt, JCL	P	P	P	P	P	P	P	P	P
Van Zyl, JJ	P	P	P	P	–	–	–	–	–

P – Present/A – Apology

All directors have access to the services and advice of the Group Secretary and are entitled to seek independent professional advice at the Group's expense on any legislative, regulatory or procedural matter relating to the Group's affairs at any time. The Group Secretary continues to play a pivotal role in the corporate governance matters of the AST Group in this regard, and the board is aware of the importance of this function. The board also has unrestricted access to all the AST 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, as well as updates or changes in JSE rules or other relevant legislation.

Under the articles of association of the Company, a staggered rotation of directors is in place and one-third of the directors retire every year; if eligible, they may be re-elected. At the last annual general meeting (November 2002), Messrs Erasmus, Macdonald, and Van Zyl retired and were re-elected.

Board committees

Various board committees have been established and 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.

At year end these committees included the Audit Committee, the Nomination Committee, the Remuneration Committee and the Transformation Committee.

A non-executive director chairs the Audit and Transformation Committees respectively, while an independent director chairs the Nomination and Remuneration Committees. In line with the recommendations of the King II Report, the chairpersons of the board's Committees, especially the Audit, Nomination and Remuneration Committees, are expected to be present at the AST Group's annual general meeting.

Nomination Committee

The Nomination Committee makes nominations to the board on the appointment of new executive and non-executive directors, including recommendations on the composition of the board generally and the balance between executive and non-executive directors. The committee also reviews the board structure, size, composition and diversity and makes any recommendations that may be required. The committee is also responsible for identifying and nominating candidates to fill board vacancies and to put succession plans into place. The chairman of the Nomination Committee is Mr HJ Smith, who is also the chairman of the board. The majority of the members of the Nomination Committee are independent or non-executive directors. At 30 June 2003 the members were:

- Mr HJ Smith – Chairman and Independent Director
- Mr JCL van der Walt – Independent Director
- Mr SP Ndlovu – Non-executive Director

During the past financial year, meetings of the Nomination Committee were held and attended as follows:

Member	27 Sep	30 Nov	11 Feb	6 May
De Klerk, GJ	P	P	P	–
Fauconnier, CJ	P	–	–	–
Ndlovu, SP	P	P	A	P
Smith, HJ	–	–	–	P
Van der Walt, JCL	P	P	P	P

P – Present/A – Apology

Audit Committee

A statement of directors' responsibilities is included on page 21 of the annual report. In order to enable the directors to fulfill these responsibilities, the Audit Committee is responsible for monitoring the adequacy of the AST Group's financial controls and reporting. It is charged with, inter alia, reviewing the audit plans of the external auditors as well as 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 meet Generally Accepted Accounting Standards. Meetings take place on a regular basis, representatives of the external auditors and internal 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. External and internal auditors have full access to the chairman of the Audit Committee. The following directors were members as at 30 June 2003:

- Mr M Macdonald – Chairman and Non-executive Director;
- Mr JCL van der Walt – Independent Director;
- Mr CF Meintjes – Non-executive Director;
- Mr JE Miller – Chief Executive Officer.

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

Member	7 Aug	1 Nov	27 Feb	2 Jun
De Klerk, GJ	P	P	A	–
Macdonald, M	P	P	P	P
Meintjes, CF	–	–	P	A
Miller, JE	–	–	P	A
Mouton, JF	P	A	–	–
Van der Walt, JCL	P	P	P	P
Van Zyl, JJ	P	P	–	–

P – Present/A – Apology

Remuneration Committee

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

The chairman of the Remuneration Committee is Mr JCL van der Walt, an independent director, whilst Professor J Rall, an outside consultant, is the other independent member of the committee, neither of whom has any personal interest in the outcome of his decisions. Mr MH Lekota, an independent director, is the other member of the committee. The Remuneration Committee meets on a quarterly basis and provides the board with feedback on their activities.

Meetings of the Remuneration Committee took place on the following dates:

Member	30 Jul	29 Oct	6 Dec	11 Feb	9 May
De Klerk, GJ	P	P	A	P	–
Lekota, MH	–	–	–	P	P
Rall, J	P	P	P	P	P
Van der Walt, JCL	P	P	P	P	P
Van Zyl, JJ	P	P	–	–	–

P – Present/A – Apology

Transformation Committee

The role of the Transformation Committee is to assist the board to monitor the employment equity programme and policy, directing affirmative procurement initiatives, skills development and the development of a social responsibility programme for the AST Group. It is also responsible for reconsidering the current AST bursary and trainee programme with emphasis on the development of entry-level graduates and to put forward proposals for means of co-operation between the AST Group and the various economic empowerment groups. At 30 June 2003, a non-executive director, Mr SP Ndlovu, chaired the Transformation Committee, which consists of two additional directors, namely Messrs JCL van der Walt and JE Miller, and Mr AM Ferreira, the Human Resources director. The committee meets four times per year. Ms K Martin was appointed as AST's Transformation Executive during the past year and also attends the Transformation Committee meetings.

The following meetings of the Transformation Committee took place during the financial year under review:

Member	12 Aug	23 Oct	12 Feb	5 May
De Klerk, GJ	P	P	–	–
Ferreira, AM	P	P	P	P
Groeneveld, J	P	–	–	–
Miller, JE	P	P	P	P
Ndlovu, SP	–	P	P	P
Van der Walt, JCL	P	P	P	P
Van Zyl, JJ	P	A	–	–

P – Present/A – Apology

Investment Committee

The Investment Committee was established to assist the board to discharge its responsibilities to grow the business by means of mergers and acquisitions, making sound investments that would maximise shareholder value and to safeguard the Group's assets against potentially unsuccessful transactions. The Investment Committee assessed and monitored risk relating to mergers and acquisitions, assessed and monitored the AST Group's inorganic growth strategy, approves investment criteria, oversees the setting-up and implementation of the AST Group's internationalisation strategy, oversees overall investment strategy ensuring transactions increase shareholder value and meet the predetermined criteria set by the board. The Committee also 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 the regulations of the JSE, the South African Reserve Bank and the Competition Commission as well as other statutory requirements.

The Investment Committee formerly operated under the chairmanship of the chairman of the AST Group. However, on 8 May 2003 the board decided to dissolve this committee due to the changes in its growth strategy and the fact that any future investments (mergers and acquisitions) or sale of business units or parts of business units be handled and approved in terms of the Delegation of Authority Policy approved by the board.

The members were:

- Mr GJ de Klerk – Chairman and Executive Director
- Mr JJ van Zyl – Executive Director
- Mr MG Erasmus – Executive Director
- Mr PWJ Bouwer – Executive Director
- Mr MW Mulder – Executive Director
- Mr JE Miller – Executive Director
- Mr JCL van der Walt – Independent Director
- Mr M Macdonald – Non-executive Director

During the past financial year, the Investment Committee held the following meetings:

Member	22 Jul	26 Sept
Bouwer, PWJ	P	P
De Klerk, GJ	P	P
Erasmus, MG	P	P
Macdonald, M	P	P
Miller, JE	P	P
Mulder, MW	P	P
Van der Walt, JCL	P	P
Van Zyl, JJ	P	P

P – Present/A – Apology

Executive Committee

The day-to-day running of the Group is conducted by the Executive Committee, which meets on a weekly basis and consists of executive directors and senior managers of divisions. The Executive Committee is responsible to the board for recommending the AST 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 AST Group.

Strategic Business Unit boards

The business unit boards managed the business units according to the business governance model of the AST Group, as approved by the Executive Committee.

As part of the restructuring of the AST Group and the Business Improvement Programme it was decided to dissolve all Strategic Business Unit boards except those where private companies and subsidiaries still exist.

Group Secretary

In order to fulfil his duties the Group Secretary has been fully empowered by the board and has complete access to people and resources to facilitate this.

The Group Secretary plays an important role in supporting the chairman and the executive directors. He also forms part of the Nomination Committee, ensuring that the procedures for the appointment of new directors are properly carried out. Assistance is also provided with the proper induction and orientation of newly appointed directors.

The Group Secretary provides a central source of guidance and advice on business ethics and good governance and is also the point of contact for institutional and other shareholders. In addition, guidance is provided to all directors both individually and collectively on an ongoing basis. Relevant information on new regulations and legislation that may impact on directors is provided on an ongoing basis.

AST-A Share Incentive Trust

Two independent trustees (Mr AC Greyling, an outside independent consultant and Mr JCL van der Walt) manage the AST-A Share Incentive Trust, which meets twice a year. The trustees are responsible for the financial management of the trust and to ensure adherence to the prescriptions of the share trust deed.

Risk management

Risk philosophy and strategy

The AST Group, in terms of the JSE listing requirements, aims to comply with the corporate governance recommendations as detailed in the King II Report.

The management of risks is an important aspect of AST's goal of creating wealth for all stakeholders. The King II Report describes risk management as "the identification and evaluation of actual and potential risk areas as they pertain to the company as a total entity, followed by a process of either termination, transfer, acceptance, or mitigation of each risk".

The cornerstone of effective risk management is thus a strong risk management culture and philosophy, driven by the board.

The board is responsible for the total process of risk management including the related system of internal control.

Risk management is a process that has to be continual and evolving in nature so that it remains dynamic and relevant to the business of the AST Group over time.

AST's risk philosophy is to follow an integrated approach to risk management, which takes into consideration the following aspects of risk management based on the King II Report and industry best practices:

- regular risk measurement and assessment;
- board acceptance of overall accountability and responsibility of risk management;
- the existence of board committees (Risk Committee and Audit Committee) to assist the board in reviewing the risk management process and the significant risks facing the Group;
- setting of a comprehensive system of internal control to ensure that risks are mitigated and that the Group's objective are attained;
- assessment of risks on an ongoing basis;
- identification and monitoring of key risks areas and key performance indicators on an ongoing basis to ensure effectiveness of the internal control system; and
- separate disclosure of any significant control failings or weaknesses and their impact or proposed impact.

Management does not only view risk from a negative perspective, but recognises that the review process may identify areas of opportunity where effective risk management can be turned to a competitive advantage.

Responsibilities of the board

In accordance with the guidelines of the King II Report on best practice for risk management, the board has overall responsibility and accountability for the total risk management process.

The board ensures that a risk assessment is undertaken at least annually for the purposes of making an annual statement on risk management; considering the significant risk exposures that face the organisation and that due consideration and application has been given; and reporting on significant risks affecting the decisions of stakeholders in the annual report.

The board determines the level of risk that AST is willing to take in the pursuit of growth and in maximising opportunities.

The board has implemented a risk management strategy in liaison with the executive directors and senior management. The policy is communicated to all employees to ensure that the risk strategy is incorporated into the culture of AST.

Risks are assessed on an ongoing basis and control activities are designed to respond to risk throughout AST. The further improvement of controls has been a major focus towards the end of the year.

There is an adequate system of internal control in place to mitigate the significant risks faced by AST to an acceptable level. The board takes care to ensure that the levels of risk that AST faces are acceptable, in order to exploit opportunities that will result in the returns expected by stakeholders taking into account the risk involved.

The board reviews report on the risk management process regularly. The risk assessment/reports address AST's exposure as follows:

- physical and operational risks;
- human resources risks;
- technology risks;
- business continuity and disaster recovery risks;
- credit and market risks; and
- compliance risks.

There is a documented and tested process in place that will allow the AST Group to continue its critical business processes in the event of a disastrous incident impacting on its activities.

The board is assisted by the Audit Committee, Risk Management Steering Committee and the internal audit function.

Risk management structure

The AST risk management structure comprises different role players in the AST Group, all interacting on an operational and strategic level to adequately and effectively manage risks.

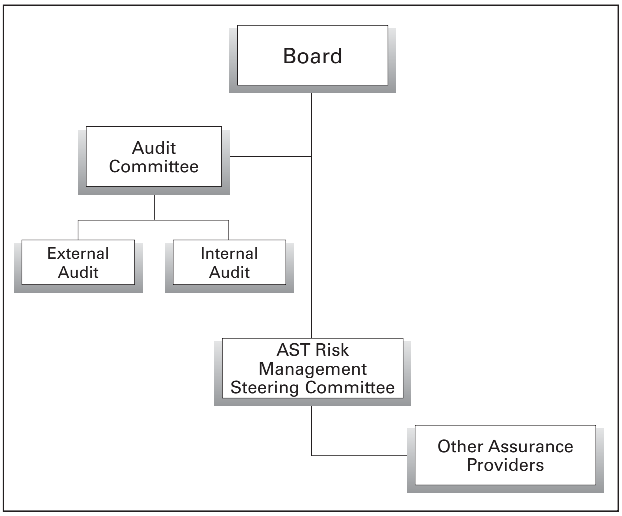
The board is responsible for the total process of risk management including the related system of internal control.

Management is accountable to the board for designing, implementing and monitoring the process of risk management and integrating it with the day-to-day activities of the organisation. Management is also accountable to the board for providing assurance that it has fulfilled its mandate and the manner in which this has been done. They are responsible for ensuring that generally accepted risk management frameworks and models, including internal control, are embedded in the organisational operations and processes.

The following diagram details the risk management structure and reporting lines.

The Audit Committee

The Audit Committee is charged with the responsibility of monitoring the adequacy of the AST Group's financial controls and reporting. The committee's responsibilities include, inter alia, reviewing the audit plans of the external auditors and 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 meet accepted accounting standards.



The Audit Committee supports the board in maintaining effective control over the total process of risk management by considering management's assessment of risks on future internal audit plans, external audit, financial reporting, internal controls and accounting policies.

The Audit Committee also assists in identifying and monitoring, at least annually, key performance indicators and key risks as brought under their attention by the board and structures as described above.

The Audit Committee has unrestricted authority to determine the scope and extent of work to be performed by the internal audit function and other professional service providers.

Risk Management Steering Committee

The board identified the need for an integrated risk management process at a divisional and business unit level. Management has therefore appointed a Group Risk Manager to co-ordinate the organisation's risks as part of the day-to-day activities of the AST Group. Each divisional and business unit's senior management team identifies, evaluates and manages significant business risks on an ongoing basis and reports to the Risk Management Steering Committee on risk activities through existing channels.

The Risk Management Steering Committee provides the structures to guide and co-ordinate the groupwide management of risks and to assist the strategic business units in attaining their risk management objectives. The committee monitors the risks identified in all areas of AST's business activities and ensures that risks are made visible to the Audit Committee for transparent, objective and complete reporting to the board.

The Risk Management Steering Committee is responsible for the following tasks in the risk management process of AST:

- reviewing reports detailing the adequacy and overall effectiveness of each division and business units' risk management function and its implementation, as well as reviewing reports on internal control and any recommendations. In addition it must confirm that appropriate action has been taken;
- reviewing the risk philosophy, risk identification and measurement methodologies, strategies and policies recommended by management and ensure compliance with such policies;
- ensuring due regard for the principles of governance and codes of best practice;
- liasing with the board and Audit Committee.

Role of the internal audit function

The internal audit function operates under a mandate from the Audit Committee. The internal audit function has unrestricted access to company assets, records, and personnel and to the chairmen of the Risk Management Steering Committee and Audit Committee. The internal audit function is outsourced to KPMG to strengthen objectivity and to enhance the quality of assurance provided.

The internal audit function evaluates the system of internal control and makes recommendations to provide:

- assurance that the management process is adequate to identify and monitor significant risks;
- confirmation of the effective operation of the established internal control system;
- credible processes for feedback on risk management and assurance;
- objective confirmation that the board received the right quality of assurance and information from management and that this information is reliable; and
- assurance on compliance with laws and regulations, adequate safeguarding of assets, compliance with company policies and procedures, and the economic and efficient use of resources.

Stakeholder communication

The board considers balanced and understandable communication of the AST Group's activities to stakeholders to be essential and strives to clearly present any matters material to a proper appreciation of the AST Group's position. The interests and concerns of stakeholders are addressed, whenever possible, by reflecting information as it becomes known, regardless of the potentially positive or negative impact. The AST Group also engages in dialogue with institutional investors based on constructive engagement and mutual understanding of objectives. The AST Group provides quarterly updates of operational results in the form of AST site visits at the conclusion of the first and third quarters and biannual financial results presentations to the investment analysts after publication of the interim and annual results.

Share dealings

No director or employee may deal, whether directly or indirectly, in AST shares on the basis of previously unpublished price-sensitive information. Directors and employees are subject to an embargo to trade in AST shares during certain closed periods. Such periods include the periods surrounding finalisation and announcement of the interim and the annual financial results. The directors and employees are also kept informed of any new stipulations of the Insider Trading Act or the JSE rules that may come into play.

Strate charity shares

Shareholders who find that the cost of selling their shares exceeds the market value of their shares may wish to consider donating them to charity. An independent non-profit 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 toll-free help line on 0800 202 363 or +27 11 775 3449 if your are phoning from outside South Africa or email charityshares@gscom.co.za.

Remuneration Committee

The board is committed to retain and motivate executives of the highest quality to lead and guide the organisation through times of change. The Remuneration Committee comprises of two independent non-executive directors, as well as an outside independent consultant. Mr JCL van der Walt chairs the Remuneration Committee and the other members are Prof J Rall and Mr MH Lekota.

The Remuneration Committee had five meetings during the period and operates in terms of a written mandate, which sets out the remuneration philosophy. The committee agrees to the remuneration packages for executive directors, non-executive directors and selected senior executives.

The Remuneration Committee is attended by the CEO, Mr JE Miller and HR executive, Mr MA Ferreira. Both are excluded from the meeting when their individual remuneration packages are discussed.

The remuneration strategy of the Group consists of performance related variable elements, as an addition to guaranteed pay. This is based on the Group's performance and individual balance scorecards. In addition, personal development and longer-term wealth creation complete the remuneration mix.

The new executive directors signed service contracts in December 2002. Non-executive directors are subject to rotations every three years and executive directors are subject to the same terms as other employees.

Fees for non-executive directors are recommended to the board by the Remuneration Committee. All directors' remuneration is approved annually at the annual general meeting by shareholders.

Share options

The share scheme was reviewed during the year and all employees with offers were granted the opportunity to cancel the offers due to the significant reduction in the share price. This resulted in the majority of the employees canceling their share options.

Overview of remuneration strategy

Short-term initiatives will be introduced this year to increase the risk portion of remuneration. An annual performance review is carried out for all employees to determine achievement levels linked to their incentives.

A remuneration strategy was developed for the Group to promote consistency, good governance and appropriate management at all levels.

The key elements are:

• Guaranteed remuneration

The guaranteed remuneration (total cost to company) reflects the market rate of salary to attract and retain the identified skills necessary to deliver certain requirements.

The following factors are taken into account for annual reviews and no increases are guaranteed.

• Overall Group performance
• Individual performance
• Internal and external pay comparison
• Skills set
• Business needs

Remuneration structures are benchmarked each year and reviewed based on market change.

• Benefits

Benefits are provided to ensure satisfaction of certain needs in the employee base and to be market competitive. The benefits are flexible and provide choices to all kinds of employee circumstances.

Report of the independent auditors

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 set out on pages 30 to 59 for the year ended 30 June 2003. 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 2003 and the results of their operations and cash flows for the year then ended in accordance with South African Statements of Generally Accepted Accounting Practice, and in the manner required by the Companies Act in South Africa.

Going concern

Without qualifying our opinion on the financial statements, we draw attention to the fact that the annual financial statements and the Group annual financial statements have been prepared on the going-concern basis, subject to the successful refinancing of the Group through the proposed rights issue and the successful implementation of the Business Improvement Programme as discussed in the CEO report.

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

Pretoria
18 August 2003

Directors' responsibility

for the year ended 30 June 2003

In accordance with Companies Act requirements, the directors are required to prepare annual financial statements which conform to Statements of Generally Accepted Accounting Practice in South Africa and which 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 internal controls. The directors delegate 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 for preparing the financial statements and maintaining accountability for the Group's assets and liabilities. 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 financial statements which appear on pages 30 to 59, set out fully the financial position, results from operations, and cash flows of the Group for the financial year ended 30 June 2003. These financial statements were approved by the board of directors on 18 August 2003 and signed on its behalf by:

HJ Smith	JE Miller	MG Erasmus
Non- executive Chairman	*Chief Executive Officer*	*Financial Director*

Group Secretary's certification

for the year ended 30 June 2003

The Group Secretary certifies that AST Group Limited has lodged with the Registrar of Companies 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.

JC Rademan

Group Secretary

Directors' report

Your directors have pleasure in submitting the annual financial statements of the Company and the AST Group for year ended 30 June 2003 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 foreword.

Group results

A general review of the operations of the major business units is given in the foreword.

The financial statements on pages 30 to 59 set out fully the financial positions, results from operations, and cash flows of the AST Group for the financial year ended 30 June 2003.

Going concern

The board considers the going concern concept in the context of its deliberations on the annual financial statements. The board has satisfied itself that the AST Group has adequate annuity revenue going forward, 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 its liabilities, based on the expected successful refinancing of the Group through the proposed rights issue and the effective implementation of the Business Improvement Programme. The AST Group's financial statements have accordingly been prepared on a going concern basis.

Recapitalisation and restructuring review

In December 2002 the board appointed our Australian consultancy practice, GEM Consulting, to assist in the restructuring of AST. After a validation study, a comprehensive Business Improvement Programme is now being implemented. This targets a number of areas including recapitalisation of the business through a rights issue, the sale or closure of non-core activities, increasing efficiency and substantial cost reductions. A more detailed review of the aforementioned is provided in the CEO report.

Dividends

To date, it has been the AST Group's policy not to pay dividends, and all earnings generated by the Group were utilised to fund future growth and development. A working committee of the board recently reviewed the dividend policy, and it was decided in principle (subject to certain business parameters, namely current ratio and liquidity) to approve the payment of dividends in future years. There will, however, be no dividend payments for the 2003 financial year.

Subsidiary undertakings

The interests in subsidiary companies, where considered material in the light of the AST Group's financial position and results, are set out in page 60.

Acquisitions and disposals during the year

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

- Naledi Computer Systems (Pty) Ltd: AST's shareholding in Naledi Computer Systems increased from 20% to 25% as a result of a share buy-back by Naledi. The resolution effecting this was approved on 20 November 2002.
- Online Outsource (Pty) Ltd: AST acquired the remaining 15% shareholding in the company to own 100% of the issued share capital in the company.

The AST Group also entered into agreements in terms of which it disposed of the following assets:

- AST Technology Rentals: AST disposed of the business of the company with effect from 1 March 2003.
- Business and Design Software: AST disposed of the business of the company with effect from 1 January 2003.
- Incito Supply Chain Management: AST disposed of the business of the company with effect from 1 September 2002.
- Integrated Commerce Solutions (Pty) Ltd: AST disposed of its 100% interest in the company with effect from 1 January 2003.
- Occulus Scanning Bureau: AST sold this department on 15 December 2002.
- ProcureTrade Holdings (Pty) Ltd: AST disposed of its 26% ownership in this company on 1 January 2003 in terms of a management buy-out agreement.
- WS&L Training: AST disposed of this business with effect from 1 January 2003.

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

Mr J Groeneveld resigned on 30 September 2002
Mr MW Mulder resigned on 30 September 2002
Dr CJ Fauconnier resigned on 4 December 2002
Mr JJ van Zyl resigned on 4 December 2002
Mr JF Mouton resigned on 24 March 2003
Mr GJ de Klerk resigned on 24 March 2003

Appointments

Mr MH Lekota was appointed on 1 October 2002.
Mr CF Meintjes was appointed on 4 December 2002.
Mr HJ Smith was appointed on 24 March 2003.
Mr CJ Potgieter was appointed on 1 June 2003.

Group Secretary and registered office

The Group Secretary is Johan Cornelius Rademan. The address of the Secretary and the registered address of the Company are:
Block 8, Lords Offices Estates
276 West Street
Centurion
0157

Interest of directors in the capital of the company

At 30 June 2003, the directors of AST held beneficially in aggregate 15 166 986 AST shares. The following directors held shares in the Company:

	30 June 2003			30 June 2002		
Directors	**Beneficial direct**	**Beneficial indirect**	**Total**	Beneficial direct	Beneficial indirect	Total
Bouwer, PWJ	806 100	–	806 100	380 000	–	380 000
Erasmus, MG	2 030 126	483 000	2 513 126	1 830 126	33 000	1 863 126
Macdonald, M	–	560 045	560 045	–	70 000	70 000
Miller, JE	309 000	–	309 000	309 000	–	309 000
Meintjes, CF	267 000	–	267 000	–	–	–
Smith, HJ	–	8 000 000	8 000 000	–	615 000	615 000
Van der Walt, JCL	296 715	2 415 000	2 711 715	296 715	2 000 000	2 296 715

Note: As part of appointment conditions and a restraint of trade agreement between AST and Executive Director PWJ Bouwer, AST owed Mr Bouwer 240 000 shares. These shares were issued to Mr Bouwer by AST Group on 25 August 2003. Mr CJ Potgieter bought 32 100 shares on 21 August 2003 and 68 000 shares on 26 August 2003.

Share capital

The AST Group had an issued share capital of 673 104 639 shares on 30 June 2003. During the year 98 058 165 ordinary shares were issued in part financing of acquisitions.

Strate

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

Fixed assets

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

Post-balance sheet events

There were no significant post-balance sheet events except for the pending rights issue as described in the Chief Executive Officer's Review.

Special resolutions

No special resolutions were passed during the financial year.

Amendments to articles of association

No amendments were made to the Company's articles of association during the course of the financial year.

Directors' interest in contracts

Mr SP Ndlovu has an interest in a contract entered into between AST and Interscope (Proprietary) Limited ("Interscope") who jointly provide services in the Telecoms and IT sector. In November 2002, Interscope and AST jointly won a contract worth approximately R15 million per annum for the 2003/2004 financial years for the maintenance and support of the Rockwell Call Centre hardware. The profit sharing arrangement is 70% to AST and 30% to Interscope, of which Mr SP Ndlovu is a director and a 34% shareholder.

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 AST Group in accordance with section 270 (2) of the Companies Act.

The following are the principal accounting policies of the AST Group Limited and its subsidiaries ("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 Generally Accepted Accounting Practice (GAAP) in South Africa. The consolidated and company financial statements are prepared under the historical cost basis, as modified by the remeasurement of certain financial instruments to fair value.

The preparation of financial statements in conformity with Generally Accepted Accounting Principles requires the use of estimates and assumptions that affect the reported amounts of assets and liabilities, disclosure of contingent assets and liabilities at the date of the financial statements and the reported amounts of revenues and expenses during the reporting period. Although these estimates are based on management's best knowledge of current events and actions, actual results may ultimately differ from those estimates.

The Group adopted AC 133, Financial Instruments: Recognition and Measurement in 2003. The effects of adopting this statement are summarised in the company and consolidated statements of changes in equity on page 33.

The Group adopted AC 135, Investment Properties, in 2002. The financial effects of adopting this statement were reported in the previous year's financial statements.

2. Group accounting

2.1. Subsidiaries

Subsidiaries, which are those entities (including Special Purpose Entities) in which the Group, directly or indirectly, has an interest of more than one half of the voting rights or otherwise has power to govern the financial and operating policies so as to obtain benefits from its activities, have been consolidated. The existence and effect of potential voting rights that are presently exercisable or presently convertible are considered when assessing whether the Group controls another entity.

Subsidiaries are consolidated from the date on which control is transferred to the Group and are no longer consolidated from the date that control ceases.

The purchase method of accounting is used to account for the acquisition of subsidiaries. The cost of an acquisition is measured as the fair value of the assets given up, shares issued or liabilities undertaken at the date of acquisition plus costs directly attributable to the acquisition. The excess of the cost of acquisition over the fair value of the net assets of the subsidiary acquired is recorded as goodwill. See note 5.1 for the accounting policy on goodwill.

All inter-company transactions, balances and unrealised gains on transactions between Group companies have been eliminated; unrealised losses have also been eliminated unless costs could not be recovered.

Where necessary, accounting policies for subsidiaries have been changed to ensure consistency with the policies adopted by the Group. Minority interest is presented separately from liabilities and shareholders' equity in the consolidated balance sheet.

2.2. Associates

Investments in associated undertakings are accounted for by the equity method of accounting.

Under this method the Group's share of the post-acquisition profits or losses of associates is recognised in the income statement and its share of post-acquisition movements in reserves is recognised in reserves. The cumulative post-acquisition movements are adjusted against the cost of the investment.

Associates are entities over which the Group generally has between 20% and 50% of the voting rights, or over which the Group exercises significant influence, but which it does not control.

Unrealised gains on transactions between the Group and its associates are eliminated to the extent of the Group's interest in the associates; unrealised losses are also eliminated unless the transaction provides evidence of an impairment of the asset transferred. The Group's investment in associates includes goodwill (net of accumulated amortisation) on acquisition.

When the Group's share of losses in an associate equals or exceeds its interest in the associate, the Group does not recognise further losses, unless the Group has incurred obligations or made payments on behalf of the associates.

2.3. Joint ventures

The Group's interest in jointly controlled entities is accounted for by way of the proportionate consolidation method whereby the Group's proportionate share of the joint ventures' assets, liabilities, revenues, expenses and cash flows 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 in the consolidated financial statements from the dates of the Group obtaining joint control and up to the effective dates that joint control ceases.

The Group recognises the portion of gains or losses on the sale of assets by the Group to the joint venture that is attributable to the other venturers. The Group does not recognise its share of profits or losses from the joint venture that result from the purchase of assets by the Group from the joint venture until it resells the assets to an independent party. However, if a loss on the transaction provides evidence of a reduction in the net realisable value of current assets or an impairment loss, the loss is recognised immediately.

3. Property, plant and equipment

Property, plant and equipment are stated at historical cost less accumulated depreciation. Cost includes transfers from equity of any gains/losses on qualifying cash flow hedges of currency purchase costs. 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%

Where the carrying amount of an asset is greater than its estimated recoverable amount, it is written down immediately to its recoverable amount.

Expenditure on additions and improvements to tangible property, plant and equipment including the cost of related licenses 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 are expensed directly against operating income.

Gains or losses on disposal of property, plant and equipment are determined by comparing proceeds with carrying amount and included in operating profit.

Repairs and maintenance are charged to the income statement during the financial period in which they are incurred. The cost of major renovations is included in the carrying amount of the asset when it is probable that future economic benefits in excess of the originally assessed standard of performance of the existing asset will flow to the Group. Major renovations are depreciated over the remaining useful life of the related asset.

4. Impairment

4.1. Financial assets

At each balance sheet date an assessment is made of whether there is any objective evidence of impairment of financial assets. If there is evidence of impairment, the recoverable amount is estimated and an impairment loss is recognised in accordance with AC 133.

4.2. Other assets

The carrying amount of assets is reviewed for impairment whenever events or changes in circumstances indicate that the carrying amount may not be recoverable. An impairment loss is recognised for the amount by which the carrying amount of the asset exceeds its recoverable amount, which is the higher of an asset's net selling price and value in use. For the purposes of assessing impairment, assets are grouped at the lowest level for which there is separately identifiable cash flows.

5. Intangible assets

5.1. 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/associate 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, not exceeding a period of six years.

When an acquisition is not integrated with an existing business and the investment is separately identifiable, the useful life of any goodwill resulting from the acquisition is determined by reference to the post acquisition warranty period.

The carrying amount of goodwill is reviewed for impairment on an annual basis and impairment losses are recognised if the carrying amount of goodwill exceeds the recoverable amount thereof.

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

5.2. Research and development costs

Research expenditure is recognised as an expense as incurred. Costs incurred on development projects (relating to the design and testing of new or improved products) are recognised as intangible assets when it is probable that the project will be a success considering its commercial and technological feasibility, and only if the cost can be measured reliably. Other development expenditures are recognised as an expense as incurred. Development costs previously 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.

6. Borrowings

Borrowings are recognised initially at the proceeds received, net of transaction costs incurred. Borrowings are subsequently stated at amortised cost using the effective yield method; any difference between proceeds (net of transaction costs) and the redemption value is recognised in the income statement over the period of the borrowings.

7. Borrowing costs

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

8. Leases

Where a Group company is the lessee

Leases of property, plant and equipment where the Group assumes substantially all the rewards 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 over the shorter of the useful life of the asset or the lease term. The corresponding rental obligations, net of finance charges, are included in long-term liabilities. Each lease payment is allocated between the liability and finance charges so as to achieve a constant rate on the finance balance outstanding. 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 rewards of ownership are classified as operating leases. Payments made under operating leases (net of any incentives received from the lessor) are charged to the income statement on a straight-line basis over the period of the lease, except when an alternative method is more representative of the time pattern from which benefits are derived.

Where a Group company is the lessor

When assets are leased out under a finance lease, the present value of the lease payments is recognised in the balance sheet as a receivable. The difference between the gross receivable and the present value of the receivable is recognised as unearned finance income. Finance income is recognised over the term of the lease using the net investment method, which reflects a constant periodic rate of return.

Assets leased out under operating leases are included in property, plant and equipment in the balance sheet. They are depreciated over their expected useful lives on a basis consistent with similar owned property, plant and equipment. Rental income (net of any incentives given to lessees) is recognised on a straight-line basis over the lease term.

9. Inventories

Inventories are stated at the lower of cost or estimated net realisable value. Cost is determined using the first-in, first out (FIFO) method. 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 and finished products comprises raw materials, direct labour, other direct costs and related overheads, but excludes borrowing costs.

Cost of inventories includes the transfer from equity of gains/ losses on qualifying cash flow hedges relating to inventory purchases.

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

10. 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 arise from:

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

Deferred tax assets are recognised for the carry-forward of unused tax losses and unused tax credits to the extent that it is probable that future taxable profit will be available against which the unused tax losses and unused tax credits can be utilised.

Deferred tax is provided on temporary differences arising in subsidiaries, associates and joint ventures, except where the timing of the reversal of the temporary difference can be controlled and it is probable that the temporary difference will not reverse in the foreseeable future.

11. Foreign currency translation

11.1. Measurement currency

Items included in the financial statements of each entity in the Group are measured using the currency that best reflects the economic substance of the underlying events and circumstances relevant to that entity ("the measurement currency"). The consolidated financial statements are presented in Rand, which is the measurement currency of the parent.

11.2. Transactions and balances

Transactions in foreign currencies are translated into the measurement currency at the rates of exchange prevailing on the dates of the transactions. Foreign exchange gains and losses resulting 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, except when deferred in equity as qualifying cash flow hedges.

Translation differences on debt securities and other monetary financial assets measured at fair value are included in foreign exchange gains and losses. Translation differences on non-monetary items such as equities held for trading are reported as part of the fair value gain or loss. Translation differences on available-for-sale equities are included in equity.

11.3. Accounting for foreign entities

Income statements and cash flows 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 entities and of borrowings and other currency instruments designated as hedges of such investments, 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 on 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.

12. Employee benefit information

The Group operates a defined contribution pension plan, the assets of which are held in separate trustee-administered funds. The members of the board of Trustees of the Fund are not employees of the Group in order to ensure independence.

A defined contribution plan is a pension plan under which the Group pays fixed contributions into a separate entity (a fund) and will have no legal or constructive obligations to pay further contributions if the fund does not hold sufficient assets to pay all employees benefits relating to employee service in the current and prior periods.

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 the members.

13. Revenue recognition

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

Revenue from the sale of software licenses, 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. 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 agreed with customers.

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

Interest income is recognised on a time proportion basis, taking account of the principal outstanding and the effective rate over the period to maturity, when it is determined that such income will accrue to the Group.

Dividends are recognised when the right to receive payment is established.

14. 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. Where the Group expects a provision to be reimbursed, for example under an insurance contract, the reimbursement is recognised as a separate asset but only when the reimbursement is virtually certain.

The Group recognises a provision for onerous contracts when the expected benefits to be derived from a contract are less than the unavoidable costs of meeting the obligations under the contract.

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.

The Group recognises the estimated liability on all products still under warrantee at the balance sheet date. The provision is calculated based on service histories.

The Group recognises the liability on all commissions payable to the staff of the AST Group on the balance sheet date.

15. Segment reporting

Business segments provide products or services that are subject to risks and returns that are different from those of other business segments. Geographical segments provide products or services within a particular economic environment that is subject to risks and returns that are different from those of components operating in other economic environments.

16. Financial instruments

Measurement

Financial instruments are initially measured at cost, which includes transaction costs. Subsequent to initial recognition these instruments are measured as set out below.

Investments

The Group classified its investments in debt and equity securities into the following categories:

- trading;
- held-to-maturity; and
- available-for-sale.

The classification is dependent on the purpose for which the investments were acquired. Management determines the classification of its investments at the time of the purchase and re-evaluates such designation on a regular basis. Investments that are acquired principally for the purpose of generating a profit from short-term fluctuations in price are classified as trading investments and included in current assets; for the purpose of these financial statements short term is defined as 12 months.

Investments with a fixed maturity that management has the intent and ability to hold to maturity are classified as held-to-maturity and are included in non-current assets, except for maturities within 12 months from the balance sheet date, which are classified as current assets.

Investments intended to be held for an indefinite period of time, which may be sold in response to needs for liquidity or changes in interest rates, are classified as available-for-sale and are included in non-current assets unless management has the express intention of holding the investment for less than 12 months from the balance sheet date or unless they will need to be sold to raise operating capital, in which case they are included in current assets.

Purchases and sales of investments are recognised on the trade date, which is the date that the Group commits to purchase or sell the asset. Cost of purchase includes transaction costs.

Trading and available-for-sale investments are subsequently carried at fair value. Held-to-maturity investments are carried at amortised cost using the effective yield method. Realised and unrealised gains and losses arising from changes in the fair value of trading investments are included in the income statement in the period in which they arise. Unrealised gains and losses arising from changes in the fair value of securities classified as available-for-sale are recognised in equity.

The fair value of investments is based on quoted bid prices or amounts derived from cash flow models. Fair values for unlisted equity securities are estimated using applicable price/earnings or price/cash flow ratios refined to reflect the specific circumstances of the issuer. Equity securities for which fair values cannot be measured reliably are recognised at cost less impairment. When securities classified as available-for-sale are sold or impaired, the accumulated fair value adjustments are included in the income statement as gains and losses from investment securities.

Trade receivables

Trade receivables are carried at original invoice amount less provision made for impairment of these receivables. A provision for impairment of trade receivables is established when there is objective evidence that the Group will not be able to collect all amounts due according to the original terms of receivables. The amount of the provision is the difference between the carrying amount and the recoverable amount, being the present value of expected cash flows, discounted at the market rate of interest for similar borrowers.

Cash and cash equivalents
Cash and cash equivalents are measured at fair value.

Financial liabilities
Financial liabilities are reported at amortised cost, namely original debt less principal repayments and amortisation.

Derivative instruments and hedging activities
Derivative financial instruments are initially recognised in the balance sheet at cost and subsequently are remeasured at their fair value.

The method of recognising the resulting gain or loss is dependent on the nature of the item being hedged. The Group designates certain derivatives as either a hedge of the fair value of a recognised asset or liability (fair value hedge), or a hedge of a forecasted transaction or of a firm commitment (cash flow hedge).

Changes in the fair value of derivatives that are designated and qualify as fair value hedges and that are highly effective, are recorded in the income statement, along with any changes in the fair value of the hedged asset or liability that are attributable to the hedged risk.

Changes in the fair value of derivatives that are designated and qualify as cash flow hedges and that are highly effective, are recognised in equity. Where the forecasted transaction or firm commitment results in the recognition of an asset (for example, property, plant and equipment) or of a liability, the gains and losses previously deferred in equity are transferred from equity and included in the initial measurement of the cost of the asset or liability. Otherwise, amounts deferred in equity are transferred to the income statement and classified as revenue or expense in the same periods during which the hedged firm commitment or forecasted transaction affects the income statement (for example, when the forecasted sale takes place).

Certain derivative transactions, while providing effective economic hedges under the Group's risk management policies, do not qualify for hedge accounting under the specific rules in AC 133. Changes in the fair value of any derivative instruments that do not qualify for hedge accounting under AC 133 are recognised immediately in the income statement.

When a hedging instrument expires or is sold, or when a hedge no longer meets the criteria for hedge accounting under AC 133, any cumulative gain or loss existing in equity at that time remains in equity and is recognised when the committed or forecasted transaction ultimately is recognised in the income statement. When a committed or forecasted transaction is no longer expected to occur, the cumulative gain or loss that was reported in equity is immediately transferred to the income statement.

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

Fair value estimation
The fair value of publicly traded derivatives and trading and available-for-sale securities is based on quoted market prices at the balance sheet date. The fair value of interest rate swaps is calculated as the present value of the estimated future cash flows. The fair value of forward foreign exchange contracts is determined using forward exchange market rates at the balance sheet date.

In assessing the fair value of non-traded derivatives and other financial instruments, the Group uses a variety of methods and makes assumptions that are based on market conditions existing at each balance sheet date. Quoted market prices or dealer quotes for the specific or similar instruments are used for long-term debt. Other techniques, such as option pricing models and estimated discounted value of future cash flows, are used to determine fair value for the remaining financial instruments.

The face values less any estimated credit adjustments for financial assets and liabilities with a maturity of less than one year are assumed to approximate their fair values. The fair value of financial liabilities for disclosure purposes is estimated by discounting the future contractual cash flows at the current market interest rate available to the Group for similar financial instruments.

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

Income statements
for the year ended 30 June 2003

		Group		Company	
		2003	2002	**2003**	2002
	Notes	**R'000**	R'000	**R'000**	R'000
Revenue		**2 205 612**	2 219 650	**–**	–
Cost of sales		**(1 902 156)**	(1 699 222)	**–**	–
Gross profit		**303 456**	520 428	**–**	–
Operating expenses		**(535 939)**	(534 978)	**–**	–
Operating loss	2	**(232 483)**	(14 550)	**–**	–
Net (finance cost)/interest received	3	**(60 813)**	(3 432)	**528**	436
Share of results of associates	9	**323**	(2 619)	**–**	–
(Loss)/profit before tax		**(292 973)**	(20 601)	**528**	436
Tax	4	**48 435**	(29 605)	**–**	–
(Loss)/profit after tax		**(244 538)**	(50 206)	**528**	436
Minority interest	18	**17 057**	(4 674)	**–**	–
Net (loss)/profit for the year		**(227 481)**	(54 880)	**528**	436
Loss per ordinary share (cents)	5	**(37,10)**	(9,79)	**–**	–
Fully diluted loss per ordinary share (cents)	5	**(37,10)**	(9,79)	**–**	–
Headline (loss)/earnings per ordinary share (cents)	5	**(10,15)**	20,08	**–**	–
Fully diluted headline (loss)/earnings per ordinary share (cents)	5	**(10,15)**	18,59	**–**	–

Balance sheets
as at 30 June 2003

	Notes	Group 2003 R'000	Group 2002 R'000	Company 2003 R'000	Company 2002 R'000
Assets					
Non-current assets		**506 867**	602 219	**282 751**	270 727
Property, plant and equipment	7	**158 634**	164 683	**–**	–
Interest in subsidiary company	8	**–**	–	**278 751**	270 727
Interest in associate companies	9	**842**	604	**–**	–
Investments and loans	10	**18 273**	24 245	**4 000**	–
Intangible assets	11	**147 802**	281 498	**–**	–
Deferred tax asset	12	**181 316**	131 189	**–**	–
Current assets		**537 279**	573 866	**218**	4 113
Rental assets	13	**–**	34 915	**–**	–
Inventories	14	**55 082**	30 452	**–**	–
Accounts receivable	15	**395 065**	374 155	**218**	113
Tax asset		**16 417**	–	**–**	–
Cash and cash equivalents	16	**70 715**	134 344	**–**	4 000
Total assets		**1 044 146**	1 176 085	**282 969**	274 840
Equity and liabilities					
Capital and reserves		**124 231**	336 264	**282 969**	274 840
Minority interest	18	**9 296**	60 960	**–**	–
Non-current liabilities		**182 298**	125 230	**–**	–
Interest bearing liabilities	19	**159 208**	86 656	**–**	–
Amounts due to vendors	20	**3 022**	25 667	**–**	–
Deferred tax liability	21	**20 068**	12 907	**–**	–
Current liabilities		**728 321**	653 631	**–**	–
Accounts payable	22	**612 047**	520 654	**–**	–
Provisions	23	**67 607**	42 012	**–**	–
Bank overdrafts	16	**34 582**	22 613	**–**	–
Amounts due to vendors	20	**14 085**	46 563	**–**	–
Tax liability		**–**	21 789	**–**	–
Total equity and liabilities		**1 044 146**	1 176 085	**282 969**	274 840
Net asset value per ordinary share (cents)		**18,46**	58,48	**–**	–

Cash flow statements

for the year ended 30 June 2003

	Notes	Group 2003 R'000	Group 2002 R'000	Company 2003 R'000	Company 2002 R'000
Operating activities					
Cash receipts from customers		**1 930 914**	2 241 041	**–**	–
Cash paid to suppliers and employees		**(1 880 065)**	(1 988 087)	**–**	–
Cash generated from operations	30.1	**50 849**	252 954	**–**	–
Interest received		**20 161**	10 878	**–**	–
Finance costs		**(89 180)**	(14 310)	**–**	–
Normal tax paid		**(34 131)**	(43 433)	**–**	–
Cash (utilised in)/generated from operating activities		**(52 301)**	206 089	**–**	–
Investment activities					
Vendor payments for past acquisitions	30.2	**(65 316)**	(131 661)	**–**	–
Proceeds from sale of businesses		**21 301**	–		
(Increase)/decrease in unlisted investments		**50 000**	(546)	**–**	–
Additions to property, plant and equipment		**(57 197)**	(72 292)	**–**	–
Proceeds from the sale of property, plant and equipment		**16 085**	3 680	**–**	–
Additions to rental assets		**(71 138)**	(94 304)	**–**	–
Proceeds from the sale of rental assets		**94 418**	65 518	**–**	–
Additions to intangible assets		**–**	(13 468)		
Cash utilised in investment activities		**(11 847)**	(243 073)	**–**	–
Financing activities					
Repayments of long-term borrowings		**(11 450)**	(12 243)	**–**	–
Cash utilised in financing activities		**(11 450)**	(12 243)	**–**	–
Net decrease in cash and cash equivalents		**(75 598)**	(49 227)	**–**	–
Cash and cash equivalents at the beginning of the year		**111 731**	160 958	**–**	–
Cash and cash equivalents at the end of the year	16	**36 133**	111 731	**–**	–

	Notes	Group 2003 R'000	Group 2002 R'000	Company 2003 R'000	Company 2002 R'000
Share capital	17	**67**	58	**67**	58
Balance at the beginning of the year		**58**	55	**58**	55
New shares issued during the year		**9**	3	**9**	3
Share premium		**236 209**	207 059	**250 968**	227 122
Balance at the beginning of the year		**207 059**	154 717	**227 122**	174 488
Premium on new shares issued during the year		**23 969**	52 880	**23 969**	52 880
Share issue expenses written off		**(1 553)**	(246)	**(123)**	(246)
Treasury shares – movement during the year		**6 734**	(292)	**–**	
Vendor claims		**30 206**	46 460	**30 206**	46 460
Balance at the beginning of the year		**46 460**	73 642	**46 460**	73 642
Current changes in amounts due to vendors		**(16 254)**	(27 182)	**(16 254)**	(27 182)
Distributable reserves		**(135 136)**	78 278	**1 728**	1 200
Retained earnings		**(135 136)**	78 278	**1 728**	1 200
Balance at the beginning of the year		**83 614**	144 788	**1 200**	764
– as shown previously		**78 278**	145 925	**1 200**	764
– adjusted for AC 123 and AC 135		**–**	(1 137)	**–**	–
– adjusted for AC 133		**5 336**	–	**–**	–
Net (loss)/profit for the year		**(227 481)**	(54 880)	**528**	436
Currency translation difference for the year		**–**	(11 630)	**–**	–
Transfer to non-distributable reserves		**8 731**	–	**–**	–
Non-distributable reserves		**(7 115)**	4 409	**–**	–
Foreign currency translation reserve		**(7 115)**	10 360		
Balance at the beginning of the year		**10 360**	(3 040)	**–**	–
Transfer from distributable reserves		**(8 731)**	–	**–**	–
Currency translation differences for the year		**(8 744)**	13 400	**–**	–
Deferred hedging reserve		**–**	(5 951)	**–**	–
Balance at the beginning of the year		**(5 951)**	–	**–**	–
Realised/(Unrealised) profits on cash flow hedging instruments		**5 951**	(5 951)	**–**	–
Balance at the end of the year		**124 231**	336 264	**282 969**	274 840

	2003 Revenue R'000	2003 Operating profit/(loss) R'000	2002 Revenue R'000	2002 Operating profit/(loss) R'000
1 Segment information				
Solutions	**908 118**	**70 324**	956 075	120 886
Infrastructure Services	**1 028 745**	**133 685**	907 607	121 115
Consulting	**117 034**	**16 090**	154 015	33 031
Products	**82 236**	**(8 085)**	159 405	24 193
Secure Transaction Services	**17 734**	**(22 846)**	10 942	(2 560)
Business Services	**51 745**	**2 164**	31 606	(2 599)
Support Services	**–**	**(122 761)**	–	(140 253)
	2 205 612	**68 571**	2 219 650	153 813

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

The major sectors in which the Group does business are:

	2003 Revenue R'000	2002 Revenue R'000
Mining	**450 613**	291 356
Manufacturing	**560 500**	443 252
Health	**43 303**	42 180
Telecommunications	**95 619**	205 020
Financial Services	**399 960**	699 700
Government	**334 996**	347 222
Other	**320 621**	190 920
	2 205 612	2 219 650

Reconciliation of segment results with the net loss for the year

	2003 R'000	2002 R'000
Segment results	**68 571**	153 813
Non-recurring expenses	**(153 558)**	(30 184)
Operating (loss)/profit before amortisation	**(84 987)**	123 629
Net finance costs	**(60 813)**	(3 432)
Share of results of associates	**323**	(2 619)
(Loss)/profit before tax and amortisation	**(145 477)**	117 578
Amortisation of goodwill	**(147 496)**	(138 179)
Loss before tax	**(292 973)**	(20 601)
Tax	**48 435**	(29 605)
Loss after tax	**(244 538)**	(50 206)
Minority interest	**17 057**	(4 674)
Net loss for the year	**(227 481)**	(54 880)

No assets and liabilities are shown per segment 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.

	Group 2003 R'000	Group 2002 R'000	Company 2003 R'000	Company 2002 R'000
2 Loss from operations				
Reconciliation of EBITDA with the operating loss				
Earnings before interest, tax, depreciation and amortisation and abnormals (EBITDA)	**129 136**	194 772	**–**	–
Depreciation	**(60 565)**	(56 070)	**–**	–
Impairment of assets and investments	**(23 435)**	(7 087)	**–**	–
Exchange (loss)/gain	**(13 347)**	22 198	**–**	–
Non-recurring expenses	**(116 776)**	(30 184)	**–**	–
Operating (loss)/profit before amortisation	**(84 987)**	123 629	**–**	–
Amortisation of intangible assets	**(2 062)**	(4 418)	**–**	–
Amortisation of goodwill	**(145 434)**	(133 561)	**–**	–
Operating loss	**(232 483)**	(14 550)	**–**	–
Operating loss is arrived at after taking into account:				
Revenue from:				
– Sale of goods	**401 216**	284 198	**–**	–
– Rendering of services	**1 804 396**	1 935 452	**–**	–
	2 205 612	2 219 650	**–**	–
Revenue from:				
– Sale of goods	**18%**	13%		
– Rendering of services	**82%**	87%		
	100%	100%		
Auditors' remuneration:				
– Audit fees	**2 306**	1 568	**–**	–
– Other services	**2 409**	390	**–**	–
– Expenses	**–**	104	**–**	–
	4 715	2 062	**–**	–
Depreciation: Property, plant and equipment				
– Land and buildings – owned	**739**	679		
– Computer equipment – owned	**44 719**	37 143	**–**	–
– Computer equipment – leased	**2 014**	2 579	**–**	–
– Furniture, fittings and office equipment – owned	**3 539**	3 794	**–**	–
– Office equipment – owned	**2 438**	2 468		
– Motor vehicles – owned	**610**	1 786		
– Leasehold improvements	**2 712**	2 374	**–**	–
	56 771	50 823	**–**	–
Depreciation: Rental assets				
– Computer equipment – owned	**3 753**	5 202	**–**	–
– Furniture, fittings and office equipment – owned	**29**	29	**–**	–
– Motor vehicles – owned	**11**	16	**–**	–
	3 793	5 247	**–**	–
Amortisation: Intangible assets				
– Development costs	**2 062**	4 618		
– Goodwill	**145 435**	133 561		
	147 497	138 179		

	Group 2003 R'000	Group 2002 R'000	Company 2003 R'000	Company 2002 R'000
2 Loss from operations (continued)				
Foreign exchange gains and losses				
Gain/(loss) on foreign exchange contracts	**3 094**	(6 365)		
The forward exchange contracts relate to specific trade creditors and were entered into to cover foreign commitments by the AST Group.				
Foreign exchange (loss)/gain	**(13 347)**	22 198	**–**	–
The foreign exchange gain and loss resulted mainly from the revaluation of inter-group loan accounts and loan balances denominated in Australian dollars at the spot rate of 5,0254 on 30 June 2003 (30 June 2002: 5,7743). These loans will be collectable in the short term.				
Loss on sale and discontinuance of business	**1 372**	30 184	**–**	–
Tax effect	**–**	–	**–**	–
Minority interest	**–**	–	**–**	–
	1 372	30 184	**–**	–
During the year the following businesses were sold: – The business of AST Technology Rentals (Pty) Ltd – The business of Business & Design Software (Pty) Ltd – The business of WS & L Training – The business of Integrated Commerce Solutions (Pty) Ltd – The business of Incito Supply Chain Management – The business of Oculus Scanning Bureau The following business was closed during the year: – AST Operations Australia				
Impairment of assets				
Charges for the year				
– Investments	**17 696**	7 087		
– Fixed assets	**5 739**	–		
	23 435	7 087		
Provision for restructuring costs	**–**	1 000	**–**	–
Tax effect	**–**	–	**–**	–
Minority interest	**–**	–	**–**	–
	–	1 000	**–**	–
Fees for services:				
– Secretarial	**248**	418	**–**	–
– Professional	**2 466**	2 604	**–**	–
	2 714	3 022	**–**	–
Rentals in respect of operating leases:				
– Land and buildings	**33 490**	15 600	**–**	–
– Furniture, fittings and office equipment	**5 187**	3 551	**–**	–
	38 677	19 151		

	2003				
	Directors' fees R'000	Basic salary R'000	Retirement and other benefits R'000	Total R'000	2002 Total R'000
2 Loss from operations (continued)					
Executive directors					
PWJ Bouwer	–	1 450	–	1 450	1 427
GJ de Klerk*	–	631	–	631	1 426
MG Erasmus	–	1 158	–	1 158	1 102
J Groeneveld*	–	303	–	303	1 195
JE Miller	–	1 407	–	1 407	1 071
MW Mulder*	–	365	–	365	1 323
J Ramatsui*	–	–	–	–	641
JJ van Zyl*	–	721	–	721	1 408
P Vermeulen*	–	–	–	–	1 218
Non-executive directors					
C Fauconnier*	29	–	–	29	27
M Macdonald	89	–	–	89	27
SP Ndlovu	70	–	–	70	88
C Nkosi*	–	–	–	–	13
CH Meintjes	33	–	–	33	–
JCL van der Walt	165	–	–	165	64
JF Mouton*	36	–	–	36	
MH Lekota	33	–	–	33	
CJ Potgieter	3	–	–	3	
	458	6 035	–	6 493	11 030

** Resigned during the year*

All directors' remuneration was paid by subsidiary companies.

	As at 30 June 2003			As at 30 June 2002		
Directors' interest in ordinary shares	Non-beneficial '000	Beneficial '000	Total '000	Non-beneficial '000	Beneficial '000	Total '000
Executive directors						
PWJ Bouwer	–	806	806	–	380	380
GJ de Klerk	–	–	–	24 500	10 100	34 600
MG Erasmus	483	2 030	2 513	33	1 830	1 863
J Groeneveld	–	–	–	15 510	13 833	29 343
JE Miller	–	309	309	–	309	309
JJ van Zyl	–	–	–	16 861	2 526	19 387
Non-executive directors						
M MacDonald	560	–	560	70	–	70
CF Meintjes	–	267	267	–	–	–
HJ Smith	–	8 000	8 000	–	615	615
JCL van der Walt	2 415	297	2 712	2 000	297	2 297
	3 458	11 709	15 167	59 589	29 275	88 864

Directors' share options	Number of options held 30 June 2002 '000	New options allocated during the year '000	Expired/lapsed during the year '000	**Number of options held 30 June 2003 '000**
2 Loss from operations (continued)				
Executive directors				
PWJ Bouwer	621	–	(621)	**–**
GJ de Klerk	1 415	–	(1 415)	**–**
MG Erasmus	736	–	(736)	**–**
J Groeneveld	835	–	(835)	**–**
JE Miller	297	–	(297)	**–**
MW Mulder	554	–	(554)	**–**
JJ van Zyl	1 415	–	(1 415)	**–**
	5 873	–	(5 873)	**–**

	Group		Company	
	2003 R'000	2002 R'000	**2003 R'000**	2002 R'000
Salaries and wages	**968 695**	859 504	**–**	–
– Permanent	**810 427**	685 765		
– Contractors	**158 268**	173 739		
Pension costs (refer note 28)	**56 940**	45 573	**–**	–
	1 025 635	905 077	**–**	–
Average number of employees employed:				
Business segment				
Solutions	**1 241**	1 412	**–**	–
Infrastructure Services	**1 222**	1 375	**–**	–
Consulting	**47**	94		
Products	**72**	89		
Secure Transaction Services	**14**	16		
Business Services	**79**	84		
Support Services	**823**	891	**–**	–
	3 498	3 961	**–**	–
3 Net finance costs				
Interest received	**11 913**	10 442	**–**	–
– Cash balances	**11 913**	10 442	**–**	–
– Call accounts	**–**	–	**–**	–
Dividend income	**8 248**	436	**528**	436
	20 161	10 878	**–**	436
Less: Finance costs	**(80 974)**	(14 310)	**–**	–
– Interest on overdraft	**(10 998)**	(2 812)	**–**	–
– Interest on long-term loans	**(69 976)**	(11 498)	**–**	–
	(60 813)	(3 432)	**528**	436

	Group		Company	
	2003 **R'000**	2002 R'000	**2003** **R'000**	2002 R'000
4 Tax				
South African tax				
Normal tax	**(43 662)**	29 542		
Current tax	**(4 595)**	25 039		
– current year	**7 158**	29 423	**–**	–
– prior years	**(11 753)**	(4 384)	**–**	–
Deferred tax (refer notes 12 and 21)	**(39 067)**	4 503		
– current year	**(39 916)**	2 368	**–**	–
– prior years	**849**	2 135	**–**	–
Foreign tax	**(4 773)**	63		
Normal tax				
Current tax	**(874)**	–		
– current year	**1 627**	–		
– prior years	**(2 501)**	–		
Deferred tax (refer notes 12 and 21)	**(3 899)**	63		
– current year	**(2 362)**	–		
– prior years	**(1 537)**	63	**–**	–
	(48 435)	29 605	**–**	–
Reconciliation of tax rate				
(Loss)/profit before tax and amortisation	**(145 477)**	117 578	**527**	436
Statutory tax rate (%)	**30,00**	30,00	**30,00**	30,00
Utilisation of assessable losses (%)	**–**	(3,70)	**–**	–
Disallowable expenditure (%)	**2,65**	0,45	**–**	–
Capital losses created on sale of business (%)	**5,21**	7,57	**–**	–
Foreign tax rate differential (%)	**–**	(0,52)	**–**	–
Income not subject to tax (%)	**(1,68)**	(3,18)	**(30,00)**	(30,00)
Capital expenditure allowances (%)	**(0,14)**	–	**–**	–
Additional deduction for tax purposes (%)	**(3,05)**	(3,58)	**–**	–
Prior year (over)/underprovision (%)		(1,86)	**–**	–
Effective tax rate (%)	**32,99**	25,18	**–**	–
Calculated income tax loss carried forward	**(69 118)**	(33 627)	**–**	–
Calculated capital gains tax loss carried forward	**–**	(3 380)	**–**	–
Unutilised STC credits	**2 653**	1 622	**–**	–

		Group		Company	
		2003	2002	**2003**	2002
		R'000	R'000	**R'000**	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 attributable to ordinary shareholders (R'000)	**(227 481)**	(54 880)	**–**	–
	Weighted average number of ordinary shares in issue (thousands)	**613 233**	560 556	**–**	–
	Basic loss per share (cents)	**(37,10)**	(9,79)	**–**	–
	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 warrantees. The dilution was calculated by using an average share price of 15 cents (2002: 85 cents) per share. To protect shareholder value the Group will, provided it is affordable, settle the liability in cash.				
	Net loss attributable to ordinary shareholders (R'000)	**(227 481)**	(54 880)		
	Weighted average number of ordinary shares (thousands)	**613 233**	560 556		
	Dillutive shares to be issued for settlement of acquisitions on the achievement of profit warrantees (thousands)	**327 229**	44 996		
	Shares to be issued by the rights issue (thousands)	**986 111**			
	Weighted average number of ordinary shares for diluted earnings per share (thousands)	**1 926 573**	605 552		
	Diluted loss per share (cents)	**(37,10)**	(9,79)		

Headline (loss)/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 2003				
Per the annual financial statements	**(292 973)**	**48 435**	**17 057**	**(227 481)**
Adjustments				
Loss on sale and discontinuance of business	**1 372**	**–**	**–**	**1 372**
Loss on impairment of investments and assets	**23 435**	**–**	**–**	**23 435**
Amortisation of goodwill	**145 434**	**–**	**(4 999)**	**140 435**
Headline earnings				**(62 239)**
Headline loss per ordinary share (cents)				**(10,15)**
Fully diluted headline loss per ordinary share (cents)				**(10,15)**

Reconciliation between earnings and headline earnings:	Profit/(loss) before tax R'000	Tax R'000	Minority interest R'000	Net profit R'000
5 Earnings per share (continued)				
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	–	–	30 184
Provision for restructuring costs	1 000	–	–	1 000
Loss on impairment of assets and investments	7 087	–	–	7 087
Amortisation of goodwill	133 561	–	(4 395)	129 166
Headline earnings				112 557
Headline earnings per ordinary share (cents)				20,08
Fully diluted headline earnings per ordinary share (cents)				18,59

6 Change in accounting policy

The Group adopted AC 133 Financial Instruments: Recognition and Measurement during the current financial year. The Group's detailed accounting policies in respect of such instruments are set out under the principal accounting policies. As a result of adopting AC 133 which constitutes a change in accounting policy, and in accordance with the transition requirements of AC 133, comparative figures have not been adjusted except for the restatement of opening retained earnings.

	Gross R'000	Tax effect R'000	Minority interest R'000	Net R'000
Profit for the year				
2003	**(2 939)**	**–**	**3 295**	**356**
2002	1 950	–	2 832	4 782
Accumulated profit beginning of the year				
2003	**5 336**	**–**	**–**	**5 336**
2002	(438)	–	992	554

7 Property, plant and equipment

	Total R'000	Land and buildings R'000	Computer equipment R'000	Furniture and fittings R'000	Office equipment R'000	Vehicles R'000	Leasehold improve-ments R'000
Group							
Year ended 30 June 2003							
– Opening carrying amount	**164 683**	**28 076**	**99 955**	**13 992**	**10 003**	**1 468**	**11 189**
– New subsidiaries and businesses	**3 704**	**–**	**3 670**	**32**	**2**	**–**	**–**
– Additions	**61 154**	**99**	**57 827**	**710**	**727**	**1 405**	**386**
– Disposals and adjustments	**(8 397)**	**(13)**	**(4 397)**	**(602)**	**(625)**	**(169)**	**(2 591)**
– Impairment of assets	**(5 739)**	**–**	**(5 739)**	**–**	**–**	**–**	**–**
– Depreciation charge	**(56 771)**	**(739)**	**(46 733)**	**(3 539)**	**(2 438)**	**(610)**	**(2 712)**
– Closing net carrying amount	**158 634**	**27 423**	**104 583**	**10 593**	**7 669**	**2 094**	**6 272**
At 30 June 2003							
– Cost	**391 344**	**30 189**	**296 894**	**23 591**	**15 644**	**5 079**	**19 947**
– Accumulated depreciation	**(232 710)**	**(2 766)**	**(192 311)**	**(12 998)**	**(7 975)**	**(2 985)**	**(13 675)**
– Closing net carrying amount	**158 634**	**27 423**	**104 583**	**10 593**	**7 669**	**2 094**	**6 272**

	Total R'000	Land and buildings R'000	Computer equipment R'000	Furniture and fittings R'000	Office equipment R'000	Vehicles R'000	Leasehold improvements R'000
7 Property, plant and equipment (continued)							
Leased assets included above comprise of:							
Cost	10 443	–	10 443	–	–	–	–
Accumulated depreciation	(3 948)	–	(3 948)	–	–	–	–
Net carrying amount	6 495	–	6 495	–	–	–	–

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.

Bank borrowings are secured on properties to the value of R3 097 729 (2002: R3 097 729) – refer note 19.

The land and buildings consist of:
Office blocks, Lords Office Estates (block 2, 3, 4, 5, 6, 7 and 8), 276 West Street, Centurion
Office block situated on stand 7565, 2 Bismark Street, Windhoek, Namibia
Guest house, Holding 39, Northdene, Gauteng

Finance lease assets and interest-bearing finance lease liabilities to the value of R380,0 million (2002: R306,9 million) were set off due to the existence of a legal right to set-off and the intention to settle on a net basis.

	Total R'000	Land and buildings R'000	Computer equipment R'000	Furniture and fittings R'000	Office equipment R'000	Vehicles R'000	Leasehold improvements R'000
– Opening 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 comprise of:							
Cost	19 675	–	19 675	–	–	–	–
Accumulated depreciation	(2 579)	–	(2 579)	–	–	–	–
Net carrying amount	17 096	–	17 096	–	–	–	–

	Group		Company	
	2003 R'000	2002 R'000	**2003 R'000**	2002 R'000
8 Interest in subsidiary company				
Unlisted				
Shares at cost less amounts written off	**–**	–	**–**	–
Loans owing by subsidiary company	**–**	–	**278 752**	270 727
	–	–	**278 752**	270 727
Loans owing to subsidiary company	**–**	–	**–**	–
Net interest in subsidiary company	**–**	–	**278 752**	270 727

	Group		Company	
	2003	2002	**2003**	2002
	R'000	R'000	**R'000**	R'000
9 Interest in associate companies				
Opening carrying amount	**604**	12 149		
Investment made during the year	**12**	–		
Sale of investment in e-Ventures	**–**	(8 863)		
Sale of investment in ProcureTrade	**(120)**	–		
Share of results before tax	**443**	(2 619)		
Share of tax	**(97)**	(63)		
Closing carrying amount	**842**	604	**–**	–

	Country of incorporation	% interest held
The associates, which are unlisted, are:		
– Naledi Computers (Pty) Ltd	South Africa	25%
– ProcureTrade (Pty) Ltd (sold December 2002)	South Africa	26%

	Group		Company	
	2003	2002	**2003**	2002
	R'000	R'000	**R'000**	R'000
Directors' valuation of shares	**842**	604	**–**	–
10 Investments and loans				
Unlisted investments at cost:				
Preference shares	**4 000**	–	**4 000**	–
Other	**7 601**	17 133	**–**	–
Directors' valuation – R7,6 million (2002: R17,1 million)				
Loan to Work Force IT (Pty) Ltd	**6 672**	7 112	**–**	–
Directors' valuation – R6,7 million (2001: R7,1 million)				
	18 273	24 245	**4 000**	–

The preference shares held are secured over the interest-bearing liability held at BoE Limited – refer to note 19. 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 R5 170 206 (2002: R6 262 973) received were offset against finance costs.

Included in other investments are shares held by AST Western Australia for AU$1 484 653. This represents investments received in lieu of cash.

Preference share investments and long-term loans to the value of R20 million (R2002: R70 million) were off set due to the existence of a legal right of set-off and their relation of the same fiscal authority.

	Goodwill R'000	Group Development Cost R'000	Total R'000
11 Intangible assets			
Year ended 30 June 2003			
Opening carrying amount	**267 788**	**13 710**	**281 498**
Additions	**14 917**	**7 214**	**22 131**
Disposals and transfers	**–**	**(8 330)**	**(8 330)**
Amortisation charge	**(145 435)**	**(2 062)**	**(147 497)**
Closing carrying amount	**137 270**	**10 532**	**147 802**

		Goodwill R'000	Group Development Cost R'000	Total R'000
11	Intangible assets (continued)			
	At 30 June 2003			
	Cost	**542 623**	**25 732**	**568 355**
	Accumulated amortisation	**(405 353)**	**(15 200)**	**(420 553)**
	Carrying amount	**137 270**	**10 532**	**147 802**
	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

		Opening balance	South Africa (Charge)/credit to income statement	Foreign (Charge)/credit to income statement	Closing balances
12	Deferred tax asset				
	Balance as at 30 June 2003				
	Trademark 11(gA)	**90 628**	**(15 105)**	**–**	**75 523**
	Foreign exchange spread	**–**	**8 902**	**–**	**8 902**
	Prior year over/(under) provision created	**–**	**849**	**1 537**	**2 386**
	Tax loss carried forward	**12 613**	**20 736**	**–**	**33 349**
	Other deductible temporary differences	**27 948**	**30 846**	**2 362**	**61 156**
		131 189	**46 228**	**3 899**	**181 316**
	Balance as at 30 June 2002				
	Trademark 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

		Total	Computer equipment	Furniture and fittings	Vehicles
13	Rental assets				
	Year ended 30 June 2003				
	– Opening net carrying amount	**34 915**	**34 844**	**31**	**40**
	– Additions	**71 137**	**71 082**	**55**	**–**
	– Disposals and adjustments	**(102 259)**	**(102 173)**	**(57)**	**(29)**
	– Depreciation charge	**(3 793)**	**(3 753)**	**(29)**	**(11)**
	– Closing net carrying amount	**–**	**–**	**–**	**–**

	Total R'000	Computer equipment R'000	Furniture and fittings R'000	Vehicles R'000
13 Rental assets (continued)				
At 30 June 2003				
– Cost	**–**	**–**	**–**	**–**
– Accumulated depreciation	**–**	**–**	**–**	**–**
– Closing net carrying amount	**–**	**–**	**–**	**–**
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

	Group		Company	
	2003 R'000	2002 R'000	**2003 R'000**	2002 R'000
14 Inventories				
Work in progress	**30 212**	6 498	**–**	–
Consumables	**–**	542		
Finished goods	**24 870**	23 412	**–**	–
	55 082	30 452	**–**	–
15 Accounts receivable				
Trade debtors	**392 998**	323 458	**–**	–
Provision for bad and doubtful debts	**(36 137)**	(11 637)	**–**	–
	356 861	311 821	**–**	–
Prepayments	**26 686**	20 279	**–**	–
Other receivables	**11 518**	42 055	**218**	113
	395 065	374 155	**218**	113

The book debts of AST-A Holdings (Pty) Ltd, a full subsidiary of AST Group Ltd, amounting to R236 549 904, are secured by a cession to The Standard Bank of South Africa Ltd, in respect of banking facilities granted to AST Group Ltd. A further reversionary cession of these book debts was entered into with Kumba Resources Ltd and Iscor Pension Fund.

The book debts of AST Botswana (Pty) Ltd, a full subsidiary of AST-A Holdings (Pty) Ltd, amounting to R40 296 344, are secured as a first cession of book debts in favour of First National Bank of Botswana Ltd. The same book debts are also secured as a second cession to Barclays Bank of Botswana Ltd, Kumba Resources Ltd, Iscor Pension Fund and Standard Finance (Isle of Man) Ltd. (Refer note 19.)

The book debts of AST Namibia (Pty) Ltd, a full subsidiary of AST-A Holdings (Pty) Ltd, amounting to R15 472 297, have been secured in favour of Standard Bank Namibia Ltd. (Refer note 19.)

A reversionary cession of book debts of Graphic Mining Solutions International (Pty) Ltd, a full subsidiary of AST-A Holdings (Pty) Ltd, amounting to R8 178 864, was entered into in favour of Kumba Resources Ltd, Iscor Pension Fund, The Standard Bank of South Africa Ltd and Standard Finance (Isle of Man) Ltd. (Refer note 19.)

	Group 2003 R'000	Group 2002 R'000	Company 2003 R'000	Company 2002 R'000
16 Cash and cash equivalents				
Cash at bank and in hand	**70 715**	134 344	**–**	4 000
Less: Overdrafts	**(34 582)**	(22 613)	**–**	–
	36 133	111 731	**–**	4 000
The weighted average effective interest rate on short-term bank deposits was 10,25% (2002: 10,4%).				
17 Ordinary share capital				
Authorised				
1 000 000 000 ordinary shares of 0,01 cent each	**100**	100	**100**	100
Issued				
673 104 639 ordinary shares of 0,01 cent each	**67**	58	**68**	58
(2002: 575 046 474 ordinary shares of 0,01 cent each)				
Balance at the beginning of the year	**58**	55	**58**	55
Shares issued during the year	**9**	3	**10**	3
Balance at the end of the year	**67**	58	**68**	58

During the financial year 98 058 165 shares of 0,01 cent each were issued in respect of vendor claims.

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 see fit.

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

	'000	'000
Balance at the beginning of the year	**67 805**	44 964
Granted	**–**	27 798
Exercised	**–**	(735)
Lapsed/cancelled	**(65 310)**	(4 222)
Balance at the end of the year	**2 495**	67 805

The average strike price of the share options was R2,37 with a share price R0,16 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 '000	2 – 5 years '000	**Total 2003 '000**	Total 2002 '000
R0 – R1,00	548	1 878	**2 426**	2 450
R1,01 – R2,00	–	–	**–**	15 162
R2,01 – R3,00	54	15	**69**	42 252
R3,01 – R4,00	–	–	**–**	7 941
	602	1 893	**2 495**	67 805

	2003 Number of shares	2002 Number of shares
17 Ordinary share capital (continued)		
The calculation of diluted earnings per share does not take into account options granted but not yet exercised.		
Treasury shares:		
The following AST Group Limited shares are held by full subsidiaries of the Group:		
SX Holdings (Pty) Ltd	**744 427**	2 627 127
AST Health (Pty) Ltd	**60 000**	60 000
	804 427	2 687 127

	Group		Company	
	2003 R'000	2002 R'000	**2003 R'000**	2002 R'000
18 Minority interests			**–**	–
Opening balance	**57 136**	55 814	**–**	–
– as previously stated	**60 960**	55 814		
– Adjusted due to AC 133	**(3 824)**	–		
Investments during the year	**–**	472	**–**	–
ABSA shareholders' loan in DTS moved to interest-bearing liabilities	**(39 876)**	–	**–**	–
Adjustments made during the year	**9 093**	–	**–**	–
– Write down of investment	**5 269**	–		
– Adjustment due to AC 133	**3 824**	–		
Share of net (loss)/profit in subsidiaries	**(17 057)**	4 674	**–**	–
Closing balance	**9 296**	60 960	**–**	–
19 Interest-bearing liabilities				
Long-term loans	**149 964**	76 367	**–**	–
Total liability	**298 768**	104 903		
– Mortgage bonds	**14 674**	22 492		
– Working capital loans	**88 750**	–		
– Shareholders' loan in subsidiary	**37 876**	–		
– Other	**148 187**	29 792		
– Standard Finance – Isle of Man	**9 281**	52 619		
Less short-term portion moved to accounts payable	**(148 804)**	(28 536)	**–**	–
– Mortgage bonds	**(169)**	(533)		
– Working capital loans	**(45 364)**			
– Shareholders' loan	**(21 561)**			
– Other	**(72 429)**	(1 694)		
– Standard Finance – Isle of Man	**(9 281)**	(26 309)		
Liabilities under capitalised finance lease agreements	**9 244**	10 289	**–**	–
– Total liability	**14 863**	15 949	**–**	–
– Less short-term portion moved to accounts payable	**(5 619)**	(5 660)	**–**	–
	159 208	86 656	**–**	–

19 Interest-bearing liabilities

Mortgage bonds

The Group entered into a loan agreement on 28 September 1999 for an amount of R17 million. The long-term loan is secured over freehold land and buildings and the preference shares of the BoE Trust (refer note 10). This loan is offset against the fair value of a forward share purchase agreement. 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 loan is compulsorily convertible to equity in AST Property Management (Pty) Ltd on 28 June 2009, The subscription price for the shares was paid on 28 September 1999, Therefore there will be no future cash outflows. Interest is paid quarterly based on a fixed rate of 15,95%.

The Group entered into a loan agreement in Namibia. The loan term is 10 years and bears interest at the Namibian prime overdraft rate. The loan is repayable in monthly instalments of R58 172 payable until April 2012. The loan is secured over land and buildings to the value of R3 097 729 (refer note 7).

Working capital loans

The Group obtained working capital loans from Kumba Resources Limited ("Kumba"), the Iscor Pension Fund ("the Pension Fund") and the Standard Bank of South Africa Limited ("Standard Bank") (collectively "the lenders") which are secured over the Group's assets as follows:

- Standard Bank holds first cession of the book debts of AST-A Holdings (Pty) Ltd as security for existing banking facilities and holds a reversionary cession over the book debts of Graphic Mining Solutions International (Pty) Ltd and AST Botswana (Pty) Ltd.
- Kumba and the Pension Fund hold reversionary cessions over the book debts of AST-A Holdings (Pty) Ltd, Graphic Mining Solutions International (Pty) Ltd and AST Botswana (Pty) Ltd.
- Cross suretyships have been provided to the lenders by all of the Group's wholly-owned South African subsidiaries.
- The lenders jointly hold the cession and pledge in respect of AST-A Holdings (Pty) Ltd's entire shareholding in AST Distributed Technology Services (Pty) Ltd.

The working capital loans bears interest at the prime overdraft rate.

The lenders are underwriters to the rights offer. In terms of the loan agreement, the lenders agreed not to demand payment of the debt owed by by the AST Group until 15 September 2004. The loan agreement requires the Group to implement a rights offer, which is underwritten by the underwriters in an amount of not less than R88,75 million. The Group is obliged in terms of the loan agreement to implement the rights offer so as to issue and allot the shares resulting therefrom by no later than 7 October 2003. The underwriters will, to the extent necessary, subscribe for AST shares to fulfil their underwriting obligations, which will have the effect of converting a portion of their debt into equity.

The Group has committed in terms of the loan agreement, to make repayments of debt to the lenders and Cadtech (Pty) Ltd of R88,75 million upon completion of the rights offer and further payments of R20 million each on 31 December 2003, 31 March 2004 and at the end of each subsequent quarter until the balance of debt owing to the lenders is fully repaid.

The lenders' facilities may be made repayable on demand to the extent that the lenders have not been repaid on such dates. These payments will in the first instance reduce the balance of the lenders' facility subsequent to the underwriting of the rights offer, and will then be applied to reducing existing secured and unsecured facilities of the Group. Any further balance owing to the lenders can become payable on demand within seven days of receipt of written demand from the lenders.

The Group entered into an early settlement agreement to the amount of R20 million, which bears interest at prime less 1,5%. An amount of R6 million was repaid on 25 July 2003 – the remaining balance of R14 million will be repaid on 30 September 2004.

Shareholders' loan

The shareholders' loan is not secured and is repayable monthly from 1 May 2003 and bears interest at the prime overdraft rate.

19 Interest-bearing liabilities (continued)

Other

The Group entered into a repayment agreement with the South African Revenue Service regarding an outstanding PAYE liability of R91,23 million. The loan is unsecured and bears interest at 15,5%. The loan is repayable in monthly instalments as follow:

– Monthly instalments of R3 million until June 2003
– Monthly instalments of R5 million from July 2003 to December 2003
– Monthly instalments of R7 million from January 2004 until fully repaid

Loans to the value of R20 million were set off against preference share investments of R20 million. (Refer to note10.)

Standard Finance – Isle of Man

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 and FWEM. The rate is fixed every three months, The outstanding amount of A$1 901 719,23 is payable is two equal instalments on 21 August 2003 and 21 February 2004.

The loan is secured as follows:

– AST Western Australia (Pty) Ltd, AST Group Limited, AST-A Holdings (Pty) Ltd and AST Holdings (Australia) (Pty) Ltd act as guarantors under the agreement.
– Shares and units in AST Western Australia (Pty) Ltd are pledged to the lender.
– Reversionary cession is held by the lender over book debts of AST Botswana (Pty) Ltd.

Finance lease agreements

Interest on finance leases is paid at various rates linked to the prime overdraft rate.

The leases are secured by cession over the assets to which they relate.

The finance lease liability, as set off against assets (refer note 7), bears interest at an interest rate of 15,5% and is repayable six- monthly in June and December. The loan term is five years.

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

	2003 R'000	2002 R'000
Not later than 1 year	**5 788**	6 369
Later than 1 year and not later than 5 years	**9 075**	7 910
Later than 5 years	**–**	1 670
	14 863	15 949
Less current portion	**(5 619)**	(5 660)
	9 244	10 289

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. The articles of association has not set any limitation on the borrowing powers of the company.

20 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. These payments are to be made in the form of cash payments or the issue of shares. Group policy is to only provide for the portion of the total liability that can be reliably calculated. The remaining portion is disclosed as a contingent liability. A share price of 15 cents (9 cents for Solutions) was used to calculate the number of shares to be issued. The closing price on 30 June 2003 was 16 cents.

	Provision: Cash: Not later than 1 year R'000	Provision: Cash: Later than 1 year but less than 5 R'000	Provision: Shares: Not later than 1 year R'000	Provision: Shares: Later than 1 year but less than 5 R'000	Provision: Total R'000	Contingent: Cash R'000	Contingent: Shares R'000	Contingent: Total R'000	Total liability: Cash R'000	Total liability: Shares R'000	Total liability: Total R'000
20 Amounts due to vendors (continued)											
30 June 2003											
Vendor											
African Computer Mining Services (Pty) Ltd	**–**	**–**	**11 421**	**–**	**11 421**	**–**	**11 000**	**11 000**	**–**	**22 421**	**22 421**
Inventory Technologies (Pty) Ltd	**1 613**	**230**	**–**	**–**	**1 843**	**–**	**–**	**–**	**1 843**	**–**	**1 843**
EBIT Solutions (Pty) Ltd	**1 424**	**–**	**2 052**	**2 053**	**5 529**	**–**	**–**	**–**	**1 424**	**4 105**	**5 529**
GEM & Poynton and partners	**10 899**	**2 792**	**–**	**–**	**13 691**	**10 051**	**–**	**10 051**	**23 742**	**–**	**23 742**
Cato Computers	**–**	**–**	**632**	**–**	**632**	**–**	**–**	**–**	**–**	**632**	**632**
Epi-Use Systems (Pty) Ltd	**–**	**–**	**5 208**	**–**	**5 208**	**–**	**–**	**–**	**–**	**5 208**	**5 208**
Other	**149**	**–**	**1 340**	**–**	**1 489**	**320**	**2 880**	**3 200**	**469**	**4 220**	**4 689**
Solutions	**–**	**–**	**7 500**	**–**	**7 500**	**–**	**–**	**–**	**–**	**7 500**	**7 500**
	14 085	**3 022**	**28 153**	**2 053**	**47 313**	**10 371**	**13 880**	**24 251**	**27 478**	**44 086**	**71 564**

	Provision: Cash: Not later than 1 year # shares '000	Provision: Cash: Later than 1 year but less than 5 # shares '000	Provision: Shares: Not later than 1 year # shares '000	Provision: Shares: Later than 1 year but less than 5 # shares '000	Provision: Total # shares '000	Contingent: Cash # shares '000	Contingent: Shares # shares '000	Contingent: Total # shares '000	Total liability: Cash # shares '000	Total liability: Shares # shares '000	Total liability: Total # shares '000
Vendor											
African Computer Mining Services (Pty) Ltd	**–**	**–**	**76 138**	**–**	**76 138**	**–**	**73 333**	**73 333**	**–**	**149 471**	**149 471**
Inventory Technologies (Pty) Ltd	**–**	**–**	**–**	**–**	**–**	**–**	**–**	**–**	**–**	**–**	**–**
EBIT Solutions (Pty) Ltd	**–**	**–**	**13 678**	**13 677**	**27 355**	**–**	**–**	**–**	**–**	**27 355**	**27 355**
GEM & Poynton and partners	**–**	**–**	**–**	**–**	**–**	**–**	**–**	**–**	**–**	**–**	**–**
Cato Computers	**–**	**–**	**4 215**	**–**	**4 215**	**–**	**–**	**–**	**–**	**4 215**	**4 215**
Epi-Use Systems (Pty) Ltd	**–**	**–**	**34 722**	**–**	**34 722**	**–**	**–**	**–**	**–**	**34 722**	**34 722**
Other	**–**	**–**	**8 932**	**–**	**8 932**	**–**	**19 200**	**19 200**	**–**	**28 132**	**28 132**
Solutions	**–**	**–**	**83 333**	**–**	**83 333**	**–**	**–**	**–**	**–**	**83 333**	**83 333**
	–	**–**	**221 018**	**13 677**	**234 695**	**–**	**92 533**	**92 533**	**–**	**327 228**	**327 228**

	Provision: Cash: Not later than 1 year R'000	Provision: Cash: Later than 1 year but less than 5 R'000	Provision: Shares: Not later than 1 year R'000	Provision: Shares: Later than 1 year but less than 5 R'000	Provision: Total R'000	Contingent: Cash R'000	Contingent: Shares R'000	Contingent: Total R'000	Total liability: Cash R'000	Total liability: Shares R'000	Total liability: Total R'000
20 Amounts due to vendors (continued)											
30 June 2002											
Vendor											
African Computer Mining Services (Pty) Ltd	1 524	–	386	–	1 910	10 143	20 285	30 428	11 667	20 671	32 338
Occulus Computer Systems (Pty) Ltd	10 780	–	10 120	–	20 900	–	–	–	10 780	10 120	20 900
Nemotech (Pty) Ltd	–	–	–	–	–	5 579	–	5 579	5 579	–	5 579
Marknet Occupational Health and Safety Systems 2000 (Pty) Ltd	1 466	–	4 398	–	5 864	3 767	11 301	15 068	5 233	15 699	20 932
AST Contractor Management Solutions (Pty) Ltd	–	–	–	–	–	–	17 800	17 800	–	17 800	17 800
AST Enterprise Engineering (Pty) Ltd	–	–	450	–	450	–	–	–	450	–	450
Comacc (Pty) Ltd	630	–	2 225	–	2 855	–	–	–	630	2 225	2 855
Inventory Technologies (Pty) Ltd	4 400	–	1 200	2 400	8 000	–	–	–	4 400	3 600	8 000
Plexus Health Solutions (Pty) Ltd	–	–	4 032	–	4 032	–	–	–	–	4 032	4 032
EBIT Solutions (Pty) Ltd	6 155	–	2 052	4 103	12 310	–	–	–	6 155	6 155	12 310
GEM & Poynton and partners	18 454	25 667	–	–	44 121	–	–	–	44 121	–	44 121
Cato Computers	–	–	650	650	1 300	–	–	–	–	1 300	1 300
Epi Use Systems (Pty) Ltd	2 083	–	3 124	5 210	10 417	–	–	–	2 083	8 334	10 417
Other	682	–	6 045	–	6 727	586	5 368	5 954	1 268	11 413	12 681
RBM	388	–	(585)	–	(197)	–	–	–	388	(585)	(197)
	46 562	25 667	34 097	12 363	118 689	20 075	54 754	74 829	92 304	101 214	193 518

	Provision					Contingent			Total liability		
	Cash		Shares								
	Not later than 1 year # shares '000	Later than 1 year but less than 5 # shares '000	Not later than 1 year # shares '000	Later than 1 year but less than 5 # shares '000	Total # shares '000	Cash # shares '000	Shares # shares '000	Total # shares '000	Cash # shares '000	Shares # shares '000	Total # shares '000
20 Amounts due to vendors (continued)											
Vendor											
African Computer Mining Services (Pty) Ltd	–	–	454	–	454	–	6 839	6 839	–	7 293	7 293
Occulus Computer Systems (Pty) Ltd	–	–	11 906	–	11 906	–	–	–	–	11 906	11 906
Nemotech (Pty) Ltd	–	–	–	–	–	–	–	–	–	–	–
Marknet Occupational Health and Safety Systems 2000 (Pty) Ltd	–	–	5 174	–	5 174	–	5 651	5 651	–	10 825	10 825
AST Contractor Management Solutions (Pty) Ltd	–	–	–	–	–	–	5 199	5 199	–	5 199	5 199
AST Enterprise Engineering (Pty) Ltd	–	–	353	75	428	–	–	–	–	428	428
Comacc (Pty) Ltd	–	–	989	–	989	–	–	–	–	989	989
Inventory Technologies (Pty) Ltd	–	–	1 412	1 000	2 412	–	–	–	–	2 412	2 412
Plexus Health Solutions (Pty) Ltd	–	–	4 530	–	4 530	–	–	–	–	4 530	4 530
EBIT Solutions (Pty) Ltd	–	–	2 414	1 710	4 124	–	–	–	–	4 124	4 124
GEM & Poynton and partners	–	–	–	–	–	–	–	–	–	–	–
Cato Computers	–	–	765	325	1 090	–	–	–	–	1 090	1 090
Epi Use Systems (Pty) Ltd	–	–	3 675	2 605	6 280	–	–	–	–	6 280	6 280
Other	–	–	7 217	–	7 217	–	2 986	2 986	–	10 203	10 203
RBM	–	–	–	–	–	–	–	–	–	–	–
	–	–	38 889	5 715	44 604	–	20 675	20 675	–	65 279	65 279

	Opening balance R'000	South Africa charge/(credit) to income statement R'000	Foreign charge/(credit) to income statement R'000	Closing balance R'000
21 Deferred tax liability				
Balance as at 30 June 2003				
Asset revaluations	**20**	**–**	**–**	**20**
Accelerated tax depreciation	**5 980**	**–**	**–**	**5 980**
Provisions	**468**	**–**	**–**	**468**
Temporary differences	**6 439**	**7 249**	**(88)**	**13 600**
	12 907	**7 249**	**(88)**	**20 068**
Balance as at 30 June 2002				
Asset revaluations	20	–	–	20
Accelerated tax depreciation	–	5 980	–	5 980
Prior year over/(under) provision created	–	–	468	468
Provisions	4 481	–	1 958	6 439
	4 501	5 980	2 426	12 907

	Group		Company	
	2003 R'000	2002 R'000	**2003 R'000**	2002 R'000
22 Accounts payable				
Trade payables	**285 044**	315 986	–	–
Income received in advance	**44 589**	43 059	–	–
Current portion of long-term liabilities	**154 423**	34 196	–	–
Unrealised loss on forward exchange contracts	**1 097**	5 950	–	–
Short-term interest-bearing loans	**83 750**	–	–	–
Other payables and payroll vendors	**43 144**	121 463	–	–
	612 047	520 654	–	–

The short-term interest-bearing loans bear interest at the prime overdraft rate and form part of the working capital loans received as reflected in note 19.

	Total R'000	Leave pay R'000	Commissions R'000	Warrantees R'000	Other R'000	Bonuses R'000
23 Provisions						
Balance as at 30 June 2003						
Balance at the beginning of the year	**42 012**	**31 418**	**5 430**	**2 805**	**2 359**	**–**
New provisions created	**54 051**	**22 787**	**9 992**	**913**	**454**	**19 905**
Provisions utilised	**(28 456)**	**(10 996)**	**(10 538)**	**(2 300)**	**(36)**	**(4 586)**
Balance at the end of the year	**67 607**	**43 209**	**4 884**	**1 418**	**2 777**	**15 319**
Balance as at 30 June 2002						
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	3 453	–
Provisions utilised	(52 393)	(37 919)	(14 474)	–	(3 201)	–
Balance at the end of the year	42 012	31 418	5 430	2 805	2 359	–

23 Provisions (continued)

Leave pay provision

In terms of the Group policy, employees are entitled to accumulate vested leave benefits not taken within a leave cycle. The obligation is reviewed annually.

Commissions

The provision relates to commissions payable to the employees of the AST Group.

Warranty claims

The provisions relate principally to warranty claims on products and services. The estimate is based on claims notified and past experience.

Bonuses

In terms of the Group policy, employees are entitled to accumulated bonuses. The obligation is renewed annually.

Other

Other provisions consist of:

– Provision for professional fees
– Provision for Insurance payments
– Provision for Compensation Commissioner

24 Financial instruments

The Corporate Treasury function provides services to the business, co-ordinates access to domestic and international financial markets, and manages the financial risks relating to the Group's operations.

The Group's objective in using financial instruments is to reduce the uncertainty over future cash flows arising from movements in currency and interest rate exposures.

The Group's activities expose it to a variety of financial risks, including the effects of changes in debt and equity market prices, foreign currency exchange rates and interest rates. The Group's overall risk management programme focuses on the unpredictability of financial markets and seeks to minimise potential adverse effects on the financial performance of the Group. The Group uses derivative financial instruments such as foreign exchange contracts and interest rate swaps to hedge certain exposures.

24.1 Interest rate risk management

The Group is exposed to interest rate risk as it borrows and places funds at both fixed and floating interest rates.

The Group has no significant interest-bearing assets. The Group borrows at fixed or variable rates. It occasionally uses interest rate swaps as cash flow hedges of future interest payments, which have the economic effect of converting borrowings from floating rates to fixed rates or from fixed rates to floating rates.

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 entitled it to pay interest at floating rates on a notional principal amount. The interest rate swaps allow 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 principal amount. At 30 June 2003, the fixed interest rates vary from 13,47% to 15,95% (2002: 13,47% 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.

	Group		Company	
	2003	2002	**2003**	2002
	R'000	R'000	**R'000**	R'000
24 Financial instruments (continued)				
The remaining terms and notional principal amount of the outstanding interest rate swap contract at 30 June 2003 were:				
Less than one year	**2 673**	2 552		
Two to five years	**7 804**	15 221		
Five to ten years	**595**	10 689		
	11 072	28 462		
The Group entered into an interest rate swap contract at MLS Bank Limited on 2 February 2001. This loan was redeemed on 30 June 2003.				
The remaining terms and notional principal amount of the outstanding interest rate swap at 30 June 2003 were:				
Less than one year	**–**	18 023		
One to five years	**–**	46 779		
	–	64 802		

24.2 Fair value of financial instruments

At 30 June 2003 the carrying amounts of cash and short-term deposits, account receivable, account payable, accrued expenses and short-term borrowings approximated their fair values due to the short-term maturities of these assets and liabilities,

Fair value of the Group's financial assets and liabilities is stated below:	Carrying value R'000	Fair value R'000
Financial assets		
Cash and cash equivalents	36 133	36 133
Trade and other receivables	395 065	395 065
Investments	19 115	19 115
	450 313	450 313
Financial liabilities		
Trade and other payables	679 654	679 654
Amounts due to vendors	17 107	17 107
	696 761	696 761

24.3 Liquidity risk management

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

24 Financial instruments (continued)

24.4 Credit risk management

Potential concentrations of credit risk consist mainly of cash and cash equivalents, investments and trade debtors.

Trade debtors comprise a large number of customers, dispersed across different industries and geographical areas. Ongoing credit evaluations are performed on the financial condition of these debtors. Trade debtors are presented net of the allowance for doubtful debt.

At 30 June 2003 the Company/Group did not consider there to be any significant concentration of credit risk that had not been insured or adequately provided for.

24.5 Foreign currency risk management

The Group operates internationally and is exposed to foreign exchange risk arising from various currency exposures primarily with respect to US dollars, Australian dollars and Euros. Entities in the Group use forward contracts, transacted with Group Treasury, to hedge their exposure to foreign currency risk in connection with the measurement currency.

External foreign exchange contracts are designated at Group level as hedges of foreign exchange risk on specific assets, liabilities or future transactions. The company has a number of investments in foreign subsidiaries, whose net assets are exposed to currency translation risk.

For detailed disclosure of forward exchange contracts, please refer to note 26.

25 Commitments

Capital commitments

2003

In terms of an agreement with Zenprop Property Holdings (Pty) Ltd an amount of R1 244 005 will become due and payable in the event that the Group fails to require the development of a property owned by The Zenprop 13 Trust

(2002: Property, plant and equipment – Command Centre Samrand to the value of R5 million).

Future operating lease commitments

	Not later than 1 year R'000	Later than 1 year and not later than 5 years R'000	Later than 5 years R'000	Total R'000
Land and buildings	23 654	59 157	67 067	149 878

26 Foreign exchange position

Forward exchange contracts that hedge forecasted transactions (fair value hedge):

	2003				2002
	Foreign amount R'000	**Rand amount R'000**	**Fair value R'000**	**Unrealised loss R'000**	Unrealised loss R'000
Foreign currency					
US dollars	**1 281**	**10 571**	**9 718**	**853**	5 951
Euro	**920**	**8 189**	**8 031**	**158**	–
British pounds	**1**	**19**	**18**	**1**	–
Australian dollars	**242**	**1 304**	**1 219**	**85**	–
		20 083	**18 986**	**1 097**	5 951

The forward exchange contracts ("FEC") relate to specific trade creditors on the balance sheet and 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 11 July 2003 to 15 September 2003.

Open foreign exchange contracts at 30 June 2002 were offset against the related loans covered. Total value of the FECs amounted to R5,9 million.

	2003 R'000	2002 R'000
27 Contingent liabilities		
Bank and other guarantees		
At 30 June 2003 the Group had contingent liabilities in respect of registered performance bonds, bank, lease and other guarantees	**16 835**	6 414

A detailed list of guarantees and performance bonds can be viewed at the Group's registered office.

	Foreign currency and amount '000	Rand amount R'000
RSA:		
– At The Standard Bank of South Africa Ltd	3 293	3 293
Botswana:		
– First National Bank of Botswana Ltd	P6 867	10 457
– Barclays Bank of Botswana	P1 109	1 689
Namibia:		
– First National Bank of Namibia Ltd	N$408	408
Australia:		
– Australia	A$197	988
		16 835

Other

The allowances claimed in terms of section 11(gA) of the Income Tax Act on the trademarks acquired by the Group to the value of R503,5 million is under review by the South African Revenue Service (SARS). SARS re-opened the 1999 assessment and indicated that their intention is to add back the full allowances granted in terms of the aforementioned section of the Act on the grounds that the trademark costs were not incurred. The Group will contest the assessment.

Penalties and interest were levied on the underpayment of PAYE and Skills Development Levy ("SDL"). SARS has indicated that they will favourably consider the waiving of the penalties levied on the underpayments and as such these penalties have been disclosed as a possible future contingency amounting to R13 million.

Amounts due to vendors

The total payments for the purchase considerations that are subject to the achievement of profit warrantees in the future are disclosed in note 20. Group policy is to only provide for the portion of the total liability that can be reliably calculated. The remaining portion is disclosed a contingent liability.

28 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 Funds 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.

	Group 2003 R'000	Group 2002 R'000	Company 2003 R'000	Company 2002 R'000
28 Retirement benefits (continued)				
The amounts recognised in the income statement are as follows:				
Pension costs	**56 940**	45 573		
Total included in staff costs (note 2)	**56 940**	45 573		

29 Related party transactions

During the year the Group, in the ordinary course of business, entered into various sale and purchase transactions with associates and joint ventures. These transactions occurred under terms that are no less favourable than those arranged with third parties.

No shareholder has significant influence on the operational and economical decision making of the Group.

29.1 Subsidiaries

Details of interests in subsidiaries are disclosed on pages 60 and 61 of the annual report. Transactions between subsidiaries are conducted in the ordinary course of business at arm's length. All intercompany transactions, balances and unrealised surpluses within the operations are eliminated on consolidation.

29.2 Directors

Details relating to directors' emoluments and shareholdings in the company are disclosed in note 2 of the annual financial statements.

29.3 Share in joint ventures

The Group's investment in material joint ventures is reflected below:

	Percentage shareholding 2003	Percentage shareholding 2002
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 SunGard 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, expenses and cashflows of the joint ventures and are included in the consolidated balance sheet, income statement and cash flow statement:

	2003 R'000	2002 R'000
Property, plant and equipment	**10 468**	7 852
Current assets	**7 040**	7 359
Total assets	**17 508**	15 211
Long-term borrowings	**2 898**	3 754
Provisions for liabilities and charges	**1 824**	1 067
Current liabilities	**5 817**	5 426
Total liabilities	**10 539**	10 247
Revenue	**42 821**	37 764
Profit before tax and amortisation	**4 624**	2 474
Amortisation	**–**	(1 944)
Profit before tax	**4 624**	530
Tax	**(1 544)**	(1 006)
Profit/(loss) after tax	**3 080**	(476)
Proportionate interest in joint ventures' cash flows		
Cash from operating activities	**10 981**	4 239
Cash used in investing activities	**(6 630)**	(2 236)
Cash from financing activities	**(1 648)**	3 754
Net cash inflow	**2 703**	5 757

	Group		Company	
	2003	2002	**2003**	2002
	R'000	R'000	**R'000**	R'000
30 Cash flow information				
30.1 Reconciliation of profit before tax to cash generated from operations				
Profit before tax	**(292 973)**	(20 601)	**–**	–
Adjustments for:				
Amortisation	**147 497**	138 179		
Depreciation	**60 564**	56 069	**–**	–
Provisions and other non-cash flow adjustments	**150 306**	18 542		
Interest received	**(20 161)**	(10 878)	**–**	–
Finance costs	**89 180**	14 310	**–**	–
– Finance cost for the year	**80 974**	14 310	**–**	–
– Deemed interest as per AC 133 fair value adjustment	**8 206**	–	**–**	–
Currency translation differences	**21 066**	(21 483)	**–**	–
Operating cash flow before working capital changes	**155 479**	174 138	**–**	–
Working capital changes				
Increase in inventories	**(26 309)**	(7 467)	**–**	–
(Increase)/decrease in accounts receivable	**(94 698)**	21 391	**–**	–
Decrease in vendor claims	**(8 397)**	–		
Increase in accounts payable	**24 774**	64 892	**–**	–
Cash generated from operations	**50 849**	252 954	**–**	–
30.2 Acquisitions of subsidiaries and businesses				
The Group 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:				
Purchase consideration				
– cash paid	**65 316**	128 079	**–**	–
– fair value of shares issued and provision for vendor claims	**–**	10 201	**–**	–
Total purchase consideration	**65 316**	138 280	**–**	–
Fair value of net assets acquired	**–**	3 335	**–**	–
Goodwill	**65 316**	141 615	**–**	–
The assets and liabilities arising from the acquisition are as follows:				
Cash	**–**	(3 582)	**–**	–
Inventories	**–**	3 296	**–**	–
Accounts receivable	**–**	38 758	**–**	–
Property, plant and equipment	**–**	11 656	**–**	–
Short-term loans	**–**	(1 712)	**–**	–
Tax	**–**	–	**–**	–
Interest-bearing liabilities	**–**	–	**–**	–
Accounts payable	**–**	(51 751)	**–**	–
Fair value of net assets	**–**	(3 335)	**–**	–
Goodwill	**65 316**	141 615	**–**	–
Total purchase consideration	**65 316**	138 280	**–**	–
Less:				
Discharged by shares issued	**–**	(10 201)	**–**	–
Cash and cash equivalents acquired	**–**	3 582	**–**	–
Cash outflow on acquisitions acquired in the current year	**65 316**	131 661	**–**	–

Details of principal subsidiary companies

Name of subsidiary company	Place and date of incorporation	Registration number	Date it became a subsidiary or associate	Issued share capital R	% held	Nature of business
Directly owned						
Advanced Software Technologies International Holdings	Mauritius 01/04/1999	6/99/4516	01/04/1999	US$7	100	Holding company
A-Fin Capital (Pty) Ltd	Pretoria 13/07/2001	2001/014884/07	19/07/2001	100	100	Procurement of financial solutions
AST Botswana (Pty) Ltd	Gaborone Botswana 15/12/1999	CO 99/5085	01/07/1999	Pula 3 000	100	Trading in computer hardware and software
AST Contractor Management Solutions (Pty) Ltd	Pretoria 03/03/2000	2000/004342/07	04/04/2000	100	100	Application services provider in field of contractor management
AST Health Solutions (Pty) Ltd	Pretoria 17/06/1998	1998/011560/07	01/08/1999	10	100	Healthcare solutions
AST Offshore Holdings	Mauritius 01/04/1999	6/99/4515	01/04/1999	US$1	100	Holding company
AST Property Management (Pty) Ltd	Pretoria 15/07/1997	1997/011382/07	28/01/1998	100	100	Property management
AST Technology Rentals (Pty) Ltd	Pretoria 17/05/1999	1999/010180/07	17/05/1999	1 000	100	IT rental solutions
AST-A Holdings (Pty) Ltd	Pretoria 04/11/1998	1998/021835/07	01/04/1999	1	100	Software and IT services
Business & Design Software (Pty) Ltd	Pretoria 19/01/1999	1999/00973/07	01/01/1999	1 000	100	Electronic commerce
Graphic Mining Solutions International (Pty) Ltd	Pretoria 27/05/1996	1996/006527/07	01/05/1999	100 000 (1c)	100	Mining management software
Incito Supply Chain Management (Pty) Ltd	Pretoria 25/01/2001	2001/001659/07	30/06/2001	1 000	100	Supply chain management
Marknet Occupational, Health and Safety Systems 2000 (Pty) Ltd	Pretoria 10/04/2000	2000/006818/07	30/09/2001	1 000	100	Health and safety systems
Matsema International B.V.	Rotterdam Netherlands 22/06/1999	BV 24294429		Euro 18 200	100	Holding company
Online Outsource (Pty) Ltd	Pretoria 15/09/1999	1999/020335/07	20/12/2000	10 000 000 (1c)	100	Outsourced IT services
SIHAN Outsource (Pty) Ltd	Pretoria 07/10/1999	1999/022607/07	15/10/1999	100	100	Professional resourcing
Work Force Solutions (Pty) Ltd	Pretoria 30/09/1998	1998/19443/07	01/07/1998	100	100	Professional resourcing
Abraxas Management Services (Pty) Ltd	Pretoria 11/06/1998	1998/011249/07	02/08/1999	1	100	Dormant
AST Software Products (Pty) Ltd	Pretoria 27/10/1995	1995/011544/07	27/10/1995	100	100	Dormant
Trustkey Technologies (Pty) Ltd	Pretoria 24/03/2000	2000/005743/07	04/04/2000	100	100	Dormant
SX Holdings (Pty) Ltd	Pretoria 18/12/1997	1997/022097/07	01/07/1998	99	100	Dormant
SX Investment Holdings (Pty) Ltd	Pretoria 16/03/1998	1998/004894/07	01/07/1998	99	100	Dormant
Table Mountain Offshore Solutions (Pty) Ltd	Pretoria 10/09/1999	1999/020027/07	13/09/1999	100	100	Dormant
PLINY (Pty) Ltd	Pretoria 18/09/1995	1995/009976/07	01/10/1996	100	100	Dormant
Enterprise Competency Centre (Pty) Ltd	Pretoria 14/12/1990	1990/007526/07	07/08/1997	100	100	Dormant
Camagu Technology Holdings (Pty) Ltd	Pretoria 10/12/1999	1999/027443/07	29/06/2001	100	100	Dormant
Centenary Services (Pty) Ltd	Pretoria 23/09/1994	1994/007606/07	01/06/1999	120	100	Dormant
Benefic Computers (Pty) Ltd	Pretoria 17/01/2000	2000/000266/07	02/02/2000	100	100	Dormant
Bentley West Management Consultants (Pty) Ltd	Pretoria 12/10/1999	1999/022929/07	02/11/1999	100	100	Dormant

Name of subsidiary company	Place and date of incorporation	Registration number	Date it became a subsidiary or associate	Issued share capital R	% held	Nature of business
Astute Human Resorces (Pty) Ltd	Pretoria 16/07/2001	2001/015127/07	01/10/2002	1 00	100	Dormant
AST Cape (Pty) Ltd	Pretoria 09/09/1999	1999/019942/07	09/09/1999	100	100	Dormant
AST Collaborative Solutions (Pty) Ltd	Pretoria 10/05/1999	1995/004083/07	01/07/1998	10 500	100	Dormant
AST Business Communications (Pty) Ltd	Pretoria 10/04/1962	1962/001166/07	12/12/2001	1 900 000 45 600 000 "A" class shares (1c)	100	Dormant
AST Consulting (Pty) Ltd	Pretoria 25/01/1999	1999/001425/07	25/01/1999	1 000	100	Dormant
AST Education (Pty) Ltd	Pretoria 08/12/1993	1993/007472/07	01/06/1994	100	100	Dormant
AST Enterprise Hosting (Pty) Ltd	Pretoria 13/09/1999	1999/020162/07	13/09/1999	1 000	100	Dormant
AST Enterprise Solutions (Pty) Ltd	Pretoria 02/12/1993	1993/007284/07	02/12/1993	100	100	Dormant
AST Enterprise Solutions Management (Pty) Ltd	Pretoria 16/09/1999	1999/020580/07	16/09/1999	1 000	100	Dormant
AST Abraxas IT Solutions (Pty) Ltd	Pretoria 09/09/1999	1999/019925/07	16/09/1999	100	100	Dormant
AST Identification Solutions (Pty) Ltd	Pretoria 24/05/1999	1999/010719/07	08/06/2001	100	100	Dormant
AST Networks (Pty) Ltd	Pretoria 11/12/1998	1998/024909/07	11/12/1998	1 000	100	Dormant
AST Open Solutions (Pty) Ltd	Pretoria 08/12/1993	1993/007470/07	27/03/1997	100	100	Dormant
AST Output Solutions (Pty) Ltd	Pretoria 01/03/1995	1995/001846/07	01/03/1995	1 000	100	Dormant
Joint ventures						
AST WebAccess (Pty) Ltd	Pretoria 06/03/2002	2002/005182/07	01/05/2002	1 00	60	Internet access kiosks
AST Distributed Technology Services (Pty) Ltd	Pretoria 28/01/1999	1999/001742/07	01/04/2000	2 000 (1c)	70	Desktop services
AST Smartcard Solutions (Pty) Ltd	Pretoria 08/10/1999	1999/022752/07	01/07/2001	1 333	51	Smart card systems integrator
Vast Automation (Pty) Ltd	Pretoria 24/03/2000	2000/005755/07	31/03/2000	4 400	50	Manufacturing execution systems
SafeGuard iT (Pty) Ltd	Pretoria 22/05/1989	1989/002904/07	01/01/2000	200	50	Disaster recovery
Balfour Information Technology (Pty) Ltd	Pretoria 29/12/1998	1998/025616/07	26/11/2001	300	50	Information technology services
Emthonjeni Resourcing (Pty) Ltd	Pretoria 23/07/2001	2001/015965/07	08/08/2001	1 000	49	Resourcing and selection placement
Lechabile AST (Pty) Ltd	Pretoria 19/05/1998	1998/009515/07	28/08/1998	1 000	50	Marketing of software and IT services
Online Debt International (Pty) Ltd	Pretoria 09/11/2000	2000/028394/07	01/08/2001	1 000	50	Internet-based debt collection
Thuso Information Technology (Pty) Ltd	Pretoria 30/09/1999	1999/021945/07	14/10/1999	1 00	40	Information technology services
Shwemso Communications (Pty) Ltd	Pretoria 25/05/1999	1999/010796/07	25/11/1999	1 000	40	Marketing of software and
Associates						
Naledi Computer Systems (Pty) Ltd	Pretoria	1997/006365/07	28/09/2000	1 000	25	Information technology products and services

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

Sale of Business and Design Software (Pty) Limited ("BDS")

AST has concluded an agreement to dispose of the business of BDS as a going concern to National Golf Network (Pty) Limited for a gross consideration of R9,43 million consisting of a cash consideration of R8,7 million and a transfer of debt of R0,73 million. BDS provides and runs the National Handicap Network used by golfers and various other computerised solutions and services to golf clubs in South Africa.

AST advised in the announcement of the interim results on 27 March 2003, that it had defined which of its businesses were non-core and that it was in the process of closing or disposing of those businesses. BDS was identified as non-core, although profitable and AST sought to dispose of the business as a going concern. The acquisition by National Golf Network of BDS ensures the continuity of the Handicap Network and all other services. Mr Paul Smulders will remain as Managing Director of National Golf Network.

The cash portion of the disposal proceeds of R8,7 million will be used by AST for general corporate purposes. The effects of the disposal of BDS on the earnings per share and net asset value of AST are immaterial.

Centurion
8 April 2003

Range	Number of shareholders	Number of shares	Number of members as a %	% of shares issued
1 – 1 000	1 251	710 648	22,20	0,11
1 001 – 5 000	1 808	5 373 577	32,08	0,80
5 001 – 10 000	648	5 252 658	11,50	0,79
10 001 – 100 000	1 439	55 513 907	25,53	8,24
100 001 – 1 000 000	424	129 960 708	7,52	19,30
> 1 000 000	66	476 293 141	1,17	70,76
	5 636	673 104 639	100,00	100,00

Analysis of ordinary shareholders/beneficial holders

	Number of shareholders	Number of shares	Number of members as a %	% of shares issued
Institutional holders and body corporates	309	480 555 884	5,48	71,39
Individual holders	5 327	192 548 755	94,52	28,61
	5 636	673 104 639	100,00	100,00

Summary of shareholder spread

Shareholder type	SA registered holders				Foreign registered holders				Totals			
	Members	%	Shares	%	Members	%	Shares	%	Members	%	Shares	%
Public	5 570	98,82	466 750 377	69,35	58	1,03	13 826 532	2,05	5 628	99,85	480 576 909	71,40
Non-public	8	0,15	192 527 730	28,60	–	–	–	–	8	0,15	192 527 730	28,60
Directors	4	0,07	11 287 715	1,68					4	0,07	11 287 715	1,68
Associates	1	0,02	560 045	0,08					1	0,02	560 045	0,08
Share trusts	2	0,04	679 970	0,10					2	0,04	679 970	0,10
Holdings >10%	1	0,02	180 000 000	26,74					1	0,02	180 000 000	26,74
Totals	5 578	98,97	659 278 107	97,95	58	1,03	13 826 532	2,05	5 636	100	673 104 639	100

Shareholding over 1%

Registered/beneficial holder	Number of shares	% of shares held
Kumba Management Share Trust	180 000 000	26,74
Leovas Investment (Pty) Limited (SA)	42 822 022	6,36
De Klerk Family Trust	35 533 637	5,28
Groeneveld J	26 668 400	3,96
Sanlam Investment Managers	23 243 320	3,45
PSG Securities	20 221 271	3,00
Foord & Meintjies SA	13 310 300	1,98
Ansbacher Investment Managers	12 555 408	1,87
RMB Asset Management	10 592 847	1,57
Sasfin Frankel Pollak (SA)	10 492 370	1,56
ABSA Bank Ltd (SA)	9 836 066	1,46
SCMB Securities (Pty) Limited (SA)	8 926 143	1,33
Moodley DG	8 370 431	1,24
Singh D	8 370 431	1,24
Nanabhai A	8 370 430	1,24
Stanlib Limited	8 200 000	1,22
Hansmith Familie Trust	8 000 000	1,19
Afrifocus Securities (SA)	7 773 652	1,15
Miles R	6 710 017	1,00

JSE Securities Exchange performance

Number of shares traded	348 229 711
% of total issued shares	51,73%
Value of shares traded	89 871 226
Priced quoted (cents per share):	
• Highest	89
• Lowest	7
• Closing	16
Market capitalisation at year-end	107 696 742
Price-earnings ratio	(0,30)
Earnings yield	46,74

History – AST Group Limited share trading on the JSE

Period	Year	Month	High (cents)	Low (cents)	Volume traded	Value traded (R)
Quarterly	2001	March	315	220	40 337 412	98 324 380
		June	265	200	37 834 464	82 999 590
		September	290	210	47 877 040	123 951 100
		December	270	210	34 842 956	81 395 200
	2002	March	230	90	44 583 348	70 959 520
		June	125	76	44 128 500	46 814 050
		September	89	40	52 823 672	32 999 800
		December	49	20	81 707 752	26 135 300
	2003	March	30	8	65 575 568	10 655 550
		June	21	7	148 117 919	19 911 300
Monthly	2002	August	70	40	14 626 811	7 662 803
		September	55	40	6 569 824	3 173 564
		October	49	28	36 244 876	13 360 040
		November	36	25	18 834 638	5 629 460
		December	32	20	26 628 240	7 145 804
	2003	January	30	21	14 269 207	3 845 311
		February	21	8	26 534 912	3 811 840
		March	18	9	24 771 452	2 998 399
		April	10	7	29 539 764	2 656 958
		May	18	8	78 577 198	10 195 650
		June	21	14	40 000 958	7 662 803
		July	18	13	19 380 286	2 966 848

Shareholders’ diary

Annual general meeting	19 November 2003
Reports and financial statements	
Annual results announcements (published)	18 August 2003
Publication of annual report (mailed to shareholders)	15 September 2003
Financial year-end	30 June 2004

Administration

Secretary and registered office of AST
JC Rademan (BCom)
Block 8, Lords Office Estates
276 West Street
Centurion, 0157
(PO Box 10629, Centurion, 0046)

Merchant bank and advisor
Standard Corporate and Merchant Bank
(A division of The Standard Bank of South Africa Limited)
(Registration number 1962/000738/06)
5th Floor, 3 Simmonds Street
Johannesburg, 2001
(PO Box 61344, Marshalltown, 2107)

Sponsor
Cazenove South Africa (Proprietary) Limited
(Registration number 1998/011736/07)
(Member of the JSE Securities Exchange South Africa)
1st Floor Moorgate, Dunkeld Park
6 North Road, Dunkeld West, 2196
(PO Box 412468, Craighall, 2024)

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

Attorneys to AST
Moss Morris
20th Floor, Sandton City Office Tower
5th Street
Sandton, 2196
(PO Box 786728, Sandton, 2146)

Transfer office/Secretaries
Ultra Registrars (Proprietary) Limited
(Registration number 2000/007239/07)
5th Floor, 11 Diagonal Street
Johannesburg, 2001
(PO Box 4844, Johannesburg, 2000)

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 of annual general meeting to members

Notice is hereby given that the fourth annual general meeting of members of AST Group Limited ("the Company") will be held in the boardroom of the Company at Block 6, Lords Office Estates, 276 West Street, Centurion, on 19 November 2003 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 2003 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 who in accordance with the provisions of the Company's articles of association, retire by rotation and being eligible offer themselves for re-election:

   Rotation
   - PWJ Bouwer
   - SP Ndlovu
   - JCL van der Walt

   Confirm appointment
   - MH Lekota
   - CF Meintjes
   - HJ Smith
   - CJ Potgieter

   The abridged curricula vitae for each of the above directors appear on page 5 of the annual financial statements of the Company in respect of its financial year ending 30 June 2003.

4. To confirm the directors' emoluments.
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, or for a period of 15 months from the passing of this resolution, whichever period is the shorter.
       - 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 issue 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.
       - After the issue of shares representing, on a cumulative basis within the financial year, 5% or more of the number of shares in issue prior to the issues, an announcement shall be published containing full details of the issue, including:
         – the number of securities issued;
         – the average discount to the weighted average traded price of the shares over the 30 days prior to the date that the price of the issue was determined or agreed by the directors of the Company; and
         – the effect of the issue on net asset value per share, net tangible asset value per share, earnings per share and headline earnings per share.
6. To confirm and approve that no dividends will be declared for the financial year ending June 2003.
7. 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. A form of proxy, in which is set out the relevant instructions for its completion, is attached for the use of holders of certificated shares and 'own-name' dematerialised shareholders that wish to be represented at the annual general meeting. Completion of a form of proxy will not preclude such a shareholder from attending and voting (in preference to that shareholder's proxy) at the annual general meeting. Proxy forms should be forwarded to reach the Company's registered office at least 48 hours before the meeting.

Holders of dematerialised shares, other than 'own-name' dematerialised shareholders, who wish to vote at the annual general meeting must instruct their Central Securities Depositary Participant (CSDP) or broker accordingly. Holders of dematerialised shares, other than 'own-name' dematerialised shareholders, who wish to attend the annual general meeting in person need to arrange the necessary authorisation as soon as possible, through their CSDP or broker, in terms of the agreement existing between them.

By order of the board

J C Rademan
Group Secretary

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

Form of proxy
For use only by AST shareholders holding certificated shares, nominee companies of Central Securities Depository Participants ("CSDP"), brokers' nominee companies and shareholders who have dematerialised their shares and who have elected "own-name" registration at the annual general meeting of shareholders of the Company to be held at 15:00 on Wednesday 19 November 2003, in the Boardroom of the Company, Block 6, Lords Office Estates, 276 West Street, Centurion, 0157 ("the meeting").

AST shareholders who have already dematerialised their shares through a CSDP or broker other than in "own-name" registration must not complete this form of proxy and must provide their CSDP or broker with their voting instructions in terms of the custody agreement entered into between them and their CSDP or broker.

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 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 AST shares in the issued share capital of the Company registered in my/our name/s in accordance with the following instructions (see note 2 overleaf):

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			
5. Place the unissued shares under the directors' control			
6. Approve that no dividend be paid for the year			
7. 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 2003

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.

Instructions

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 of proxy by shareholders holding certificated shares, nominee companies of CSDPs or brokers and shareholders who have dematerialised their shares and who have elected "own-name" registration, will not preclude the relevant shareholder from attending the meeting and speaking and voting in person thereat to the exclusion of any proxy appointed in terms hereof. Shareholders who have dematerialised their shares through a CSDP or broker other than in "own-name" registration should and who wish to attend the meeting must instruct their CSDP or broker to issue them with the necessary letter of representation to attend.

6. Forms of proxy must be lodged with or posted to the Company's business address (c/o Mr JC Rademan, Block 8, Lords Office Estates, 276 West Street, Centurion, 0157 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 information

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AST GROUP

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