



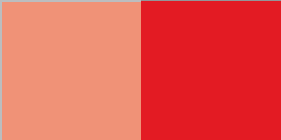
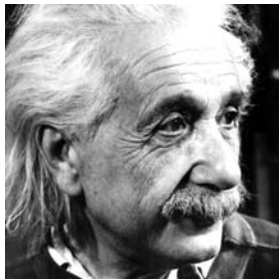
ANNUAL  
REPORT  
2008

Smart People,  
Clever Solutions

DATAFUSION

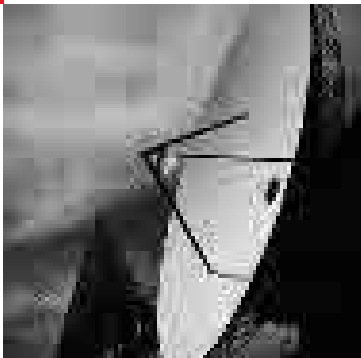
A 3x3 grid of nine white squares on a grey background.

MEDIA IT

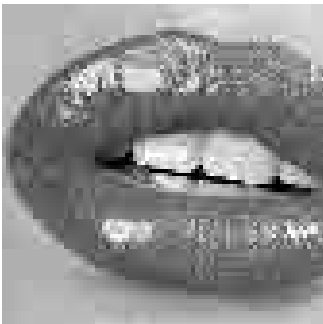
A stylized white outline of a human eye on a grey background.

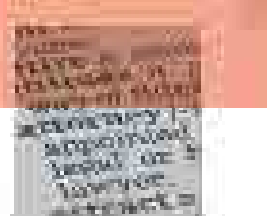
TELECOMMUNICATIONS

DATAVOICE

A series of four vertical white bars of increasing height on a grey background.

TELECOMMUNICATIONS

A series of four white concentric curved lines representing radio waves on a grey background.



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**OUR VISION** To become the preferred business partner who enhances communications by unleashing the power of video, voice and data technologies through effective system integration and support services.

**OUR MISSION** Spescom Limited provides the enabling technologies, expertise and innovation that transform basic connectivity into flexible and scalable business communication platforms that deliver competitive and strategic advantage.

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## GROUP AT A GLANCE



### SPESCOM DATAFUSION

- End-to-end contact centres and enterprise telephony solutions based on world-leading products
- Offering ranges from base infrastructure and platforms to integrated business applications and productivity enhancement applications
- Strong solutions engineering team provides specialised services which include business analysis, proof of concepts, complex implementation, software and integration assistance
- Strong focus on services

### SPESCOM MEDIA IT

- Provides broadcast tools, including cameras, edit suites, vision mixers, encoders, decoders and production systems, to the television and film market
- These tools typically assist organisations to create, manage and move content
- Products include acquisition and production for electronic news and in-studio applications, post-production and presentation
- Offerings include on-site and on-air support, 24/7 service level agreements
- Only local player with significant integration skills to provide turnkey broadcast solutions

### SPESCOM TELECOMMUNICATIONS

- Systems integrator for transport and 'last mile' telecommunications infrastructure
- Integrates both fixed-line and wireless solutions using world-leading technology
- Provides local value added services as well as professional and managed services

### SPESCOM DATAVOICE

- Focused on making businesses more effective through:
  - Capturing, managing, storing and analysing 'live' multimedia data to manage liability and meet compliance regulations
  - Optimising the performance of customers' contact centre workforce by monitoring, managing and improving the efficiency and levels of service that their agents deliver

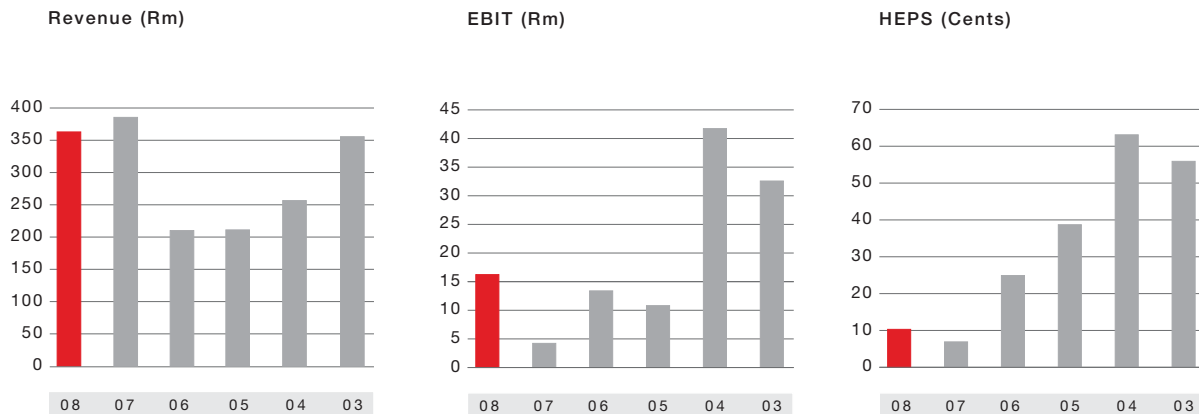


## FINANCIAL HIGHLIGHTS

- Headline earnings increased by 47,5%
- Operating profit increased to R14,4 million (2007: R1,3 million)
- Lower gearing levels
- Cash and cash equivalents doubled to R43,7 million
- Strong revenue growth in enterprise telephony and contact centre markets
- Telecoms and broadcast market share remains on a sound footing
- Blue chip customer base strengthened
- Skilled workforce providing a definitive advantage

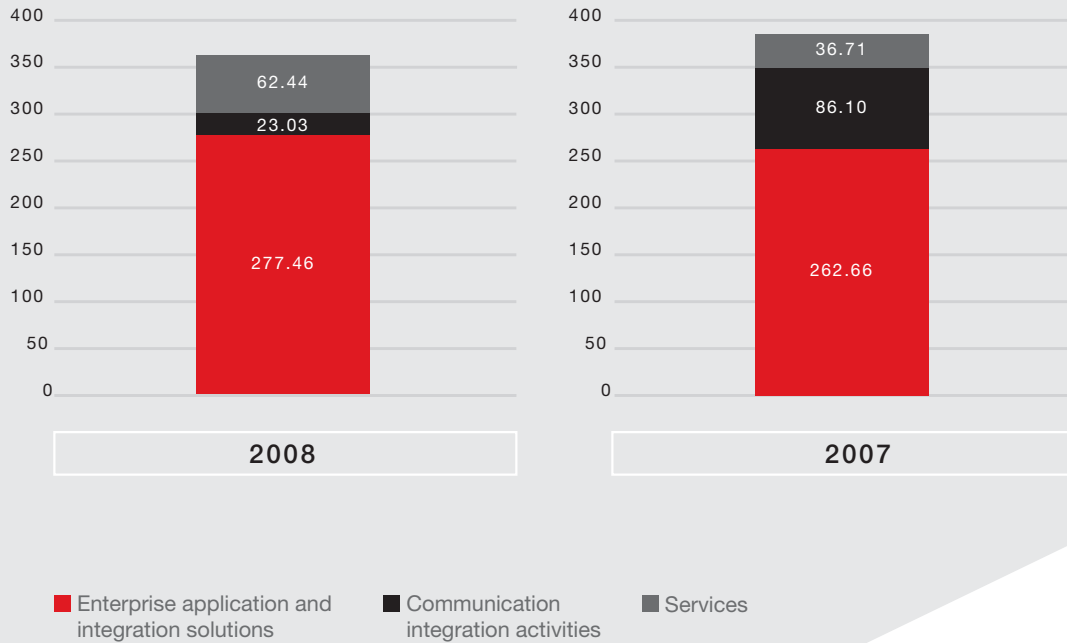
	2008	2007	2006	% Change
Revenue (Rm)	<b>362,93</b>	385,47	210,05	+8,4
Operating profit before non-trading items (Rm)	<b>14,45</b>	1,34	(16,08)	+978,4
Headline earnings per share (cents)	<b>10,30</b>	6,90	(24,90)	+49,3
Cash on hand	<b>43,72</b>	21,89	15,37	+99,7
Return on equity (%)	<b>11</b>	45	-	+75,6
Gearing (%)	<b>33</b>	60	71	+45,0
Net asset value per share (cents)	<b>93,50</b>	75,20	78,00	+24,3

## 3 YEAR REVIEW



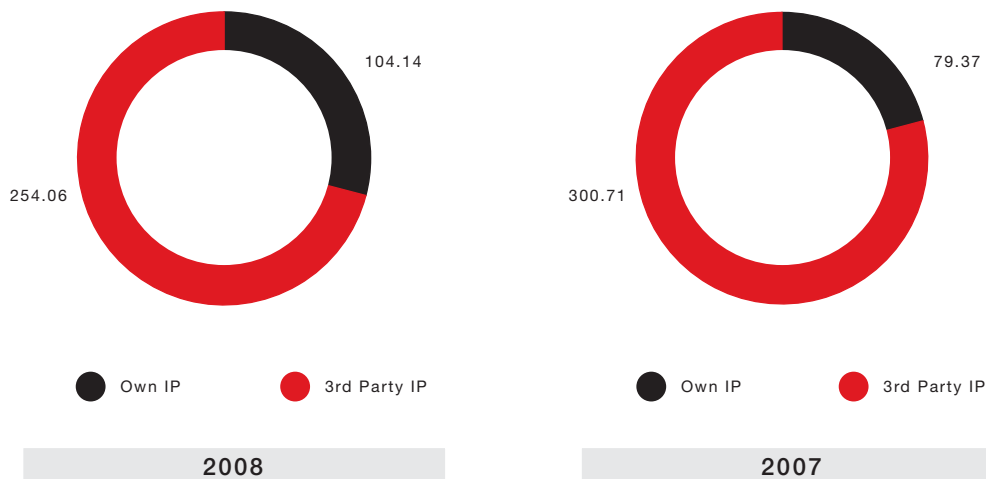
## SEGMENTAL REVIEW

Revenue (Rm)



## PROPRIETARY TECHNOLOGY

Turnover



## BOARD OF DIRECTORS



**Jené Palmer (38)**  
*Chief Executive Officer*

**Joined Spescom:** 1998  
**Appointed to the Spescom Board:** 2003

Ms Palmer joined the Group in September 1998 when she was recruited by Spescom Telecommunications to the role of Financial Manager. Within three years she was promoted to the position of Chief Financial Officer and main Board Director of Spescom Limited.

In July 2007, Ms Palmer was appointed Chief Executive Officer of Spescom.

Before joining Spescom, she held the position of accountant at Intaba Chemicals (Pty) Limited, a subsidiary of Omnia Limited, and worked for McAllister Dobeyn where she completed her accounting articles of clerkship in 1995.

Ms Palmer is a Certified Chartered Accountant, with a wealth of experience and expertise in strategy formulation, profitability models and all aspects of business management.

**Paul Fick (52)**  
*Executive Director*

**Joined Spescom:** 1998  
**Appointed to the Spescom Board:** 2007

Mr Fick is currently Managing Director of Spescom DataFusion – the Group's enterprise telephony and contact centre operation. He joined Spescom in 1998 when Spescom acquired Ampkon (Pty) Limited. Prior to joining Spescom he was Managing Director of Ampkon (Pty) Limited and a director of AMS (Pty) Limited. Mr Fick has extensive experience in management of high technology businesses and holds a BSc degree in Engineering and an Honours degree in Electronic and Computer Engineering, as well as a Masters degree in Business Leadership.



**Thomas Makore (43)**  
*Executive Director*

**Joined Spescom:** March 2005  
**Appointed to the Spescom Board:** October 2005

Mr Makore is currently Managing Director Spescom Telecommunications. Prior to joining Spescom he was the Managing Director of Diebold South Africa (Pty) Limited and before that, Siemens Power. Mr Makore's experience covers management, customer relationship management, strategy, sales and marketing, project management and systems engineering. He holds a BSc Eng Hons Electrical and a Masters Degree in Business Leadership.

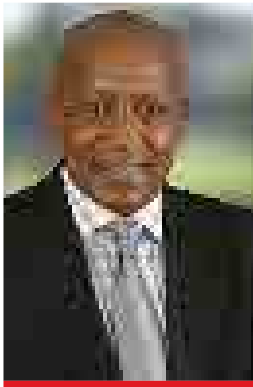


**Dashni Sinivasan (39)**  
*Chief Financial Officer*

**Joined Spescom:** 2007  
**Appointed to the Spescom Board:** 2008

Ms Sinivasan joined Spescom in June 2007 as Group Financial Manager and was promoted to Chief Financial Officer (CFO) within six months.

Ms Sinivasan was educated in Natal and graduated from the University of South Africa with a BCompt degree. She went on to obtain her CTA/BCompt Honours and qualified as a Chartered Accountant (SA) in 2000. She was the first person to qualify as a CA (SA) on the "TOPP" programme at BMW SA where she completed her articles. Over her 14-year tenure at the group, she held key financial positions at BMW Financial Services SA (Pty) Limited.



**Mutle Mogase (44)**  
*Non-executive Chairman*

**Appointed to the Spescom Board: 2003**

**Other directorships held:**

Chairman of Vantage Capital – a majority black owned enterprise with a broad based shareholding.

In April 2004, Vantage acquired 25,4% of Spescom Limited.

Mr Mogase was instrumental in the establishment of Real Africa Investments Limited and Nubank, of which he was Chief Executive Officer for three years.



**Phillip Vallet (62)**

*Non-executive Director*

**Appointed to the Spescom Board: 2003**

Mr Vallet is the Chief Executive Officer of Fluxmans Attorneys. He is presently the Deputy Chairman of Super Group Limited and a director of several public companies including Caxton and CTP Printing & Publishing Limited, Celcom Group Limited, Andulela Investment Holdings Limited and Myriad Medical Holdings Limited.

Phillip is cited in Chambers Global (The World's Leading Lawyers for Business – Client's Guide) as "one of the leading commercial lawyers in South Africa".



**Constance Nkosi (62)**

*Non-executive Director*

**Appointed to the Spescom Board: 2008**

As one of the country's foremost female entrepreneurs Ms Nkosi today serves on prominent South African corporate boards, which include a non-executive position at Spescom. Her illustrious career started in 1969 with a degree in psychology from the University of Zululand and she eventually became South Africa's first black woman to graduate with an MBA from Wits Business School.

Ms Nkosi is the former CEO of African Legend (formerly known as the National Empowerment Agency), and is a non-executive director of Pick 'n Pay, Protech Khutele and Placecol.



**Lynne Ogilvy (54)**

*Non-executive Director*

**Appointed to the Spescom Board: 2002**

Ms Ogilvy has 26 years' experience in the computer and IT industry in South Africa. She was previously a director of Hi Performance Systems (Pty) Limited and Usko Limited and was Managing Director of Hewlett Packard SA (Pty) Limited.



## CHAIRMAN'S REPORT

**Our strategy over the past five years has focused on building specialised ICT resourcing and talent management, in an industry we believe has strong growth potential for the years ahead.**

Mutle Mogase  
*Chairman*

2008 has been a difficult year in global and local economic terms with the credit crunch, depreciation of the Rand and economic recession. Although Spescom has positioned itself to weather the economic downturn, the current market remains turbulent and highly unpredictable.

For Spescom, 2008 has been a year of refining its business and go-to-market strategies across all its divisions. Spescom's focus on the delivery of integrated communications solutions across the telecommunications, broadcast, contact centre and enterprise markets has met with positive results.

In the period under review Spescom has built on its vast expertise, acquired over more than three decades, leveraging technology advances and dynamic change in all of these industry sectors to its advantage. Enhanced and new service offerings and solutions, such as its managed contact centre offering and Libra Mobile solution that enables the recording of mobile voice interactions, position Spescom to meet emerging demands across industry sectors for relevant, cost efficient communication solutions that deliver measurable business value.

Technology that enhances efficiencies and lowers costs – especially communication solutions – will

remain an essential purchase in an economic climate where consumer spend is constrained and retaining customer loyalty is essential to business sustainability. With new service models in place that require little up-front customer investment, along with solutions that assist organisations to better address risk and business optimisation, the Company is well positioned to weather the expected downturn and leverage new opportunities in the latter half of 2009.


### **Contact centres and enterprise telephony**

The South African contact centre and enterprise telephony market has experienced a steady 8-10% growth. This has primarily been driven by local growth, with limited international interest in the offshoring of contact centre operations to South African service providers.

Offshore interest has primarily been constrained by our high telecommunications cost and the increasing competitiveness of other offshore destinations. With the imminent completion of undersea cable projects, the cost of international bandwidth is expected to drop significantly. In the interim, locally based contact centres that have won international business are enhancing their technology arsenals to improve



## Smart People, Clever Solutions



operational efficiencies, better manage and monitor service levels, and offer customers enhanced functionality. This has enabled them to gain some competitive advantage.

Meanwhile, a number of interrelating factors continue to drive local contact centre and enterprise telephony growth. Telecoms deregulation has seen the entrance of new players in the cellular, fixed-line and Internet service provision sectors. And with more options and increasingly competitive pricing available to them, consumers are adopting new technologies – e.g., voice, email, SMS, fax, VoIP, etc. Organisations are adapting and improving their communications platforms to meet these demands. In addition, to mitigate the impact of the global economic downturn and, more recently, the credit crunch, customer retention and lowering the cost of customer acquisition has become essential.

While the growing importance of this customer contact and support function is driving more organisations to adopt outsourced solutions or try new approaches, such as managed services and hosting, technology advances have made it possible for those organisations that prefer to maintain complete control of this function, to cost-effectively and easily establish in-house contact centres. Both enterprise and outsourced call centre operators are becoming more selective, demanding proven and comprehensive solutions from solutions providers with a solid track record.

### Voice

Driven by the increasing ubiquity of broadband and mobile communication solutions, face-to-face interactions between businesses and their customers are being replaced with voice and electronic data communications.

However, to successfully meet customer service demands, these voice and electronic data services, typically provided by an in-house or outsourced contact centre, need to be as efficient and effective as face-to-face interactions. These services also need to meet new legislative and regulatory requirements.

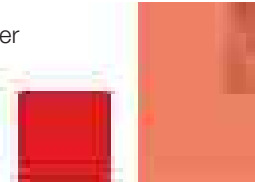
This is driving customer requirements on two fronts – the need for technology solutions that enable measuring and monitoring of service levels, staff performance and operational efficiencies; and the introduction of solutions that mitigate the risks associated with voice transactions, assisting to protect the Company from liability and prove regulatory and legislative compliance.

As the ICT landscape widens, the regulatory environment tightens and the risks introduced by electronic and voice business transacting mount, the value of in-house technological expertise will assume an even greater strategic importance.

### Broadcasting

The broadcasting industry is being driven by the emergence of new technologies, more competition and the fact that users are gaining ever more control over how and when they receive content. For broadcasters to maintain a competitive edge, best practices within this industry now dictate an increased focus on system design, technology choice and operational excellence.

With the move to High Definition TV (HDTV) and Digital Terrestrial TV (DTT), as well as the emergence of Internet Protocol television (IPTV), broadcasters and content creators who wish to remain competitive must create, process and release better quality content faster. This is driving the current trend among broadcast organisations to refurbish and upgrade infrastructure and processes, especially as the 2010 World Cup draws closer and analogue transmission is switched off.



Broadcasting organisations are turning to world-class digital solutions to drive down costs, increase operational performance and ensure quality.

As these new technologies filter through to the consumer market, broadcasters will need to look even further ahead to an increase in competition as more regional stations are established, as well as to other, more complex, challenges. For example, advertising models will change as the user gains greater control of available content. This will raise questions around content management and the application of new software solutions such as technologies that will enable advertising overlays.

Broadcasters' ability to remain competitive in this environment will thus depend on their technology and equipment choice, as well as the solution providers with whom they partner.

### **Telecommunications**

Growth in the South African telecommunications arena continues to be driven by liberalisation and deregulation. New competitors are entering the sector and there is considerable infrastructure investment by mobile and fixed-line network operators, as well as ISPs. Wireless technology and the roll-out of fibre networks is expected to increase significantly in the next five years, with broadband penetration projected to grow at more than 20% per annum over the next five years.

In addition, the technology borders between fixed-line and mobile, and between broadcasting and telecommunications services are disappearing.

With more options available to users, demand for faster, better and more cost effective services has also risen. To remain competitive, network operators and service providers must lower costs and increase speed, capacity and quality of service. This means adapting, upgrading, monitoring and optimising their network architectures.

Looking ahead, the landing of the Seacom and Eastern Africa Submarine Cable Systems (EASSy) are expected to give the telecommunications and business markets a boost in the near future.

With affordable high capacity international bandwidth, South Africa will have a better link to the world of international commerce. This will assist us to leverage the Business Process Outsourcing (BPO) services market and increase the general position of enterprises that must now compete at a global scale.

Access to local loop infrastructure – the last mile connectivity that links the customer to the network – will also become increasingly important for delivery of specific services (e.g. IPTV) and the unbundling process, currently deadlined for 2011, will be watched with interest.

Another very relevant development is the legal battle won by Altech and ICASA against the Department of Communications and the subsequent granting of individual-electronic communications network service (I-ECNS) licences to Value-Added Network Service providers, giving them the right to self provide – i.e., build their own telecommunications infrastructure. This is likely to encourage even further investment in infrastructure, more competition and more growth.

### **Black Economic Empowerment (BEE)**

Achieving all the tenets of Broad-Based Black Economic Empowerment (BBBEE) remains an important part of Spescom's thought processes. The Company's endeavours in this regard are outlined in the Transformation Update section of this report.

### **Transformation**

Spescom is strongly committed to implementing all the tenets of Broad-Based Black Economic Empowerment legislation. The Group's vision is to create an environment of diversity as a sustainable

competitive advantage for the future through the implementation of BBBEE programmes.

We have over the past two years invested significant time and effort in the creation of suitable BBBEE policies and their integration into our business processes. We have also identified appropriate internal targets for BBBEE and have developed the guidelines for achieving these goals. These are now well established across the lines of business and within our four divisions, with synergies developing across the business to enhance the success of our BBBEE approaches and programmes.

While we are diligently pursuing strategies that will result in desired employment equity and management control in the long term, achieving these targets is reliant on natural attrition and identification of suitable opportunities. With best practices and policies also in place for achieving targets such as employment equity and preferential procurement targets, our primary focus is on skills development, enterprise development, and on the development of disadvantaged communities. These BBBEE programmes have broad benefits, positively impacting Spescom's business, the economy, communities and individuals.

Business growth is assisting us to fast-track our BBBEE objectives and is enabling further investment.

The values that lie at the heart of our Transformation Vision are our beliefs that every individual is important, that diversity must be embraced, that we must address the imbalances of the past, and that the BBBEE programmes we initiate must be sustainable.

The Group's improved market positioning has been achieved through team work and we believe our transformation goals will be accomplished in the

same manner. The Company is currently rated as a Level 6 contributor and aims to improve this to Level 4 within three years.

## Appreciation

On behalf of the Board I commend Spescom's staff and management for their hard work and drive in what has been a year marked by many changes. The Group's recognition as the Best Managed Company in the ICT Sector late in 2008 bears testimony to the accomplishments of the Spescom team during the year. Customer loyalty is, of course, the essence of the sustainability and success of any company. I take this opportunity to express my appreciation for the continued support of our client base and to reiterate the commitment of myself and the management team to continue to deliver service of the highest standard attainable in business.



**Mutle Mogase**  
*Chairman*





## CEO'S REPORT

**Spescom has been able to underpin its growth initiatives with talent strategies designed to attract, develop and retain really good people.**

Jené Palmer

*Chief Executive Officer*

Our improved performance speaks to our ability and commitment to leverage current and future technology trends and developments to meet the dynamically changing requirements of our customers, and ensure their continued competitiveness.

### Financial review

During 2008, Spescom's financial position continued to strengthen as we benefited from engagements with new and existing blue chip customers. Our focus on the Group's core competencies, namely the creation and provision of business communications solutions and services, is paying off.

Headline earnings increased by 47,5% to R7,3 million (2007: R5,0 million), with a commensurate increase in headline earnings per share to 10,3 cents (2007: 6,9 cents).

The Group reported profits of R7,4 million (2007: R24,6 million) with the decrease being the direct result of a once-off profit on the sale of an investment amounting to R20,0 million in 2007. Operating profit increased to R14,4 million (2007: R1,3 million), confirming that Spescom has maintained the momentum of its financial recovery. Our operating margin increased to 4,0% compared

to 0,3% in 2007, as we benefited from increased demand for our proprietary products as well as the contribution of new service related contracts.

Although revenue for the year ended 30 September 2008 showed a decrease of 5,8% to R362,9 million (2007: R385,2 million), the Group continued to gain market share with Spescom DataFusion and Spescom DataVoice delivering strong revenue growth of 40% and 25% respectively. Spescom Telecommunications and Spescom Media IT were impacted by delayed customer spending, but remain on a sound footing.

With our lower gearing levels and healthier cash balances during 2008, Spescom incurred lower net finance charges of R1,8 million (2007: R2,9 million).

In line with the improved operating performance, Spescom's balance sheet continues to strengthen, with the debt to equity ratio decreasing from 60% to 33% during the year. Cash and cash equivalents doubled to R43,7 million (2007: R21,9 million) as cash generated by operating activities increased to R47,2 million from R28,5 million a year ago.

During the year, the Group capitalised development costs and acquired equipment for our managed



services contracts, thereby increasing our investments to maintain operations to R22,4 million (2007: R12,4 million).

The 28,7% increase in Spescom's tangible net asset value per share to 64,7 cents (2007: 50,3 cents), can be attributed to the revaluation of land and buildings owned by the Group, as well as improved profitability which has translated into increased net working capital.

### Strategic review

At the foundation of Spescom's strategy are our existing core competencies and capabilities. Our focus is to provide organisations with the tools and knowledge to improve the way in which they interact and, therefore, manage their own customers. This is achieved by implementing relevant leading business communication solutions, including the full spectrum of contact centre solutions, recording and measurement tools, as well as turnkey broadcasting and telecommunications network solutions. We have an intimate understanding of our customers' external and internal environments which is leveraged off our technical know-how to provide innovative business solutions. Solutions that add value.

The success of Spescom's strategy and the value we have delivered to stakeholders is predicated on our ability to capitalise on our strengths. Based on our extensive expertise across the business communications value chain and ongoing investments in research and development, we deliver innovative solutions to our customers to improve their efficiency and competitive advantage. Building, retaining and enhancing the quality of our relationships with suppliers and customers,

## Smart People, Clever Solutions

underpinned by high quality service delivery, has also been identified as a critical success factor.

Our ability to manage our talent pool is crucial to the long-term growth of the Group. Against the backdrop of ongoing specialist technology skills constraints, which impact all players in the information communication and technology industry, Spescom's skilled workforce provides a definitive advantage. In order to maintain this competitive edge we continued to invest in our intellectual capital during the year. Career development, mentorship programmes and learnerships are some of the mechanisms used to grow our resource pool, while also supporting transformation of the workforce.

### Operating review

**Spescom DataVoice** reported strong revenue growth and the increased demand for its suite of proprietary products contributed to higher operating margins. Profits from the division's international sales more than doubled off a small base after the successful restructuring of the division in the previous year. Spescom DataVoice's London office acts as the foothold for penetrating markets in Europe, Middle East and the United Kingdom. The division continued investing in research and development to enhance its product offering, making its entry into the emerging mobile voice recording market with the launch of Libra Mobile. Spescom DataVoice attracted a number of industry awards during the year providing strong evidence of its superior technology. Qnique, the proprietary contact centre agent optimisation software, was recognised with the Proudly South African Homegrown Product of the Year award in 2007 as well as the 2008 South African National Business Award for Innovation through Technology. It was also a finalist for the Best Technology Innovation Award at the 2008 EMEA Contact Centre World Conference.

**Spescom DataFusion** showed accelerated revenue growth for the financial year, as it delivered on several significant deals for large corporates in the retail, financial services and media sectors. Its new managed services offering generated solid annuity revenue flows. The division also benefited from strong demand from outsourcing customers who are attracted to the scalability of its offering. It bedded down the contact centre managed services contract providing services to a major local financial institution, attracting interest in this new line of business. Spescom DataFusion's industry and technical knowledge distinguishes it as a value-added partner, earning it the Avaya 2008 South African Business Partner of the Year award.

**Spescom Media IT** contributed to Group profitability despite delayed customer decisions on several key opportunities. The division made further progress with its initiatives to service the broadcast market in the SADC region. The outlook remains positive, buoyed by the advent of High Definition television (HDTV) and imminent upgrades and investments by local broadcasters to meet international standards ahead of the 2009 Confederations Cup. Media IT is gaining recognition as the only local player with significant integration skills in the broadcast space. This is reflected by the recent awards and accolades achieved by this division, namely Sony South Africa's Broadcast Partner of the Year and Salesperson of the Year awards.

Although **Spescom Telecommunications** was impacted by a slowdown in the rollout of telecommunication infrastructure during the period, the division has gained valuable experience and knowledge which has improved its value proposition. Spescom is investigating various options to leverage its skills and relationships in the telecommunications sector to capitalise on the anticipated opportunities which will be unlocked in the medium term. One such example is Spescom Telecommunications' ECI certification to support and maintain its solutions.

### Prospects

There is no doubt that the recent turmoil in the global financial market, which has far reaching economic impact, has introduced uncertainty into the domestic economy. However, Spescom's market positioning lends itself to implementing solutions that deliver the efficiencies and competitive advantages that our customers require, particularly in recessionary periods when discretionary technology spend comes under pressure. Sales of our proprietary product suite in the international market are contributing foreign denominated earnings, albeit off a low base. In addition, our locally developed customer contact products are relatively insensitive to currency fluctuations, providing the Group with an advantage compared to imports. The highly scalable nature of Spescom's solutions presents further cost benefits to customers.

Spescom has shown good earnings growth. In addition, we have an extensive pool of skills and a broad and flexible offering of products and services. Recognition of Spescom Limited's excellence in this regard is reinforced by the recent "Best Managed Company in the ICT Sector" and "Best Practice in Taking South Africa to the World" awards from CRF South Africa which conducts annual research for its 2008 South Africa's Leading Managers title, the only leadership excellence compendium in South Africa.



## Directorate

Ms H Sonn resigned as director on 28 February 2008 and I wish her well in her future endeavours.

Mr C Lister-James, who acted as an alternate director to Mr M Mogase, resigned on 14 August 2008.

Ms C Nkosi was appointed as director on 1 June 2008. Connie brings a wealth of knowledge and experience gained in the broader South African business environment to the organisation.

Ms Sinivasan, Chief Financial Officer (CFO) of Spescom Limited, was appointed as an executive director of the Group with effect from 19 November 2008. Since joining Spescom in June 2007, Dashni has actively contributed to the Group's financial turnaround.

## Acknowledgements

During 2008, Spescom made further progress towards achieving the full potential inherent in our products and services. In particular, the skills and experience of our people enabled us to continue to build relationships with existing and new valued customers.

I wish to thank each and every employee for their continued commitment and loyalty throughout the year – as the cornerstone of our business, our smart people, developing and implementing clever

solutions, are what make Spescom an innovative and vibrant organisation.

In particular, I would like to thank my management team for their consistent support, unconstrained energy and unstinting dedication to getting the job done. Their enthusiasm and passion made it possible for Spescom to cement the improvements in its operations.

In addition, I would also like to express my appreciation to the family members of all Spescom management and staff for understanding the tough business demands placed on their loved ones.

I appreciate the active involvement of our Board of Directors on strategic matters relating to the Group and extend my gratitude for the time and effort spent to unlock the long-term potential of our operations.

To our customers, with whom we endeavour to develop long-term relationships, thank you for your continued support during 2008. We look forward to continuing on this path with you.



**Jené Palmer**  
*Chief Executive Officer*





## OUR BUSINESS

Spescom Limited, an information and communications technology (ICT) company established more than 30 years ago, is listed on the Johannesburg Stock Exchange (JSE) Limited. Its focus: the provision of integrated business communication solutions to large and medium sized organisations.

The Spescom Group consists of four operating divisions: Spescom DataFusion, Spescom DataVoice, Spescom Telecommunications and Spescom Media IT.

The Group has a staff complement of 287 with offices in Midrand, Cape Town and Durban. The European and Middle Eastern markets are serviced by Spescom's United Kingdom (UK) office which is located in London.

### Market proposition

Communication is a fundamental component of business. Voice interactions combine with the exchange of data and images to enable operations and, importantly, interactions with clients and suppliers. Spescom provides the technology, the expertise and the innovation necessary to transform basic connectivity into flexible and scalable business communication platforms that deliver competitive and strategic advantage.

Spescom is a technological enabler of business communications. It operates at all levels of the communications value chain;

- building and optimising the access and transport network infrastructure that network operators – fixed and mobile – need to provide consumers and businesses with connectivity services;
- supplying the communication platforms and related technologies that allow enterprises and contact centres to interact with customers optimally, safely and cost effectively;
- enabling the creation and delivery of broadcast content through turnkey solutions; and
- providing consumers and businesses with value-add solutions that ensure legal compliance, risk mitigation, productivity enhancements and cost optimisation.

These capabilities are vested in its four divisions. With more than 80 years of combined service to organisations across industry verticals, these divisions have the experience, technological expertise and depth of industry and business knowledge essential to create and effectively implement communication solutions which enable organisations to enhance their performance, quality of service to customers and exploit new opportunities as they arise.

### Strategic alliances

Spescom's solutions are based on leading, best-of-breed technology solutions. Some of our key strategic alliances are with world-class global technology vendors such as Avid, Sony, Avaya and ECI. Spescom also researches and develops proprietary technology solutions through its Spescom DataVoice division – the voice transaction management and workforce optimisation arm of the Group.

## Smart People, Clever Solutions

### SPESCOM DATAFUSION

**Operational arena: Contact centre and enterprise telephony markets**

**MD: Paul Fick**

*BSc (Eng) Electronics Cum Laude*

*BEng (Honours) Electronics*

*Masters in Business Leadership*

Executive Director – Spescom Limited

Work experience in the technology sector: 29 years.

### SPESCOM MEDIA IT

**Operational arena: Broadcast markets**

**MD: Sean du Toit**

*National Diploma Electrical Engineering Light Current*

*Post graduate diplomas in Financial & Project*

*Management*

Work experience in the technology sector: 21 years.

### SPESCOM TELECOMMUNICATIONS

**Operational arena: Telecommunications market**

**MD: Thomas Makore**

*BSc Eng (Hons)*

*MBL, Pr Eng, C Eng*

Executive Director – Spescom Limited

Work experience in the technology sector: 19 years.

### SPESCOM DATAVOICE

**Operational arena: Voice, Data and Multimedia transactions**

**MD: Kgabo Badimo**

*BSc Computer Science (Hons)*

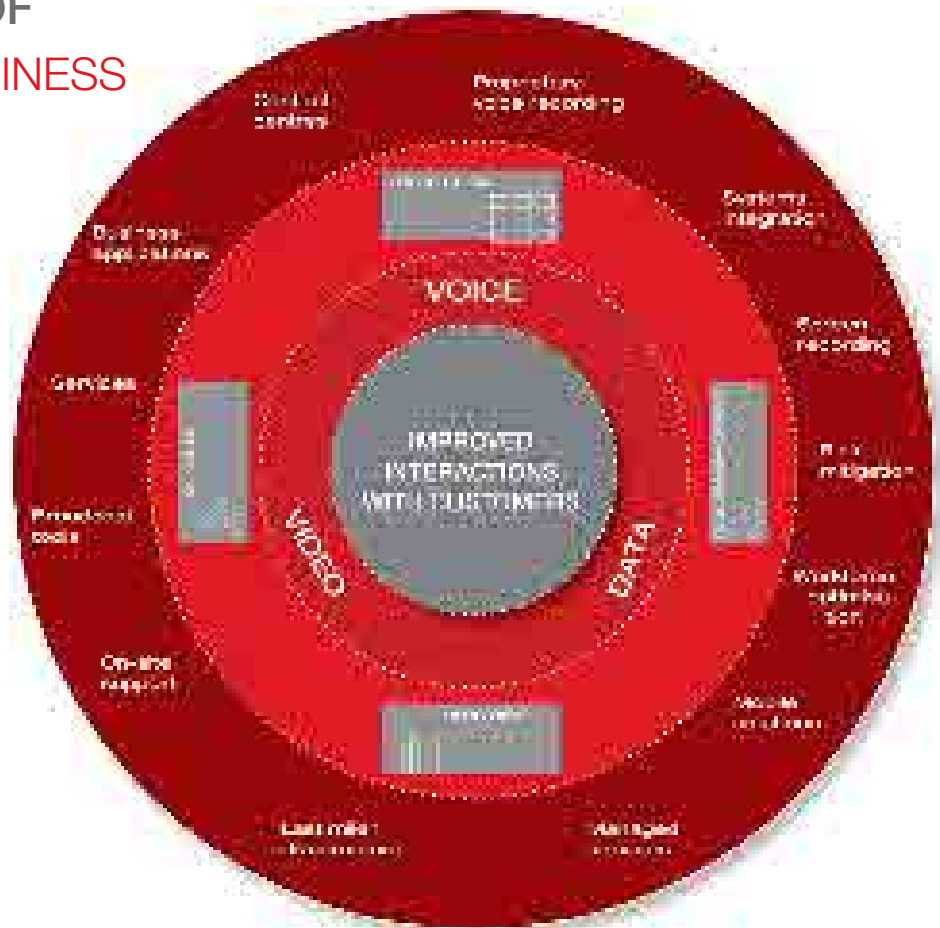
*MSc Data Engineering*

*Executive Leadership Diploma (ELP)*

*Diploma in Business Administration*

Work experience in the technology sector: 24 years.

## A VIEW OF OUR BUSINESS



# OPERATIONAL REPORT

## SPESCOM DATAFUSION

*“Spescom DataFusion delivers proven, advanced communication solutions that enable greater business efficiency, enhancing customer interactions and delivering competitive advantage”*

*Paul Fick, MD: Spescom DataFusion*

Spescom DataFusion's international partners include:

- Avaya – Certified Platinum partner
- Presence Technology – Certified Platinum partner
- DataVoice – Gold partner status
- Jacada

### Highlights of 2008

*Continued aggressive growth*

During 2008 Spescom DataFusion achieved all its financial objectives and continued to grow as aggressively as in 2007. Revenues increased by 40%, a figure that significantly exceeds the average growth reflected in the South African contact centre market.

The division has, in line with Spescom Group strategy, increased its revenues from services, delivering on several significant deals from large corporates in the retail, financial services and media sectors, and expanding its exposure within existing accounts. A five-year contact centre managed services contract providing services to a major local financial institution will generate solid annuity revenue flows and is attracting interest in this new line of business. Furthermore, Spescom DataFusion has made inroads into the retail sector, securing a sizable contract that will allow it to firmly establish itself as a solutions provider in this arena.

In the period under review, Spescom DataFusion also continued its efforts to bed down its African operations.

Another important move has been the establishment of a Solutions Engineering division that will leverage Spescom DataFusion's deep technical skills and domain expertise to provide customers with higher level integration and implementation services, assisting them to better leverage their technology investments and more fully realise a return on investment.

Spescom DataFusion won the Avaya 2008 South African Business Partner of the Year award, an accolade that further establishes its reputation for technical proficiency and value-add.



### Prospects for 2009

The maturation of enabling technologies, consolidation among solution providers and technology vendors servicing the contact centre and enterprise telephony arena, as well as the emergence of new and different ways of interacting with business customers, is providing Spescom DataFusion with new opportunities.

To enhance customer service, organisations are exploring the application of new technologies (e.g., Open Source and Voice Processing, Voice over IP, Session Initiation Protocol and the introduction of advanced solutions such as predictive diallers and single-view contact centre system fusion solutions) and fresh approaches to customer interaction that include unified multimedia solutions, service quality management and automated self help systems. They require solutions that increase their operational efficiencies, optimise their workforces, lower risk and ensure compliance with governance and legal requirements. In addition, customers are becoming more selective, demanding proven and comprehensive solutions from solutions providers with a solid track record.

Spescom DataFusion, with its deep understanding of this market and its related technologies, as well as its proven ability to understand business drivers and deliver solutions that meet the unique needs of different organisations, is well placed to leverage these opportunities.

The division's integration and technology optimisation offering enables it to provide advanced solutions that add more business value, especially given the current economic downturn where organisations are forced to drive down their operating costs. This offering will be complemented by a greater emphasis on managed services solutions. Spescom DataFusion is well prepared to meet the increasing market demand for contact centres and enterprise telephony solutions.

## SPESCOM MEDIA IT

*"Integrated solutions, customer service and support, founded on the highest level of technical competence, lies at the heart of Spescom Media IT's approach to business"*

*Sean du Toit, MD: Spescom Media IT*

Spescom Media IT's international partners include:

- Avid
- Sony
- Vitec
- Orad
- Evertz
- Miller
- Sonic Systems
- Soft-Ni
- AutoQue

### Highlights of 2008

*Successfully delivering turnkey broadcast solutions*

In the period under review, Spescom Media IT continued to gain recognition as the only local player with significant integration skills in the broadcast space. It has entered phase two of the R15,5 million contract with the Swaziland Television Authority (Swazi TV), which will see the broadcaster transition to a digitised, tapeless environment. It has also made progress in its initiatives to service the broadcast market in the SADC region. The division's service-based revenue from the main South African broadcasters has improved while it has also played a significant role in the supply, implementation and support of High Definition equipment for production services organisations.



**Smart People,  
Clever Solutions**



### Prospects for 2009

Digitisation and the move to high definition broadcasting and content creation, spurred by the imminence of the 2009 Confederations Cup and 2010 Soccer World Cup, continue to drive growth in local and regional broadcast markets. With projects now coming to fruition after a delay in customer decisions, there is considerable opportunity in the public and private sector, as well as in regional markets such as Namibia and Mauritius. Spescom Media IT, with its strong Sony and Avid partnerships, is well positioned to take advantage of these prospects.

This division is one of the few local world class one-stop integration companies in the broadcast arena, boasting strong in-house skills capable of delivering turnkey solutions that address all the critical segments of the broadcast value chain, including production, post production and television broadcasting.



## SPESCOM TELECOMMUNICATIONS

*"Twenty years' experience, a strong skills base, world-leading technologies and insight into industry needs and trends ensure our solutions meet customers' business and operational objectives, maximising service delivery and revenues"*  
Thomas Makore, MD: Spescom  
Telecommunications

Spescom Telecommunications' international partners include:

- ECI Telecom
- Gilat Satellite Networks
- Rad Data Communications
- RadWin
- Ceragon Networks
- Light Pointe

### Highlights of 2008

*Gaining momentum*

2008 saw Spescom Telecommunications continue to successfully roll out Neotel's NG SDH (Next Generation Synchronous Digital Hierarchy) transmission equipment in metropolitan areas. Value-added services include the installation and commissioning of the network for Neotel, plus training and support. The project also contributed to this division winning the ECI Best New Partner of the Year award.

This division has, furthermore, made progress in the development of a new sales pipeline and the acquisition of new customers. A contract won with Sentech for the rollout of VSAT equipment, among others, sees the division begin to diversify its customer base, further expanding its portfolio of products and services.



Spescom Telecommunications' existing customer base continues to be well maintained with the ongoing supply of the new generation Sky Edge VSAT platform, an IP-based platform for voice and data services, to Telkom.

### Prospects for 2009

2009 will see Spescom Telecommunications consolidate its 2007/8 gains with regard to the long-term contracts it has secured with various telecommunications operators. It also expects continued sales growth along with an expansion of the business into a broader, more diversified customer base.

In the year to come, progress is expected in the telecoms arena as delayed public and private sector telecommunications infrastructure projects recommence. This is expected to translate into new business opportunities for the division.



## SPESCOM DATAVOICE

*"Voice interactions are an essential and indispensable component of business. Spescom DataVoice develops solutions that transform the spoken word into a binding contract. Our solutions assist to mitigate risk, improve the level of service that contact centre agents deliver and enhance the quality of customer interactions"*

*Kgabo Badimo, MD: Spescom DataVoice*

Spescom DataVoice researches and develops its own technology and partners with international technology vendors. These international technology and development partners include:

- Motorola
- Avaya
- Cisco
- Mitel
- Nokia
- Nortel
- Siemens

### Highlights of 2008

*Strategies paying off*

2008 saw Spescom DataVoice improve its revenues by 25%, increasing its local market share in the voice recording arena by 15%. It has made strides in certain strategic accounts, winning a pilot project to supply voice and screen recorders as well as implement its proprietary contact centre agent optimisation software suite, Qnique, for a well-known cellular operator.

The division has also taken its innovative prowess to the next level, making its entry into the emerging mobile voice recording market with the launch of Libra Mobile, a solution that uniquely unifies mobile and fixed-line recordings on a single platform.

Spescom DataVoice's Qnique suite also attracted a number of industry awards during the year. It was recognised with the 2008 South African National Business Award for Innovation through Technology and was a finalist for the Best Technology Innovation Award at the 2008 EMEA Contact Centre World Conference.

### Prospects for 2009

In the coming year, Spescom DataVoice will continue to focus strongly on growing its distribution footprint. Particular emphasis will be placed on growing contributions from the Public sector and Business Process Outsourcing (BPO) sector. A Strategic Business Development programme will bring on board more alliances in the form of small to medium sized companies. These partners, who will have the full backing of the division in terms of supply, implementation and customer support, will also facilitate a continuous improvement in Spescom DataVoice's black economic empowerment status.

The division's support infrastructure will be bolstered to meet the demands of its increased market share.

Equally important is Spescom's positioning to capture opportunities driven by organisations' need to comply with new legislation and the increasing requirement to minimise risk largely introduced by technology developments that have given rise to a mobile workforce.



# CORPORATE GOVERNANCE

## Introduction

The experience gained over the years has led to continued improvements in the Company's governance structures, driven by the desire to achieve the highest level of transparency in keeping with the Group's working ethos.

Governance at Spescom has always been founded on the Company's business ethos coupled with a commitment to the highest ethical standards. The Board of Directors subscribe to the Code of Corporate Practices and Conduct (the Code) as contained in the King Report on Corporate Governance for South Africa 2002 (King II) and the Company complies in all material respects with the recommendations contained in the Code unless otherwise disclosed in this report.

## Board of Directors

The past financial year has seen a number of changes to the composition of the Board of Directors.

Mr Chris Lister-James who acted as an alternate director to Mr Mutle Mogase resigned on 14 August 2008. In line with the Board's initiative to appoint additional independent non-executive directors, Ms Connie Nkosi was appointed on 1 June 2008. The Board was furthermore strengthened by the appointment of an additional executive director in the form of Ms Dashni Sinivasan who was appointed as financial director on 19 November 2008.

At the time of publishing this annual report, the Board composition is as follows:

### Independent non-executive directors

- Ms Lynne Ogilvy
- Ms Connie Nkosi
- Mr Phillip Vallet

### Non-executive directors

- Mr Mutle Mogase (Chairman)

### Executive directors

- Ms Jené Palmer (Chief Executive Officer)
- Ms Dashni Sinivasan (Chief Financial Officer)

- Mr Thomas Makore (MD Spescom Datafusion)
- Mr Paul Fick (MD Spescom Telecommunications)

Additional information regarding the directors can be found on the following pages of the annual report:

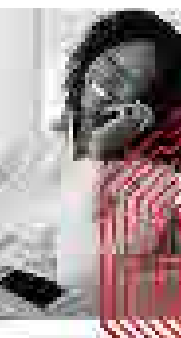
- short *curriculum vitae*, including age and date of appointment – pages 94 to 95
- remuneration – page 95
- shareholding – page 33

Following on thorough discussion and cross reference to industry standards, the Remuneration and Nomination Committee has submitted its recommendations to the Board regarding non-executive directors' fees. Detail in this regard is to be found in the explanatory notes forming part of the notice of the annual general meeting as included on pages 95 and 96 of this report.

The Spescom Board has a balance of executive and non-executive directors. Non-executive directors play a pivotal role in the committee structure and enjoy significant influence in Board deliberations. They are at all times expected to contribute an independent view on all matters under consideration.

The Board is satisfied that the directors possess the requisite knowledge and experience to properly execute their duties and all participate vigorously in meetings. Directors have access to the advice and assistance of the company secretary who plays an active role in the corporate governance process. They are entitled, at Company expense, to seek independent professional advice about the affairs of the Company regarding the execution of their duties.

While the Code recommends the appointment of an independent chairman, Mr Mutle Mogase, chairman of Vantage Capital, a major shareholder in the Company, was appointed to the role of chairman due to his expertise, business acumen and knowledge of the Spescom Group. The appointment of Mr Mugase as chairman is subject to regular review by the Board.



As required in the Code, the Board has a formal charter which is reviewed annually. This outlines the role and function of the Board, confirming amongst other things its responsibility to: “exercise leadership, enterprise, integrity and sound judgement in directing the Group so as to achieve continuing prosperity and to act in the best interest of the enterprise while respecting the principles of transparency and accountability”. The charter also addresses: the role of the chairman versus the role of the chief executive officer; board composition and procedures; declarations of interest; director training and development; responsibility for the annual financial statements and the role of the Audit and Risk Committee.

The charter is supported by a number of additional governance policies, including the:

- Conflict of interest policy; and
- Trading in Company shares policy.

In addition to the above, the Board approved a specific governance work plan to ensure that all governance issues are considered and appropriately dealt with in an annual cycle.

The Board acknowledges its responsibility for ensuring that the preparation of the annual financial statements is in accordance with the International Financial Reporting Standards as well as for the maintenance of adequate accounting records and effective systems of internal control. The annual financial statements are prepared from the accounting records based on the consistent use of appropriate accounting policies supported by reasonable prudent judgements and estimates that fairly present the state of affairs.

A number of Board meetings were held during the financial year and the table below details the attendance of directors at the various meetings.

#### Board meetings: 1 October 2007 – 30 September 2008

**A = Absent P = Present in person T = Present by teleconference**

	21/11/07	27/02/08	21/05/08	14/08/08
<b>Non-executive directors</b>				
M Mogase (Chairman)	P	P	P	P
C Lister-James <sup>1</sup>	P	A	A	–
L Ogilvy	P	P	P	P
P Vallet	P	P	P	P
C Nkosi <sup>2</sup>	–	–	–	P
<b>Executive directors</b>				
J Palmer	P	P	P	P
P Fick	P	P	P	P
T Makore	P	P	P	P
D Sinivasan <sup>3</sup>	–	–	–	–

#### Keys:

<sup>1</sup>Resigned on 14 August 2008

<sup>2</sup>Appointed on 1 June 2008

<sup>3</sup>Appointed on 19 November 2008



**Board committees**

The following committees have been appointed by the Board. Each operates within agreed and approved terms of reference aimed at addressing issues including: composition, duties, responsibilities and scope of authority.

**Audit and Risk Committee**

Subsequent to the changes in the Board composition it was necessary to re-examine the make-up of the Audit and Risk Committee to align it with the recommendations of the Code and also with the amendments to the Companies Act of 1973. At the time of publishing this report the composition of the Audit and Risk Committee is as follows:

- Mr Phillip Vallet (Chairman)
- Ms Connie Nkosi

The Board is satisfied that both these members meet the definition of non-executive directors, acting independently, as defined in the Corporate Laws Amendment Act of 2006.

Mr Ian Friedland, an independent advisor and chartered accountant, attends all meetings by invitation and assists the committee in the execution of its duties.

The chief executive officer and chief financial officer also attend meetings by invitation.

The terms of reference of the Audit and Risk Committee is revisited on an annual basis to ensure

that the content remains valid in light of the ever-changing regulatory environment.

The terms of reference sets out the committee's responsibility in respect of the following areas:

- the external auditors, audit process and annual financial statements;
- internal audit;
- risk management; and
- organisational integrity and ethics.

The committee is responsible for facilitating the relationship with the external auditors and for monitoring the non-audit services provided by them. The internal audit function is outsourced and the committee plays an active role in the management of the relationship with the internal audit team. Both the external and internal auditors have direct access to the chairman of the committee and attend all meetings. The chairman of the committee is expected to attend the annual general meeting in order to answer shareholders' questions relevant to the committee's area of responsibility.

The Board is satisfied that the committee has properly fulfilled its duties during the period under review. The committee's report in this regard as required in terms of the s270A(f) of the Companies Act of 1973 (as amended) forms part of the annual financial statements and can be found on page 35 of this report. Attendance at the various meetings of the committee during the period under review was as follows:

**Audit and Risk Committee meetings: 1 October 2007 – 30 September 2008**

**A = Absent P = Present in person**

	19/11/07	21/02/08	15/05/08	30/07/08
P Vallet (Chairman)	P	P	P	P
I Friedland	P	P	P	P
M Mogase <sup>1</sup>	P	P	P	–
C Nkosi <sup>2</sup>	–	–	–	P

**Keys:**

<sup>1</sup>Resigned on 1 June 2008

<sup>2</sup>Appointed on 1 June 2008

## Remuneration and Nomination Committee

The committee is primarily responsible for assisting the Board in formulating remuneration policies and to structure appropriate remuneration packages for executive directors, based on industry standards and the best interests of all concerned. The committee also assists the Board in the nomination of new Board candidates and ensuring regular assessment of Board performance.

The committee comprises of only non-executive directors:

- Ms Lynne Ogilvy (Chairman)
- Mr Phillip Vallet

The chief executive officer and human resources manager attend the meetings by invitation. The chief executive officer is recused when her remuneration and benefits are discussed and does not participate in these deliberations.

## Remuneration and Nomination Committee meetings: 1 October 2007 – 30 September 2008

A = Absent P = Present in person

	21/11/07	14/08/08
L Ogilvy (Chairman)	P	P
P Vallet	P	P

## Company secretary

Ms Annamarie van der Merwe, who has over 18 years experience in the capacity of both company secretary and corporate lawyer, in the listed environment, acts as company secretary. She is also a member of both the King Committee on Corporate Governance and the task team responsible for the chapter on Boards and Directors, being actively involved in the recent preparation of the King III Report.

## Closed periods

The Company complies with the JSE Listing Requirements as far as closed periods are concerned. A specific policy has been approved to address the procedures in respect of trading in Company shares by directors of the listed entity and

its major subsidiaries. Further closed periods are imposed, when necessary, in light of specific corporate activities.

The closed periods as applicable to the Company are in line with the requirements of the JSE and are as follows:

- From the end of any reporting period to the actual publication of the results. As the Company's financial year end is September this will mean from 1 October to date of publication of the annual results and 1 April to date of publication of the interim results; and
- At any time while the Company is trading under a cautionary announcement.

## Risk management

The Board of Directors accepts responsibility for the total process of risk management. For this purpose the Audit and Risk Committee has been tasked to assist the Board in fulfilling its duties in this regard. This encompasses identifying, assessing, managing and monitoring all the possible types of risk facing the Group, being *inter alia* significant litigation which may have an impact on the Group, the adequacy of insurances as well as the control effectiveness of risks in relation to assurance reports from the Group's internal auditors. The committee's responsibilities also extend to monitoring external developments relating to corporate accountability with specific reference to emerging and prospective impacts.

The major business risks identified and which are addressed on an ongoing basis are:

- Product diversification; and
- The continued emphasis on the development of alternative technologies; as well as
- The development of an enabling environment which provides leadership that will attract, engage, develop and retain talented people.

## Organisational integrity

The Spescom Group operates within the framework of a code of conduct that is annually reviewed by

the Board to ensure its relevance to current requirements and best practice recommendations. The code of conduct is based on the Company's business ethos and requires the highest standard of integrity from all involved in the Group's business affairs.

An internal whistle-blowing procedure and policy was implemented during the financial year and all employees have been fully informed of their right to report activities as defined in the policy within the framework of the relevant statutory provisions.

### **Internal audit**

The Board, assisted by the Audit and Risk Committee, is responsible for the systems of internal control. The Group has implemented generally recognised systems of internal control which are designed to detect and to minimise the risk of fraud, potential liability, loss and material misstatement.

These systems also provide reasonable, but not absolute assurance regarding compliance with statutory laws and regulations, the safeguarding of the Group's assets as well as the maintenance of proper accounting records.

Organisational policies, procedures, structures and approval frameworks provide direction, accountability and segregation of responsibilities, and contain self-monitoring mechanisms. Both operational and executive management closely monitor the controls and any corrective action taken.

An independent auditing firm performs regular internal audits and reports directly to the Audit and Risk Committee. The external auditors also consider the internal control systems as part of their audit work and communicate any weaknesses when identified.

# SUSTAINABILITY REPORT

Spescom is cognisant of its responsibility to take into consideration the interests of all its stakeholders and believes that good governance is essential to the Group's long-term sustainability and functioning. The objective of the Group is to be transparent, while operating profitably and remaining accountable to the broader community which it serves and respecting the natural environment.

The Group embraces the King II report's guidelines for socially responsible reporting according to the "triple bottom line" principle – which takes into account the economic, social and environmental impacts of its operations – as a method of enhancing its commercial success as well as improving the likelihood of its long-term success.

## Stakeholder engagement

The Board considers it a duty to keep all the Group's stakeholders informed and up to date with regard to its practices, policies and financial results, while maintaining its accountability for the sustainability of the Group to its investors and employees.

Direct discussions with stakeholders are encouraged by the Board. Communication to key shareholders and analysts is conducted via the annual results presentation. In addition, media releases are published when appropriate and the management team meets with interested parties on request.

The Group meets regularly with its shareholders and recognises its responsibility to maximise the value of its assets for their benefit. In addition, shareholders are encouraged to attend the Group's annual general meeting to vote on resolutions of the Company and, where appropriate, to enter into discussions with the directors.

The Group has defined its major stakeholders and communicates with them as follows:

Investors	Annual and interim reports, profit announcements, SENS announcements, annual general meeting, meetings with individual investors, results presentations, website and internet.
Employees	Regular newsletter, intranet, invitation to all staff to attend monthly CEO presentations, training, email and notice-board announcements, employee handbook.
Customers	Contracts, meetings, letters, email updates, account statements.
Suppliers	Contracts, letters, emails, invoices, statements.
Communities	Public relations, profit announcements, website, meetings with local community committees.

## Transformation

Transformation is an evolutionary process. It engenders growth, encourages innovation and it drives change. In South Africa, business transformation is a precursor to economic transformation. For Spescom, the goal of Broad-Based Black Economic Empowerment (BBBEE) is: equitable participation in, and sharing of, the wealth of the South African economy by all its people.

BBBEE policies and practices that address ownership, management and control, employment equity, skills development, preferential procurement, enterprise development and socio-economic development are in place across the Group. Ongoing initiatives are strongly supported at Board



and management level. At Spescom, our primary aim is to ensure that all the transformation initiatives we undertake deliver meaningful value – to individuals, communities, the Company and its stakeholders, and the country – and are sustainable. The projects we undertake are thus carefully considered and assessed against these criteria.

The allocation of funds and resources to develop and execute these initiatives is growing and we are seeing sometimes slow but consistent progress in achieving our aims on all fronts.

Our transformation strategy is regularly audited and revised as we identify areas that require improvement.

## Ownership

Vantage Capital, a majority black-owned organisation, owns 25,4% of Spescom Limited. Additionally, historically disadvantaged individuals hold smaller tracts of shares in the Company. 40% of Spescom Telecommunications is owned by Puisano Telecommunications – a wholly black-owned enterprise.

## Management control

In line with Spescom's transformation strategy, the Company continues with its drive to increase the number of black staff at middle and senior management level. In order to address the shortage of appropriate skills at this level, the Group has renewed its focus on targeted skills development, training and mentorship programmes. Progress is, however, dependent on natural attrition and succession planning as well as the underlying growth in the business.

## Employment equity

Spescom remains firmly committed to the employment, promotion and advancement of people from previously disadvantaged groups. The Company's employment policies are designed to grapple with the important issues of skills shortages and past inequalities.

Spescom's Employment Equity and Black Economic Empowerment Forum oversees employment equity matters and a dedicated manager has been tasked with driving change management within the Group as well as the career development of black staff.

The Group's employment equity ratio is steadily improving and the improvement is sustainable.

## Skills development

The technological and business realm in which Spescom competes relies heavily on skills for its sustained success. Spescom's skilled workforce provides a definitive advantage and skills development is thus an important component of the Company's growth strategy. Career development, mentorship programmes and learnerships are some of the mechanisms used to grow its resource pool, while also supporting transformation of the workforce.

In order to maintain this competitive edge the Group continued to invest in its intellectual capital during the year.

Spescom complies with the Skills Development Act, 97 of 1998 (as amended), the Skills Development Levies Act, 9 of 1999 and the Employment Equity Act, 55 of 1998 (as amended).

As part of its internal development initiatives, Spescom has launched various Learnership Programmes that will assist the Company to grow its own skills base while also adding to the pool of skills needed in the industry.

## Learnerships

The internship programmes in the Spescom DataFusion, Spescom DataVoice and Spescom Media IT divisions are all entering their second year successfully, while the programme for Spescom Telecommunications has just been launched. These programmes are all aimed at providing knowledge exchange using a hands-on approach.

- **The Spescom DataFusion Learnership Programme** is hosted in collaboration with Bytes Technology Group People Solutions, who provide classroom tutoring, and the ISETT SETA (Sector Education and Training Authority). Technology subjects covered include: systems development/programming, contact centre support and systems support engineering. To date, seven graduates from this Learnership Programme have been offered permanent positions within Spescom DataFusion, while 10 have completed the course.

- **The Spescom DataVoice Learnership Programme** focuses on systems development skills. The initial student intake of four students completed their training in May 2008 and a further four students have been enrolled.
- **The Spescom Media IT 'In-Service Training' Programme**, launched in 2007, provides young people with the opportunity to acquire the highest standard of skill as repair technicians in the broadcast industry. The first tranche of interns has just graduated and the division is gearing to take on several new candidates.
- **The Spescom Telecommunications Learnership Programme** will enrol learners this year.

### Preferential procurement

Spescom's policies provide guidelines aimed at ensuring that the Group's preferential procurement objectives are achieved. Part of this is the ongoing commitment to purchase products and services from black-owned enterprises and suppliers.

In the period under review, Spescom implemented a system to facilitate preferential procurement more positively, with a central database of suppliers being established.

### Enterprise development

The Group endorses the development of SMMEs (small to medium and micro enterprises) by way of nurturing long-term partnerships with organisations that complement its market offerings. Spescom's contribution to these partnerships is primarily through the transfer of knowledge.

### Socio-economic development – Spescom Corporate Social Investment (CSI) initiatives

As part of Spescom's ongoing commitment to the social and economic development of South Africa, the Group implements CSI initiatives geared towards the provision of essential services and education. The following highlights some of the projects with which the Group has been involved in on an ongoing basis:

- **Matjiesfontein in the Karoo:** Spescom funds the utility bills for Matjiesfontein Village Primary School. This input has served to put the school on a sound financial footing on which they can build. Moreover, it assists the school to utilise money brought in from fund raising activities to finance the upgrading of facilities.

- **Roundabout Playpump initiative:** This initiative, which delivers fresh water to disadvantaged rural communities, is supported by the Department of Water Affairs and Forestry. In 2008, Spescom installed a new Playpump at the Tshapasha Primary School, near Messina in Limpopo Province.
- **Midrand Child Welfare:** Spescom's head office is located in Midrand, where we have developed a relationship with the local Child Welfare services, which we support in the form of a monthly donation.
- **Bergville, KwaZulu-Natal:** To address the lack of maths and science skills at school level, Spescom, in collaboration with the Wits Business School and the SA Institute of Electrical Engineers, provides teachers and pupils at underprivileged schools in Bergville with practical and theoretical introductions to technology.

Other CSI initiatives include annual donations to:

- The Wits Graduate School of Business;
- The Gilat Shafir Foundation;
- Nazareth House; and
- Hamlet Foundation.

### Safety, Health, Environment and Quality

Spescom has adopted a holistic approach to Safety, Health, Environment and Quality (SHEQ) and during 2008 reviewed all its related policies. The Group is now implementing procedures and processes, based on the ISO 9001, ISO 18001 and ISO 14001 global best practices standards, with the aim of having fully integrated SHEQ systems by the end of 2009.

### Health and safety

Spescom views the health and safety of all its employees as a core priority. As such, it is committed to the support and maintenance of good health and safety processes and procedures for all staff through compliance with the dictates of South Africa's Occupational Health and Safety Act (OHSAS) of 1993. Even though Spescom's operations inherently carry low risk to the health and safety of its workforce, this aspect of the business is never compromised.

In terms of section 17 of the Act, Health and Safety (H&S) representatives within each division ensure that monthly 'checks' are completed. The establishment of teams working with these monitors





further ensures continuous monitoring of H&S issues and areas. Processes and procedures are constantly assessed and refined, ensuring further ongoing improvement. H&S also forms part of the agenda at executive committee (Exco) meetings.

During the year under review, Spescom's Health and Safety Policy was reviewed and signed off by each member of the Exco. The focus has turned to H&S procedures, which are now under scrutiny to ensure their full compliance to the policy. The OHSAS 18001 standard is being used as the underlying model for ensuring this compliance. In 2009, the Group will embark on an internal communication programme to educate all employees on its H&S systems and procedures.

## HIV/AIDS

The Company's HIV/AIDS Management Policy ensures that the rights and dignity of employees are safeguarded. It details Spescom's responsibilities in this arena and outlines interaction guidelines for staff diagnosed with life threatening diseases. A Dread Disease Policy has been formulated which includes management of HIV/AIDS in the workplace. An annual Wellness Day has, in conjunction with Discovery Health, also been established, providing counselling and voluntary testing to all staff.

## Environment

Although Spescom's products and services are classified as having a low environmental impact, the Group encourages all employees to adopt sustainable environmental business practices to minimise the impact of its activities on all stakeholders.

The Group endeavours to minimise waste materials and to reduce, recycle and, where necessary, dispose of waste by the safest and most responsible means available to reduce environmental impact:

- Spescom ensures that all possible waste is recycled through its relationship with an accredited service provider which removes and sorts waste in an environmentally responsible manner on its behalf.
- Spescom DataVoice develops proprietary solutions which comprise hardware containing lead. The division provides its customers with the means to dispose of obsolete equipment in an environmentally acceptable manner through its relationships with certified waste disposal companies.

During the year, Spescom took the decision to implement environmental practices which fully comply with ISO 14001 standards, a process which is expected to be completed by the end of 2009. In addition, the Group is engaging with its suppliers to ensure good environmental practices across Spescom's supply chain.

## Quality management

Spescom has a dedicated quality manager who is part of EXCO – who not only interfaces closely with senior management but also works closely with current and prospective customers to develop an in-depth understanding of their business requirements, providing services in accordance with agreed expectations to maximise their return on investment. Quality assurance plays a key role in Spescom's solutions and services offerings and is underpinned by:

- Conforming to the ISO 9001 Quality Management System across the Group's four operating divisions. A focus on continuous improvement ensures that quality is always optimised by measuring quality on each project as it is completed;
- Establishing quality objectives at Group and divisional level, and reviewing their relevance at intervals determined by our procedures;
- Ensuring that our employees are adequately trained and skilled to perform their duties to the best satisfaction of our customers;
- Observing and implementing all legal and statutory requirements that are applicable to our business; and
- Focusing primarily on four dimensions of quality, namely:
  - Fitness for purpose
  - Cost
  - Aesthetics
  - All aspects of service

During 2008, Spescom's quality policy was reviewed to ensure its relevance to the Group's product and service offerings, while placing a greater emphasis on the needs of customers in line with the Group's strategy to develop long-term relationships with them. In the year ahead, the quality team will review processes to ensure that this policy is properly implemented.

A customer satisfaction survey was conducted during the year to evaluate quality of service on a broad spectrum of metrics.

## MESSAGE FROM CHIEF FINANCIAL OFFICER



Dashni Sinivasan

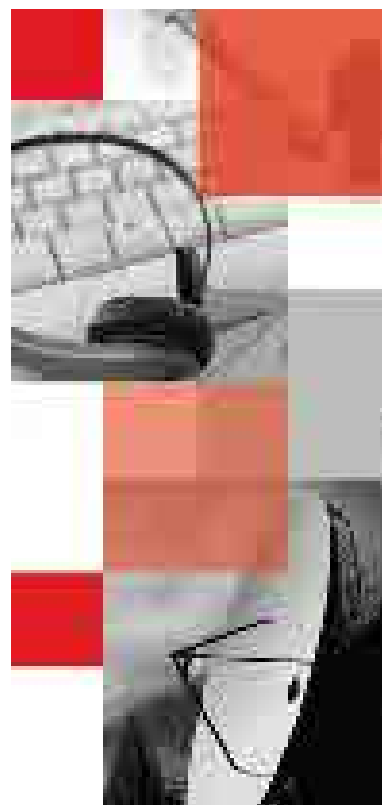
*Chief Financial Officer*

### During the year under review, Spescom's key financial metrics continued to show positive trends.

A substantial increase in operating profit to R14,4 million as well as judicious cash management supported strong operating cash flows. The year ended with cash and cash equivalents of R43,7 million, double those of the previous year. The gearing ratio has decreased to 33% from 60% in 2007.

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# INDEPENDENT AUDITOR'S REPORT

## REPORT ON THE FINANCIAL STATEMENTS

We have audited the annual financial statements and Group annual financial statements of Spescom Limited, which comprise the directors' report, the balance sheet as at 30 September 2008, the income statement, the statement of changes in equity and cash flow statement for the year then ended, a summary of significant accounting policies and other explanatory notes, as set out on pages 31 to 88.

## DIRECTORS' RESPONSIBILITY FOR THE FINANCIAL STATEMENTS

The Company and Group's directors are responsible for the preparation and fair presentation of these financial statements in accordance with International Financial Reporting Standards, and in the manner required by the Companies Act of South Africa. This responsibility includes: designing, implementing and maintaining internal controls relevant to the preparation and fair presentation of financial statements that are free from material misstatement, whether due to fraud or error; selecting and applying appropriate accounting policies; and making accounting estimates that are reasonable in the circumstances.

## AUDITOR'S RESPONSIBILITY

Our responsibility is to express an opinion on these financial statements based on our audit. We conducted our audit in accordance with International Standards on Auditing. Those standards require that we comply with ethical requirements and plan and perform the audit to obtain reasonable assurance whether the financial statements are free from material misstatement.

An audit involves performing procedures to obtain audit evidence about the amounts and disclosures in the financial statements. The procedures selected depend on the auditor's judgement, including the assessment of the risks of material misstatement of the financial statements, whether due to fraud or error. In making those risk assessments, the auditor considers internal controls relevant to the entity's preparation and fair presentation of the financial statements in order to design audit procedures that are appropriate in the circumstances, but not for the purpose of expressing an opinion on the effectiveness of the entity's internal control. An audit also includes evaluating the appropriateness of accounting policies used and the reasonableness of accounting estimates made by the directors, as well as evaluating the overall presentation of the financial statements.

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

## OPINION

In our opinion, the financial statements present fairly, in all material respects, the financial position of the Company and Group as of 30 September 2008, and of the financial performance and its cash flows for the year then ended in accordance with International Financial Reporting Standards, and in the manner required by the Companies Act of South Africa.

**Ernst & Young Inc.**

Ernst & Young Inc.

*Registered Auditor*

13 February 2009

Johannesburg

# DIRECTORS' REPORT

Your directors have pleasure in submitting their report together with the annual financial statements of Spescom Limited (Spescom, or Group) for the year ended 30 September 2008.

## NATURE OF BUSINESS

Spescom Limited, a proudly South African company, is listed on the JSE Limited. The Spescom Group consists of four operating divisions: Spescom DataFusion, Spescom DataVoice, Spescom Telecommunications and Spescom Media IT, who individually and collectively provide business communication solutions that enable our customers to enhance their business communications by maximising the power of video, voice and data communications technologies.

The Company aligns itself with world leading partners.

Spescom also researches and develops proprietary technology solutions through Spescom DataVoice – the voice transaction management and workforce optimisation division of the Group. Spescom's proprietary solutions gained industry recognition during the year, winning a number of international and local awards.

## OVERVIEW OF RESULTS

Spescom reported improved trading results for the year ended 30 September 2008 as it maintained the positive trend in operational improvements implemented in the past two years. The Group's emphasis on services and increased revenues from its suite of proprietary products also contributed to the stronger performance and improved quality of earnings.

The salient features for the year under review are:

- Reported revenues for the year R362,9 million (2007: R385,4 million).
- Reported profits of R7,4 million (2007: R24,6 million) with the decrease being due to a once-off profit on the sale of investment of R20,0 million in 2007.
- Headline earnings of 10,3 cents per share (2007: 6,9 cents per share).
- Lower gearing levels and healthier cash balances.

The Group continues to see a steady increase in the operating performance across all its divisions.

The growth trend in the contact centre market continued with revenues increasing by 40%. The newly introduced managed services offering continues to gain momentum in the market.

The broadcast division's revenue was impacted by delays in decision making but its value proposition as the only local player with world class integration skills positions the division to participate in imminent projects in the industry.

The telecommunications division continued to build its intellectual capability, but was impacted by the slowdown in the rollout of telecommunications infrastructure during the year. The Group is exploring various avenues to leverage its position in this market.

Greater penetration of the South African voice recording market resulted in accelerated growth from the Group's suite of proprietary products, generating revenue growth of 25%. During the year the Group achieved several world firsts including the launch of its mobile voice recording product, Libra Mobile.

## DIVIDENDS

After taking the prevailing economic conditions into account, the Board considered it important that cash generated from operations be reinvested in the businesses and as such did not declare a dividend.



# DIRECTORS' REPORT

*continued*

## SUBSIDIARIES

Details of the Company's interest in its subsidiaries, including the aggregate profits and losses of these subsidiaries, are set out on page 86.

## LAND AND BUILDINGS

During August 2008 the Group commissioned an independent valuation of its land and buildings known as Spescom Park. The valuation was performed by Glenross Property Consultants (Pty) Limited and resulted in the said land and buildings being revalued upwards on consolidation by R6,8 million (refer to note 9.1).

## DIRECTORS AND SECRETARY

The Group's Company Secretary is Mrs A van der Merwe. Mrs A van der Merwe's business and postal addresses appear on page 98 of this annual report.

Details of the directors of the Company during the period under review and up to the date of this annual report are set out on pages 4 and 5 respectively.

There were the following changes in directorate:

### Directors' appointments

Ms C Nkosi\* – 1 June 2008

Ms D Sinivasan – 19 November 2008

*\*non-executive directors*

### Directors' resignations

Ms H Sonn\* – 28 February 2008

Mr C Lister-James\* – 14 August 2008

In line with the recommendations of King II the roles of Chairman and Chief Executive Officer continue to be separated. The Spescom Board is currently constituted of an equal number of non-executive directors and executive directors.

Details of the directors' emoluments and benefits as well as their participation in the Group's share option schemes are detailed on pages 87 and 88.

## SHARE CAPITAL

Details of the Company's authorised and issued share capital appear in note 19 to the financial statements.

### Directors' interest in shares

The beneficial interest of directors, directly and indirectly, in the share capital of the Company at 30 September 2008 was:

Director	Direct		Indirect		Total Number
	Beneficial Number	Non-beneficial Number	Beneficial Number	Non-beneficial Number	
L Ogilvy	-	-	-	-	-
J Palmer	-	-	70 000	-	70 000
P Vallet	-	-	-	-	-
M Mogase	-	-	1 666 667	18 333 333*	20 000 000
P Fick	77 788	-	-	-	77 788
T Makore	-	-	-	-	-
C Nkosi	-	-	-	-	-
Total	77 788	-	1 736 667	18 333 333	20 147 788

The beneficial interest of directors, directly and indirectly, in the share capital of the Company at 30 September 2007 was:

Director	Direct		Indirect		Total Number
	Beneficial Number	Non-beneficial Number	Beneficial Number	Non-beneficial Number	
T Makore	–	–	–	–	–
L Ogilvy	–	–	–	–	–
J Palmer	–	–	10 000	–	10 000
P Vallet	–	–	–	–	–
M Mogase	–	–	1 666 667	18 333 333*	20 000 000
C Lister-James (resigned 14/08/2008)	–	–	1 666 667	–	1 666 667
P Fick	77 788	–	–	–	77 788
<b>Total</b>	<b>77 788</b>	<b>–</b>	<b>3 343 334</b>	<b>18 333 333</b>	<b>21 754 455</b>

\*The number represents the shareholding of Vantage Capital Fund Managers of which Mr Mogase and Mr Lister-James are also shareholders.

No material changes in their holdings have taken place between balance sheet date and the date of this annual report.

#### Major shareholders

According to the register of shareholders at 30 September 2008, the following are the only shareholders/nominee holdings, other than directors of the Company as disclosed above, who held in excess of 3% of the shareholding of the Company at that date.

	Number of shares	% of total shareholding
Vantage Capital Fund Managers*	18 333 333	23,30
Spescom Limited Share Trust	5 848 016	7,40
Anthony Farah Family Trust	5 225 892	5,90
Allan Gray Equity Fund	2 679 300	3,4

\*Vantage Capital Fund Managers, together with Mr Mogase's (shareholder of Vantage Capital Fund Managers) shares of 1 666 667, constitute a 25,4% BBBEE shareholding in Spescom Limited.

No non-public shareholders, other than directors, hold 10% or more of the issued share capital of the Company for the financial year under review (2007: nil).

#### Share analysis

	2008 %	2007 %
<b>Public shareholding</b> (consisting of 2 111 shareholders (2007: 2 257))	<b>96,4</b>	99,6
<b>Non-public shareholding</b>	<b>3,6</b>	0,4
	<b>100,0</b>	100,0



## DIRECTORS' REPORT

*continued*

### Shareholder spread

	Number of shareholders	% of shareholders	Number of shares held	% of shares held
1 – 1 000 shares	976	0,5	380 725	46,2
1 001 – 10 000 shares	779	3,9	3 104 773	36,9
10 001 – 100 000 shares	270	12,4	9 791 613	12,8
100 001 – 1 000 000 shares	76	32,9	25 938 407	3,6
1 000 001 and over	10	50,2	39 552 538	0,5
	2 111	100,0	78 768 056	100,0

The above information was supplied by the Company's registrars.

### RESOLUTIONS

No special resolutions, the nature of which might be significant to shareholders in their appreciation of the state of affairs of the Group, were passed by any subsidiary companies during the period covered by this annual report.

### EVENTS SUBSEQUENT TO THE 2008 FINANCIAL YEAR-END

The directors are not aware of any facts or circumstances that took place between financial year-end, being 30 September 2008, and the date of this annual report which would be of importance in assessing the Group's state of affairs.

### PROSPECTS

Although the economic outlook is uncertain, Spescom's value proposition has defensive qualities with its products which are designed to deliver efficiencies to customers' businesses. The Group also benefits from a stream of foreign denominated revenue, albeit off a low base.

The imminent completion of undersea cable projects is set to have a substantial downward impact on the cost of international bandwidth which significantly enhances the competitiveness of South Africa as a destination for offshoring contact centres, with positive downstream opportunities for Spescom.

As bandwidth limitations are eliminated, the demand for voice and electronic data communications will increase. In addition, legislative and regulatory requirements are becoming more stringent. These trends are driving the need for solutions that measure and monitor electronic interactions, but which are as efficient as face to face contact. Spescom's voice division is poised to benefit from this evolution in market dynamics.

The broadcasting industry is being driven by the emergence of new technologies, more competition and the fact that users are gaining ever more control over how and when they receive content. With its leading international partnerships and local integration skills, Spescom is positioned to participate in these opportunities.

Growth in the South African telecommunications arena continues to be driven by liberalisation and deregulation. New competitors are entering the sector and there is considerable infrastructure investment by mobile and fixed-line network operators, as well as ISPs.

The Group remains focused on its core competencies and will continue to execute its strategy to deliver value for shareholders, leveraging its suite of proprietary technology products and its pool of intellectual assets.

### FINANCIAL RESULTS

The financial results of the Company and the Group are fully disclosed on pages 36 to 88.

# APPROVAL OF ANNUAL FINANCIAL STATEMENTS

The financial statements set out in this annual report have been prepared in accordance with International Financial Reporting Standards and are based on appropriate accounting policies, which are supported by reasonable and prudent judgements and estimates. These have been consistently applied.

The directors are responsible for the preparation of the financial statements and related financial information that fairly presents the state of affairs and results of the Company and Group. The external auditors are responsible for independently reporting on these annual financial statements.

These financial statements have been prepared on the going concern basis. This basis presumes that the assets will be utilised and the liabilities settled in the normal course of business.

The directors have every reason to believe that the Company and the Group will be able to continue in operation for the foreseeable future. Accordingly, no adjustments have been made to the valuation or classification of assets or liabilities, which may have been necessary if the Group had been unable to continue as a going concern.

To fulfil their responsibilities, management maintains adequate accounting records and has developed, implemented and continues to maintain systems of internal controls. The Group's internal financial controls are designed to provide reasonable but not absolute assurance as to the integrity and reliability of the annual financial statements and to adequately safeguard, verify and maintain their assets. These controls are monitored throughout the Group on a continuous basis. Nothing has come to the directors' attention to indicate that any material breakdown in the functioning of these controls, procedures and systems has occurred during the year under review.

The annual financial statements set out on pages 31 to 88 were approved by the Board of Directors on 13 February 2009 and are signed on its behalf by:



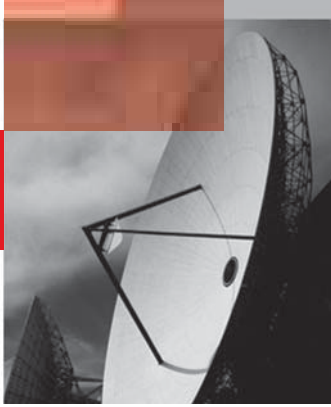
**M Mogase**  
*Chairman*

13 February 2009



**J Palmer**  
*Chief Executive Officer*

13 February 2009



## AUDIT AND RISK COMMITTEE REPORT

The Corporate Laws Amendment Act, 24 of 2006 (CLAA) which came into effect on 14 December 2007, imposes certain conditions in respect of the establishment of an audit committee. The Audit and Risk Committee of the Company is fully compliant with the requirements of the CLAA. This committee comprises Mr Phil Vallet (Chairman) and Ms Connie Nkosi, both of whom are independent non-executive directors.

The duties of the Audit and Risk Committee include the following:

- Nominate the appointment of Ernst & Young Inc. as the registered independent auditor after satisfying itself through enquiry that Ernst & Young Inc. is independent as defined in terms of the CLAA;
- Determine the fees to be paid to Ernst & Young Inc. and their terms of engagement;
- Ensure that the appointment of Ernst & Young Inc. complied with the CLAA and any other legislation relating to the appointment of auditors;
- Approve a non-audit service policy which determines the nature and extent of any non-audit services which Ernst & Young Inc. may provide to the Company; and
- Pre-approve any proposed contract with Ernst & Young Inc. for the provision of non-audit services to the Company.

Four committee meetings were held during the period under review, the agendas of which were based on the committee's annual work plan, which covers all the duties of the committee as per its terms of reference.

The Audit and Risk Committee has satisfied itself through enquiry that Ernst & Young Inc. is independent of the Company.

The Audit and Risk Committee recommended the annual financial statements for the year ended 30 September 2008 for approval to the Board. The Board has subsequently approved the annual financial statements which will be open for discussion at the forthcoming annual general meeting.

**Mr Phillip Vallet**

*Audit and Risk Committee Chairman*

13 February 2009

# COMPANY SECRETARY'S STATEMENT

I certify that the Company has lodged with the Registrar of Companies all such returns as are required of a public company in terms of section 268G(d) of the Companies' Act and that all such returns are true, correct and up to date.



**Annamarie van der Merwe**  
*Company Secretary*

13 February 2009

# INCOME STATEMENTS

for the year ended 30 September 2008

	Notes	GROUP		COMPANY	
		2008 R	2007 R	2008 R	2007 R
<b>Total revenue</b>	3	<b>362 932 058</b>	385 470 189	<b>1 748 702</b>	5 713 229
<b>Continuing operations</b>					
<b>Turnover</b>	3	<b>358 195 718</b>	380 085 208	–	–
Cost of sales	16	<b>(189 331 898)</b>	(241 426 774)	–	–
<b>Gross profit</b>		<b>168 863 820</b>	138 658 434	–	–
<b>Other income</b>	3	<b>1 973 944</b>	3 647 672	<b>1 177 188</b>	2 602 383
<b>Expenses</b>		<b>(155 008 450)</b>	(139 007 735)	<b>(2 773 596)</b>	(2 257 894)
Selling and general		<b>(150 258 436)</b>	(134 272 950)	<b>(2 773 596)</b>	(2 257 894)
Direct marketing		<b>(4 750 014)</b>	(4 734 785)	–	–
<b>Trading profit/(loss) from operations</b>	5	<b>15 829 314</b>	3 298 371	<b>(1 596 408)</b>	344 489
Foreign exchange profits on foreign loans		<b>398 117</b>	926 541	<b>(1 148 884)</b>	1 323 465
<b>Operating profit/(loss) before interest</b>		<b>16 227 431</b>	4 224 912	<b>(2 745 292)</b>	1 667 954
Investment income	3	<b>2 762 396</b>	1 737 309	<b>571 514</b>	3 110 846
Finance charges	6	<b>(4 543 258)</b>	(4 626 259)	<b>(2 263 695)</b>	(2 840 388)
<b>Operating profit/(loss) before non-trading items</b>	5	<b>14 446 569</b>	1 335 962	<b>(4 437 473)</b>	1 938 412
Income from non-trading activities	4	–	20 053 892	–	9 280 289
Share of profit from associates		–	3 826 319	–	–
<b>Net profit/(loss) before taxation</b>		<b>14 446 569</b>	25 216 173	<b>(4 437 473)</b>	11 218 701
Taxation	7	<b>(7 080 015)</b>	(610 732)	–	–
<b>Net profit/(loss) for the year from continuing operations</b>		<b>7 366 554</b>	24 605 441	<b>(4 437 473)</b>	11 218 701
<b>Attributable to:</b>					
Equity holders of parent		<b>7 366 554</b>	24 605 441		
Minority interests		–	–		
		<b>7 366 554</b>	24 605 441		
		<b>Cents per share</b>	Cents per share		
<b>Earnings per share</b>					
– basic for profit for the year attributable to the ordinary shareholders of the parent	8	<b>10,2</b>	34,0		
– diluted for profit for the year attributable to ordinary equity holders of the parent	8	<b>10,1</b>	32,5		
<b>Earnings per share from continuing operations</b>					
– basic for profit from continuing operations attributable to ordinary equity holders of the parent	8	<b>10,2</b>	34,0		
– diluted for profit from continuing operations attributable to ordinary equity holders of the parent	8	<b>10,1</b>	32,5		

# BALANCE SHEETS

at 30 September 2008

	Notes	GROUP		COMPANY	
		2008 R	2007 R	2008 R	2007 R
<b>ASSETS</b>					
<b>Non-current assets</b>					
Property, plant and equipment	9	46 343 545	35 521 596	–	–
Intangible assets	10	18 951 849	14 789 030	–	–
Loans and receivables	12	5 676 469	7 147 261	15 955 615	16 927 793
Investment in subsidiary companies	11	–	–	8 431 399	8 431 399
Loans to subsidiaries	11	–	–	58 317 892	70 151 442
Investment in associate companies	13	3 100	3 100	–	–
Available for sale investments	14	1 001	1 001	1 001	1 001
Deferred taxation	15	13 404 455	13 972 313	–	–
		<b>84 380 419</b>	<b>71 434 301</b>	<b>82 705 907</b>	<b>95 511 635</b>
<b>Current assets</b>					
		<b>129 922 447</b>	<b>186 689 567</b>	<b>18 757 417</b>	<b>17 122 194</b>
Inventories	16	13 869 979	18 616 800	–	–
Taxation prepaid	25	135 582	65 500	–	–
Trade and other receivables	17	72 198 860	146 121 954	–	12 457 770
Cash and cash equivalents	18	43 718 026	21 885 313	18 757 417	4 664 424
<b>Total assets</b>		<b>214 302 866</b>	<b>258 123 868</b>	<b>101 463 324</b>	<b>112 633 829</b>
<b>EQUITY AND LIABILITIES</b>					
<b>Equity attributable to equity holders of the parent</b>					
Share capital	19	684 389	684 389	787 681	787 681
Share premium	19	44 598 909	44 598 909	55 619 179	55 619 179
Non-distributable reserves	20	(34 679)	(5 816 127)	(12 533 513)	(12 533 513)
Distributable reserves/(accumulated losses)		22 302 291	14 935 737	(49 218 757)	(44 781 284)
<b>Ordinary shareholders' equity</b>		<b>67 550 910</b>	<b>54 402 908</b>	<b>(5 345 410)</b>	<b>(907 937)</b>
Minority interests		–	–	–	–
<b>Total equity</b>		<b>67 550 910</b>	<b>54 402 908</b>	<b>(5 345 410)</b>	<b>(907 937)</b>
<b>Non-current liabilities</b>					
		<b>27 832 417</b>	<b>25 042 149</b>	<b>105 559 647</b>	<b>102 044 000</b>
Deferred maintenance revenue	27	3 290 603	450 000	–	–
Deferred taxation	15	3 377 302	1 876 621	–	–
Loans from subsidiaries	11	–	–	105 559 647	102 044 000
Interest bearing liabilities	22	21 164 512	22 715 528	–	–
<b>Current liabilities</b>		<b>118 919 559</b>	<b>178 678 811</b>	<b>1 249 087</b>	<b>11 497 766</b>
Interest bearing liabilities	22	1 631 243	9 626 299	–	8 066 145
Bank finance	21	–	–	–	–
Taxation payable	25	5 331 725	4 220 954	–	–
Trade and other payables	24	61 668 865	129 846 206	889 790	2 903 971
Deferred maintenance revenue	27	26 545 554	11 528 173	–	–
Provisions	28	23 742 172	23 457 179	359 297	527 650
<b>Total equity and liabilities</b>		<b>214 302 866</b>	<b>258 123 868</b>	<b>101 463 324</b>	<b>112 633 829</b>



## STATEMENTS OF CHANGES IN EQUITY

for the year ended 30 September 2008

	Attributable to equity holders of the parent				Total R
	Distributable reserves/ (accumulated losses) R	Non- distri- butable reserves R	Share capital R	Share premium R	
<b>GROUP</b>					
<b>Balance at 30 September 2006</b>	<b>(9 669 704)</b>	<b>20 801 757</b>	<b>684 389</b>	<b>44 598 909</b>	<b>56 415 351</b>
Share-based payments reserve	–	441 422	–	–	441 422
Deferred taxation arising on revaluation of land and buildings	–	(127 436)	–	–	(127 436)
Deferred taxation arising on depreciation of revalued amounts	–	36 957	–	–	36 957
Foreign currency translation profit realised on sale of investment	–	(26 895 701)	–	–	(26 895 701)
Foreign currency translation loss arising on consolidation	–	(73 126)	–	–	(73 126)
Net profit for the year	24 605 441	–	–	–	24 605 441
<b>Balance at 30 September 2007</b>	<b>14 935 737</b>	<b>(5 816 127)</b>	<b>684 389</b>	<b>44 598 909</b>	<b>54 402 908</b>
Share-based payments reserve	–	694 938	–	–	694 938
Revaluation of land and buildings net of depreciation	–	6 583 791	–	–	6 583 791
Deferred taxation arising on revaluation of land and buildings	–	(1 636 487)	–	–	(1 636 487)
Foreign currency translation profit arising on consolidation	–	139 206	–	–	139 206
Net profit for the year	7 366 554	–	–	–	7 366 554
<b>Balance at 30 September 2008</b>	<b>22 302 291</b>	<b>(34 679)</b>	<b>684 389</b>	<b>44 598 909</b>	<b>67 550 910</b>
<b>COMPANY</b>					
<b>Balance at 30 September 2006</b>	<b>(55 999 985)</b>	<b>(12 533 513)</b>	<b>787 681</b>	<b>55 619 179</b>	<b>(12 126 638)</b>
Net profit for the year	11 218 701	–	–	–	11 218 701
<b>Balance at 30 September 2007</b>	<b>(44 781 284)</b>	<b>(12 533 513)</b>	<b>787 681</b>	<b>55 619 179</b>	<b>(907 937)</b>
Net loss for the year	(4 437 473)	–	–	–	(4 437 473)
<b>Balance at 30 September 2008</b>	<b>(49 218 757)</b>	<b>(12 533 513)</b>	<b>787 681</b>	<b>55 619 179</b>	<b>(5 345 410)</b>

# CASH FLOW STATEMENTS

for the year ended 30 September 2008

	Notes	GROUP		COMPANY	
		2008 R	2007 R	2008 R	2007 R
<b>OPERATING ACTIVITIES</b>					
Cash generated/(utilised) by operations	1	27 459 907	30 041 761	(747 590)	(1 113 041)
Working capital changes	2	19 708 063	(1 587 818)	10 275 237	256 546
Cash generated/(utilised) by operating activities		47 167 970	28 453 943	9 527 647	(856 495)
Investment income		2 762 463	1 737 309	571 514	3 110 845
Finance costs		(4 543 325)	(4 626 259)	(2 263 695)	(2 840 388)
Taxation (paid)/refunded	3	(5 515 057)	1 365 788	–	–
<b>Net cash flow from operating activities</b>		<b>39 872 051</b>	<b>26 930 781</b>	<b>7 835 466</b>	<b>(586 038)</b>
<b>INVESTING ACTIVITIES</b>					
<b>Investment to maintain operations</b>					
Replacement of property, plant and equipment and intangible assets		(22 415 485)	(12 453 104)	–	–
Proceeds on disposal of property, plant and equipment and intangible assets		508 938	52 209	–	–
<b>Net repayments</b>					
Proceeds from sale of investment		12 457 770	–	–	–
Subsidiary companies		–	–	14 323 672	33 758 102
<b>Net cash flow from investing activities</b>		<b>(9 448 777)</b>	<b>(12 400 895)</b>	<b>14 323 672</b>	<b>33 758 102</b>
<b>FINANCING ACTIVITIES</b>					
Bank financing and facilities repaid/(utilised)		(9 075 284)	(7 905 493)	(8 066 145)	(28 934 349)
<b>Net cash flow from financing activities</b>		<b>(9 075 284)</b>	<b>(7 905 493)</b>	<b>(8 066 145)</b>	<b>(28 934 349)</b>
Net change in cash and cash equivalents		21 347 990	6 624 393	14 092 993	4 237 715
Effects of foreign exchange		484 723	(112 438)	–	–
<b>Cash and cash equivalents</b>					
At beginning of the year		21 885 313	15 373 358	4 664 424	426 709
<b>At end of the year (refer to note 18)</b>		<b>43 718 026</b>	<b>21 885 313</b>	<b>18 757 417</b>	<b>4 664 424</b>

# NOTES TO THE CASH FLOW STATEMENTS

for the year ended 30 September 2008

	GROUP		COMPANY	
	2008 R	2007 R	2008 R	2007 R
<b>1. CASH GENERATED/(UTILISED) BY OPERATIONS</b>				
Operating profit/(loss) from continuing operations	16 227 431	4 224 912	(2 745 292)	1 667 954
Adjusted for:				
Depreciation of property, plant and equipment – owned	3 561 507	3 796 460	–	–
Amortisation of intangible assets	9 990 908	9 705 391	–	–
(Profit)/loss on disposal of property, plant and equipment	(30 051)	422 846	–	–
Share-based payments	694 938	441 423	–	–
(Decrease)/increase in provisions	(3 835 111)	16 685 766	1 000 000	–
Increase/(decrease) in bad debt provision	1 362 238	(2 602 384)	–	–
Other non-cash flow items	(511 953)	(2 632 653)	997 702	(2 780 995)
	27 459 907	30 041 761	(747 590)	(1 113 041)
<b>2. WORKING CAPITAL CHANGES</b>				
Inventories	4 746 821	(8 338 821)	–	–
Trade and other receivables	60 211 063	(67 468 414)	12 457 770	–
Trade and other payables and deferred revenue	(45 249 821)	74 219 417	(2 182 533)	256 546
	19 708 063	(1 587 818)	10 275 237	256 546
<b>3. TAXATION PAID</b>				
Balance at beginning of year	4 155 453	(2 437 654)	–	–
Charged to the income statement	7 080 015	610 732	–	–
Adjust movement in deferred tax in income statement	(574 291)	(962 743)	–	–
Foreign exchange revaluation	50 023	–	–	–
Balance at end of year	(5 196 143)	4 155 453	–	–
	(5 515 057)	1 365 788	–	–

# NOTES TO THE FINANCIAL STATEMENTS

for the year ended 30 September 2008

## 1. CORPORATE INFORMATION

The consolidated financial statements of Spescom Limited for the year ended 30 September 2008 were authorised for issue in accordance with a resolution of the directors on 13 February 2009. Spescom Limited is a company incorporated in the Republic of South Africa and its shares are publicly traded.

## 2. ACCOUNTING POLICIES

The principle accounting policies applied in the preparation of these financial statements are in compliance with International Reporting Standards (IFRS) applicable at 30 September 2008.

### Basis of preparation

The financial statements set out on pages 36 to 88 have been prepared on the historical cost basis except for certain items of property, plant and equipment carried at revalued amounts and for the restatement of certain financial instruments carried at fair value.

### Statement of compliance

The consolidated financial statements of Spescom Limited and all its subsidiaries have been prepared in accordance with IFRS and the requirements of the South African Companies Act.

### Basis of consolidation

The group financial statements incorporate the financial statements of the Company, its subsidiaries and equity accounted associates. The results of these entities are included from effective dates of acquisition, and up to the effective date control ceased. Unrealised income arising from transactions within the Group and inter-company balances and transactions have been eliminated in full in respect of subsidiaries. Unrealised losses are also eliminated, but only to the extent that they do not represent an impairment.

Subsidiaries are defined as those companies in which the Group, either directly or indirectly, has more than one half of the voting rights, has the right to appoint more than half the board of directors or otherwise has the power to control the financial and operating activities of the entity.

The financial statements of the subsidiaries are prepared for the same reporting year as the parent company, using consistent accounting policies.

### Significant accounting judgements and estimates

#### *Judgement*

In the process of applying the Group's accounting policies, management has not made any judgements, apart from those involving estimations, which have a significant effect on the amounts recognised in the financial statements.

#### *Estimation uncertainty*

The preparation of financial statements requires the use of estimates and assumptions that affect the reported amounts of assets and liabilities and disclosure of contingent assets and liabilities at the date of the financial statements and reported amounts of revenue and expenses during the reporting periods. Although these estimates are based on management's best knowledge of current events and actions that the Group may undertake in the future, actual results ultimately may differ from those estimates.

The presentation of the results of operations, financial position and cash flows in the financial statements of the Group is dependent upon and sensitive to the accounting policies, assumptions and estimates that are used as a basis for the preparation of these financial statements.



## NOTES TO THE FINANCIAL STATEMENTS *continued*

for the year ended 30 September 2008

### 2. ACCOUNTING POLICIES (continued)

#### Significant accounting judgements and estimates (continued)

The key assumptions concerning the future and other key sources of estimation uncertainty at the balance sheet date, that have a significant risk of causing material adjustment to the carrying amounts of assets and liabilities within the next financial year, are discussed below:

#### *Property, plant and equipment*

The useful lives of assets are based on management's estimation. Management considers the impact of changes in technology and customer service requirements, expected physical wear and tear, expected usage of the asset and any legal or similar limits on the use of the asset to determine the period over which an item of property, plant and equipment is expected to be available for use by the Group. The estimation of residual values of assets is also based on management's judgement whether the assets will be sold, the costs of such disposal and what the expected condition of these assets is likely to be at the time of their disposal. Please refer to note 9 for the carrying values.

#### *Determination of impairment of property, plant and equipment*

Management is required to make judgements concerning the cause, timing and amount of impairment. In the identification of impairment indicators, management considers the impact of changes in current market conditions, technological obsolescence, physical damage, cost of capital and other circumstances that could indicate that impairment exists. Management's judgement is also required when assessing whether a previously recognised impairment loss should be reversed.

Where impairment indicators exist, the determination of the recoverable amount requires management to make assumptions to determine the fair value less costs to sell and value in use. Fair value less costs to sell is based on the best information available to management that reflects the amount that the Group could obtain, at balance sheet date, from the disposal of the asset in an arm's length transaction between knowledgeable, willing parties, after deducting the costs of disposal, such as stamp duties, legal costs or costs of removing the asset, etc. Key assumptions on which management has based its determination of value in use include projected revenues, gross margins, capital expenditure, expected customer bases and market share.

#### *Determination of impairment in investment in associate company*

Management is required to make judgements concerning the cause, timing and amount of impairment. In the identification of impairment indicators, management considers the impact of changes in current market conditions affecting the value of the investment. Consideration also needs to be given to the underlying sustainability and growth of the business conducted by the associate company and which may give an indication of whether or not an impairment in the value of the investment is required. Management's judgement is also required when assessing whether a previously recognised impairment loss should be reversed.

Where impairment indicators exist, the determination of the recoverable amount requires management to make assumptions to determine the fair value less costs to sell and value in use. Fair value less costs to sell is based on the best information available to management that reflects the amount that the Group could obtain, at balance sheet date, from the disposal of the asset in an arm's length transaction between knowledgeable, willing parties, after deducting the costs of disposal, such as stamp duties and legal costs. A key assumption on which management has based its determination of value in use includes referencing the share price at which the investment is publicly traded.

#### *Impairment of goodwill*

The Group determines whether goodwill is impaired at least on an annual basis. This requires an estimation of the value in use of the cash-generating units to which the goodwill is allocated. Estimating the value in use requires the Group to make an estimate of the expected future cash flows from the cash-generating unit and also to choose a suitable discount rate in order to calculate the present value of those cash flows. Goodwill impairments cannot be reversed.

## 2. ACCOUNTING POLICIES (continued)

### Significant accounting judgements and estimates (continued)

#### *Financial assets*

At each balance sheet date, management assesses whether there are indicators of impairment of financial assets. If such evidence exists, management uses its judgement to estimate the present value of future cash flows of that asset.

#### *Employee benefits*

The cost of defined contribution pension plans and other post-retirement employment medical benefits is determined using actuarial valuations. The actuarial valuation involves making assumptions about discount rates, expected rates of return on assets, future salary increases, mortality rates and further contribution increases. Due to the long-term nature of these plans, such estimates are subject to significant uncertainty.

#### *Provision for doubtful debts*

A provision for doubtful debts is raised on trade receivables that are deemed to contain a collection risk. The provision is based on an assessment of the extent to which specific customers have defaulted on payments already due and an assessment of their ability to make payments based on their current financial position. Actual write-offs may vary significantly from the provision depending on any changes in the customers' financial condition.

#### *Taxation*

Management's judgement is exercised when determining the probability of future taxable profits, which will determine whether deferred tax assets should be recognised or derecognised. The utilisation of deferred tax assets will depend on whether it is possible to generate sufficient taxable income, taking into account any legal restrictions on the life and on the nature of the asset. When deciding whether to recognise unutilised taxation credits, management needs to determine the extent to which future payments are likely to be available for set-off. In the event that the assessment of future payments and future utilisation changes, the change in the recognised deferred taxation is recognised in the income statement.

#### *Share-based payments*

The Group measures the cost of equity-settled transactions with employees by reference to the fair value of the equity instruments at the date at which they are granted. Estimating fair value requires determining the most appropriate valuation model for a grant of equity instruments, which is dependent on the terms and conditions of the grant. This also requires determining the most appropriate inputs to the valuation model including the expected life of the option, volatility and dividend yield and making assumptions about them. The assumptions and models used are disclosed in note 19.

#### **Business combinations**

Business combinations are accounted for using the purchase method.

Goodwill acquired in a business combination is initially measured at cost being the excess of the cost of the business combination over the Group's interest in the net fair value of the identifiable assets, liabilities and contingent liabilities. Following initial recognition, goodwill is measured at cost less any accumulated impairment losses. Goodwill is reviewed for impairment annually or more frequently if events or changes in circumstances indicate that the carrying value may be impaired.



## NOTES TO THE FINANCIAL STATEMENTS *continued*

for the year ended 30 September 2008

### 2. ACCOUNTING POLICIES (continued)

#### Business combinations (continued)

At the acquisition date, any goodwill acquired is allocated to each of the Group's cash-generating units expected to benefit from the combination's synergies. Impairment is determined by assessing the recoverable amount of the cash-generating unit to which the goodwill relates. Where the recoverable amount of the cash-generating unit is less than the carrying amount, an impairment loss is recognised. Where goodwill forms part of a cash-generating unit and part of the operation within that unit is disposed of, the goodwill associated with the operation disposed of is included in the carrying amount of the operation when determining the gain or loss on disposal of the operation. Goodwill disposed of in these circumstances is measured on the basis of the relative values of the operation disposed of and the portion of the cash-generating unit retained.

#### Associated companies

An associated company is one in which the Group exercises significant influence, but not control, over the financial and operating policies of that company.

The equity method is used to account for the Group's share of post-acquisition reserves of such companies.

Under the equity method of accounting the Group's post-acquisition share of the associate's profit or loss for the year is recognised in the income statement. In the balance sheet, the investment in the associate is carried at cost plus post-acquisition changes in the Group's share of net assets of the associate. Goodwill relating to an associate is included in the carrying amount of the investment and is not amortised.

After application of the equity method, the Group determines whether it is necessary to recognise any additional impairment loss with respect to the Group's net investment in the associate.

Where there has been a change recognised directly in the equity of the associate, the Group recognises its share of any changes and discloses this, when applicable, in the statement of changes in equity.

If an associate company applies accounting policies that are materially different to those adopted by the Group, adjustments are made to the financial statements of the associated company prior to equity accounting the investment.

The financial statements of the associate are prepared for the same reporting period as the parent company.

#### Foreign currency transactions

Foreign currency transactions are recorded at the exchange rate ruling on the transaction date. Foreign monetary currency assets and liabilities are brought to account at the rates of exchange ruling at the financial year-end. Non-monetary assets and liabilities denominated in foreign currencies are translated at the rates of exchange ruling on the later of acquisition or revaluation dates. Foreign currency gains and losses are included in operating income.

The Group uses derivative financial instruments such as foreign exchange contracts to hedge its risk associated with foreign currency fluctuations. It is the Group's policy not to trade in derivative financial instruments. Details of the Group's financial risk management objectives are set out in note 29.

#### Foreign subsidiaries

The Group has investments in foreign subsidiary companies which are classified as foreign entities. The financial statements of these subsidiaries are translated for incorporation into the group financial statements on the following basis:

- Assets and liabilities at the rate ruling at balance sheet date;
- Income statement items at a weighted average rate for the period;
- Exchange differences arising on translation are recognised in the statement of changes in equity as a foreign currency translation reserve; and
- Goodwill and fair value adjustments arising on acquisition of a foreign entity are treated as assets and liabilities of the foreign entity and are translated at the rate ruling at balance sheet date.

## 2. ACCOUNTING POLICIES (continued)

### Foreign subsidiaries (continued)

On disposal of part or all of the investment, the proportionate share of the related cumulative gains and losses previously recognised in the foreign currency translation reserve in the statement of changes in equity are included in determining the profit or loss on disposal of that investment utilised in the income statement.

### Finance charges

Finance charges on suspensive sale agreements are written off over the period of the agreements in relation to the capital balance outstanding from time to time.

Borrowing costs that are directly attributable to the acquisition or construction of a qualifying fixed asset that requires a substantial period of time to prepare for its intended use, are capitalised until such time as substantially all activities necessary to prepare the qualifying asset for its intended use are completed. All other borrowing costs are written off in the year in which they are incurred.

### Leases

The determination of whether an arrangement is, or contains a lease is based on the substance of the arrangement at inception date of whether the fulfilment of the arrangement is dependent on the use of a specific asset or assets or the arrangement conveys a right to use the asset. The classification of the lease is determined using IAS 17 Leases.

For arrangements entered into prior 1 January 2005, the date of inception is deemed to be 1 January 2005 in accordance with the transitional requirements of IFRIC 4.

### *Group as a lessee*

Financial leases, which transfer to the Group substantially all the risks and benefits incidental to ownership of the leased item, are capitalised at inception of the lease at the fair value of the leased property or, if lower, at the present value of the minimum lease payments. Lease payments are apportioned between the finance charges and the reduction of the lease liability so as to achieve a constant rate of interest on the remaining balance of the liability. Finance charges are reflected in the income statement.

Capitalised leased assets are depreciated over the shorter of the estimated useful life of the asset and the lease term, if there is no reasonable certainty that the Group will obtain ownership by the end of the lease term.

Operating lease payments are recognised as an expense in the income statement on a straight line basis over the lease term.

### *Group as a lessor*

Leases where the Group does not transfer substantially all the risks and benefits of ownership of the asset are classified as operating leases. Initial direct costs incurred in negotiating an operating lease are added to the carrying amount of the leased asset and recognised over the lease term on the same basis as rental income. Contingent rents are recognised as revenue in the period in which they are earned.

### Contracts in progress

Contracts in progress are valued by recognising revenue and expenses respectively by reference to the stage of completion of the contract activity at the balance sheet date. The stage of completion is determined based on the work performed at the balance sheet date.

Progress payments received in excess of the measured value of work determined on each contract are included in the composition of contracts in progress. Cost includes direct costs and overheads allocated to the contract.

Profit is brought to account on the percentage of completion basis. Where a loss is anticipated on any particular contract, provision is made in full for such loss.



## NOTES TO THE FINANCIAL STATEMENTS *continued*

for the year ended 30 September 2008

### 2. ACCOUNTING POLICIES (continued)

#### Impairment

##### *Impairment of non-financial assets*

The carrying amounts of property, plant and equipment and intangible assets are reviewed at each balance sheet date to determine whether there is any indication of impairment. If any such indication exists, the recoverable amount is estimated as the higher of an asset's or cash-generating unit's fair value less costs to sell and the value in use. The recoverable amount is determined for an individual asset, unless the asset does not generate cash inflows that are largely independent from those of other assets or groups of assets. Where the carrying values exceed the estimated recoverable amount, the asset is considered impaired and is written down to its recoverable amount.

In assessing value in use, the estimated future cash flows are discounted to their present value using a pre-tax discount rate that reflects current market assessments of the time value of money and the risks specific to the asset. In determining fair value less costs to sell, an appropriate valuation model is used.

Impairment losses of continuing operations are recognised in profit or loss in those expense categories consistent with the function of the impaired asset except for property previously revalued where the revaluation was taken to equity. In this case the impairment is also recognised in equity up to the amount of any previous revaluation.

A previously recognised impairment is reversed if there has been a change in the estimates used to determine the recoverable amount, however, not to an amount higher than the carrying amount that would have been determined (net of depreciation) had no impairment loss been recognised in prior years. Such a reversal is recognised in the income statement unless the asset is carried at its revalued amount, in which case the reversal is treated as a revaluation increase. After such a reversal, the depreciation charge is adjusted in future periods to allocate the asset's revised carrying amount, less any residual value, on a systematic basis over its remaining useful life.

##### *Impairment of financial assets*

The Group assesses at each balance sheet date whether a financial asset or group of financial assets is impaired.

If there is objective evidence that an impairment loss on assets carried at amortised cost has been incurred, the amount of the loss is measured as the difference between the asset's carrying amount and the present value of estimated future cash flows (excluding future expected credit losses that have not been incurred) discounted at the financial asset's original effective interest rate (i.e. the effective interest rate computed at initial recognition). The carrying amount of the asset is reduced through use of an allowance account. The amount of the loss shall be recognised in the income statement.

If in a subsequent period, the amount of the impairment loss decreases and the decrease can be related objectively to an event occurring after the impairment was recognised, the previously recognised impairment loss is reversed to the extent that the carrying value of the asset does not exceed its amortised cost at the reversal date. Any subsequent reversal of an impairment loss is recognised in the income statement.

In relation to trade receivables, a provision for impairment is made when there is objective evidence (such as the probability of insolvency or significant financial difficulties of the debtor detected through payment history) that the Group will not be able to collect all of the amounts due under the original terms of the invoice. The carrying amount of the receivable is reduced through use of an allowance account. Impaired debts are derecognised when they are assessed as uncollectible.

#### Taxes

##### *Current taxation*

Current income tax assets and liabilities for the current and prior periods are measured at the amount expected to be recovered from or paid to the taxation authorities. The tax rates and tax laws used to compute the amount are those that are enacted or substantively enacted by the balance sheet date.

Current income tax relating to items recognised directly in equity is recognised in equity and not in the income statement.

## 2. ACCOUNTING POLICIES (continued)

### Taxes (continued)

#### *Deferred taxation*

Deferred income tax is provided using the liability method on temporary differences at the balance sheet date between tax bases of assets and liabilities and their carrying amounts for financial reporting purposes.

Deferred income tax assets and liabilities are measured at the tax rates that are expected to apply to the year when the asset is realised or the liability is settled, based on tax rates (and tax laws) that have been enacted or substantively enacted at the balance sheet date.

Provision is made for deferred tax on the revaluation of property, plant and equipment and on adjustments on business acquisitions. The amount of deferred tax provided is based on the expected manner of realisation or settlement of the carrying amount of assets and liabilities.

Deferred tax for the period is charged to the income statement except to the extent that it relates to a transaction that is recognised directly in equity, or a business combination that is an acquisition.

The effect on deferred tax of any changes in the tax rates is recognised in the income statement, except to the extent that it relates to items previously charged or credited directly to equity.

Deferred income tax assets and deferred income tax liabilities are offset, if a legally enforceable right exists to set off current tax assets against current income tax liabilities and deferred income taxes relate to the same taxable entity and the same taxation authority.

A deferred tax asset relating to deductible temporary differences is recognised for all deductible differences to the extent that it is probable that future taxable profits will be available against which the associated unused tax losses and deductible temporary differences can be utilised. The carrying amount of deferred tax assets are reviewed at each balance sheet date and are reduced to the extent that it is no longer probable that the related tax benefit will be realised.

#### *Value-added taxation*

Revenues, expenses and assets are recognised net of the amount of value-added taxation except:

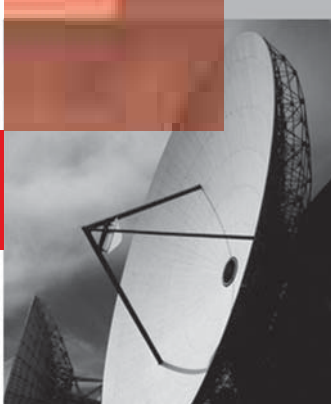
- Where the value-added tax incurred on a purchase of assets or services is not recoverable from the taxation authority, in which case the value-added tax is recognised as part of the cost of acquisition of the asset or as part of the expense item as applicable; and
- Where receivables and payables are stated with the amount of value-added tax included.

The net amount of value-added tax recoverable from, or payable to, the taxation authority is included as part of the receivables and payables in the balance sheet.

### **Intangible assets**

Intangible assets acquired separately are measured on initial recognition at cost. The cost of intangible assets acquired in a business combination is the fair value as at the date of acquisition. Internally generated intangible assets, excluding capitalised development costs, are not capitalised and expenditure is charged to the income statement in the year in which the cost is incurred. The development costs that are capitalised are tested for impairment when there are indicators of impairment.

The useful lives of intangible assets are assessed to be either finite or indefinite.



## NOTES TO THE FINANCIAL STATEMENTS *continued* for the year ended 30 September 2008

### 2. ACCOUNTING POLICIES (continued)

#### Intangible assets (continued)

Intangible assets with finite lives are amortised over the useful economic life and assessed for impairment whenever there is an indication that the tangible asset may be impaired.

The amortisation period and the amortisation method for an intangible asset with a finite useful life are reviewed at least at each financial year-end. The amortisation expense on intangible assets with finite lives is recognised in the income statement in the expense category consistent with the function of the intangible asset.

The rate of amortisation applied to technology developments which meet the requirements of intangible assets with finite lives is 33,3%.

Intangible assets with indefinite lives are tested for impairment annually either individually or at the cash-generating unit level. Such intangibles are not amortised. The useful life of an intangible asset with an indefinite life is reviewed annually to determine whether indefinite life assessment continues to be supportable. If not, the change in the useful life assessment from indefinite to finite is made on a prospective basis.

#### *Research and development costs*

Expenditure on the concept and design of possible new or improved products is written off in the year in which it is incurred.

An intangible asset arising from development expenditure on an individual product is recognised only when the Group can demonstrate the following:

- the technical feasibility of completing the intangible asset so that it will be available for use or sale;
- its intention to complete the intangible asset for use or sale;
- how the asset will generate future economic benefits;
- the availability of resources to complete the intangible asset; and
- its ability to reliably measure the development expenditure incurred in completing the intangible asset.

Following the initial recognition of the development expenditure, the cost model is applied requiring the asset to be carried at cost less any accumulated amortisation and accumulated impairment losses. Amortisation of the asset begins when development is complete and the asset is available for use. It is amortised over the period of expected future benefit. During the period of development, the asset is tested for impairment annually.

Impairment tests are carried out on intangible assets that are not yet available for use annually or more frequently when an indication of impairment arises during the reporting year.

Gains or losses arising from derecognition of an intangible asset are measured as the difference between the net disposal proceeds and the carrying value of the asset and are recognised in the income statement when the asset is derecognised.

#### Property, plant and equipment

Plant and equipment is stated at cost less accumulated depreciation and accumulated impairment losses. Such cost includes the cost of replacing part of the plant and equipment when that cost is incurred, if the recognition criteria are met. Likewise, when a major inspection is performed, its cost is recognised in the carrying amount of the plant and equipment as a replacement, if the recognition criteria are satisfied. All other repair and maintenance costs are recognised in the income statement as incurred.

Land and buildings are measured at fair value less accumulated depreciation and impairment losses recognised after the date of revaluation. Valuations are performed frequently enough to ensure that the fair value of a revalued asset does not differ materially from its carrying amount.

## 2. ACCOUNTING POLICIES (continued)

### Property, plant and equipment (continued)

Any revaluation surplus is credited to the asset's revaluation reserve included in the equity section of the balance sheet, except to the extent that reverses revaluation decrease of the same asset previously recognised in the income statement, in which case the increase is recognised as profit or loss. A revaluation deficit is recognised in the income statement, except to the extent that it offsets an existing surplus on the same asset recognised in the asset revaluation reserve.

An annual transfer from the asset revaluation reserve to retained earnings is made for the difference between the depreciation based on the revalued carrying amount of the assets and depreciation based on the asset's original cost. Additionally, accumulated depreciation as at the revaluation date is eliminated against the gross carrying amount of the asset and the net amount is restated to the revalued amount of the asset. Upon disposal, any revaluation reserve relating to the particular asset being sold is transferred to retained earnings.

The depreciable period for each class of equipment is as follows:

- Motor vehicles 8 years
- Computer equipment 5 – 7 years
- Buildings 50 years
- Test equipment 5 – 10 years
- Office equipment 5 – 10 years
- Computer software 5 years
- Furniture and fittings 15 years
- Leasehold improvements 3 years

An item of property, plant and equipment is derecognised upon disposal or when no future economic benefits are expected from its use or disposal. Any gains or losses arising on derecognition of the asset (calculated as the difference between the net disposal proceeds and the carrying amount of the asset) are included in the income statement in the year the asset is derecognised.

The assets' residual values, useful lives and methods of depreciation are reviewed, and adjusted if appropriate, at each financial year-end.

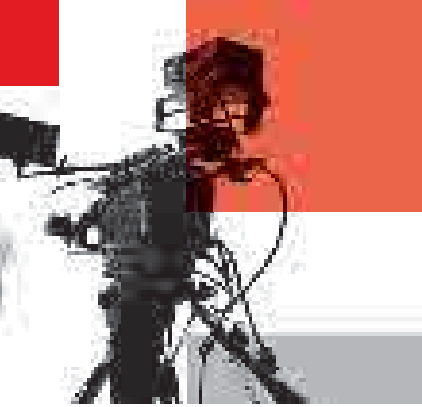
### Financial instruments

Financial instruments, including derivatives, recognised on the balance sheet include cash and cash equivalents, investments, trade receivables, trade payables, borrowings and forward rate contracts. All financial instruments are initially measured at cost. The Group enters into derivative financial instruments to reduce exposure to fluctuations in foreign currency and interest rates. It is the policy of the Group not to trade in derivative financial instruments for speculative purposes.

Cash and cash equivalents are subsequently measured at fair value and consist of cash on hand and short-term deposits. Fair value adjustments are recognised in the income statement.

Derivative financial instruments are classified as financial assets or liabilities at fair value through profit and loss and are subsequently measured at fair value. Gains from forward exchange contracts, options and currency swaps used to hedge potential exchange rate exposures are offset against losses on the specific transactions where such instruments are designated as such and meet the requirements of effective hedging instruments. Balance sheet amounts are not set off.

Interest differentials under swap arrangements, forward rate agreements and interest rate caps used to manage interest rate exposure are included in the finance charges for the period.



## NOTES TO THE FINANCIAL STATEMENTS *continued* for the year ended 30 September 2008

### 2. ACCOUNTING POLICIES (continued)

#### Financial instruments (continued)

Loans and receivables are non-derivative financial assets with fixed or determinable payments that are not quoted in an active market. Such assets are carried at amortised cost using the effective interest method. Gains and losses are recognised in income when the loans and receivables are derecognised or impaired, as well as through the amortisation process.

Available-for-sale financial assets are those non-derivative financial assets that are designated as available-for-sale or are not classified in any of the preceding categories or held to maturity investments. After initial recognition available-for-sale financial assets are measured at fair value with gains and losses being recognised as a separate component of equity until the investment is derecognised or until the investment is determined to be impaired, at which time the cumulative gain or loss previously reported in equity is included in the income statement.

Financial liabilities, other than derivatives, are amortised at their original debt value less principal payments and amortisations.

Preference shares, which are redeemable on a specific date or at the option of the shareholder, are disclosed together with long-term liabilities. The dividends paid on these shares are recognised in the income statement as an interest expense.

Derecognition of a financial instrument occur when the Group no longer controls the contractual rights or the obligation has been extinguished, which is normally the case when the instrument is sold, or all the cash flows attributable to the instrument are passed through to an independent third party.

#### *Classification*

The Group's classification of financial assets and liabilities is as follows:

Description of asset/liability	Classification
Investments	Available-for-sale
Trade and other receivables	Loans and receivables
Cash and cash equivalents	Loans and receivables
Loans to subsidiaries	Loans and receivables
Loans from subsidiaries	Other liabilities
Interest bearing liabilities	Other liabilities
Trade and other payables	Other liabilities

#### Impairment of financial assets

The Group assesses at each balance sheet date whether a financial asset or group of financial assets is impaired.

#### *Assets carried at amortised cost*

If there is objective evidence that an impairment loss on assets carried at amortised cost has been incurred, the amount of the loss is measured as the difference between the asset's carrying amount and the present value of estimated future cash flows (excluding future expected credit losses that have not been incurred) discounted at the financial asset's original effective interest rate (i.e. the effective interest rate computed at initial recognition). The carrying amount of the asset is reduced through use of an allowance account. The amount of the loss shall be recognised in the income statement.

If, in a subsequent period, the amount of the impairment loss decreases and the decrease can be related objectively to an event occurring after the impairment was recognised, the previously recognised impairment loss is reversed, to the extent that the carrying value of the asset does not exceed its amortised cost at the reversal date. Any subsequent reversal of an impairment loss is recognised in the income statement.

## 2. ACCOUNTING POLICIES (continued)

### Cash and cash equivalents

Cash and cash equivalents comprise cash on hand and demand deposits together with any highly liquid investments readily convertible to known amounts of cash.

### Inventories

Inventories are stated at the lower of cost and net realisable value. Cost has been established on the following bases:

- Merchandise for resale – First in, first out
- Components and raw material – Weighted average
- Work in progress – Includes materials, direct labour and production overheads
- Demonstration stock – First in, first out

Net realisable value is the estimated selling price in the ordinary course of business, less estimated costs of completion and the estimated costs necessary to make the sale. Write-downs to net realisable value and inventory losses are expensed in the period in which the write-downs or losses occur.

Allowance is also made for slow moving and obsolete inventories.

Impairment for obsolescence is considered after taking into account the age of the stock item, replacement value of the stock item and/or the version of model of the stock item.

### Provisions

Provisions are utilised where the Group has a present legal or constructive obligation as a result of a past event, a reliable estimate of the obligation can be made and it is probable that an outflow of resources embodying economic benefits will be required to settle the obligation. Where the effect of the time value of money is material, provisions are determined by discounting the expected future cash flows at a pre-tax rate that reflects current market assessments of the time value of money and, where appropriate the risks specific to the liability.

Transactions are classified as contingent liabilities where the Group's obligations depend on uncertain future events and principally consist of third-party obligations.

Items are classified as commitments where the Group commits itself to future transactions or the items will result in the acquisition of assets.

### Employee benefits

#### *Equity-based compensation*

The Group operates the Spescom Limited Share Trust (the Trust), a share incentive plan, for the purpose of incentivising employees of the Group and promoting the continued growth of the Group by giving such employees an opportunity to acquire shares. In terms of the Share Trust Deed the directors may extend an offer to employees in terms of the Cash Purchase Scheme or the Credit Purchase Scheme, or grant an option in terms of the Option Scheme, or any combination thereof. The price payable per share purchased or option exercised will be 90% of the market price determined for the month in which the offer is extended or the option is granted. No more than 40% of the shares acquired and paid for in terms of the Cash Purchase Scheme or the Credit Purchase Scheme may be sold in the first financial year with the balance of 60% being exercisable in the second financial year. Options not taken up expire after 10 years.

The fair value of the employee services received in exchange for the shares and/or options granted is recognised as an expense.



## NOTES TO THE FINANCIAL STATEMENTS *continued* for the year ended 30 September 2008

### 2. ACCOUNTING POLICIES (continued)

#### Employee benefits (continued)

##### *Equity-settled transactions*

The fair value of equity-settled transactions with employees is measured with reference to the fair value on the date on which they are granted. The fair value is determined by using the Black-Scholes valuation model. In valuing equity-settled transactions, no account is taken of any performance conditions, other than conditions linked to the price of the shares of Spescom Limited. The cost of equity-settled transactions is recognised, together with a corresponding increase in equity, over the period in which performance and/or service conditions are fulfilled, ending on the date on which the relevant employees become fully entitled to the award (the vesting date). The cumulative expense recognised for equity-settled transactions at each reporting date until the vesting date reflects the extent to which the vesting period has expired and the Group's best estimate of the number of equity instruments that will ultimately vest. The income statement charge or credit for the period represents the movement in cumulative expense recognised as at the beginning and end of that period. No expense is recognised for awards that do not ultimately vest, except for awards where vesting is conditional upon a market condition, which are treated as vesting irrespective of whether or not the market condition is satisfied, provided that all other performance conditions are satisfied.

Where the terms of an equity-settled award are modified, as a minimum an expense is recognised as if the terms had not been modified. In addition, an expense is recognised for any modification which increases the total fair value of the share-based payment arrangement, or is otherwise beneficial to the employee as measured at the date of modification.

Where an equity-settled award is cancelled, it is treated as if it had vested on the date of cancellation, and any expense not yet recognised for the award is recognised immediately. However, if a new award is substituted for the cancelled award, and designated as a replacement award on the date that it is granted, the cancelled and new awards are treated as if they were a modification of the original award, as described above.

The dilutive effect of outstanding options is reflected as additional share dilution in the computation of earnings per share.

##### *Cash-settled transactions*

The cost of cash-settled transactions is measured initially at fair value at the grant date using the Black-Scholes valuation model taking into account the terms and conditions upon which the instruments were granted. This fair value is expensed over the period until vesting with recognition of a corresponding liability. The liability is re-measured at each balance sheet date up to and including the settlement date with changes in fair value recognised in operating profit.

##### *Short-term employee benefits*

All short-term benefits, including leave pay, are fully provided in the period in which the related service is rendered by the employee.

##### *Post-retirement benefits*

Payments to the defined contribution retirement benefit plan are charged as an expense in the year to which they relate.

#### Share capitalisation awards and cash dividends

The full cash equivalent of utilised share awards and cash dividends are recorded and disclosed as dividends declared in the statement of changes in equity. The current dividend liability is that amount reasonably estimated to be paid in cash. Any difference between total dividends declared and this estimate is transferred to a non-distributable share election reserve pending the outcome of the final share awards. Upon allotment of shares the relevant amounts are transferred to the share capital and share premium account and cash dividend election amounts are paid.

## 2. ACCOUNTING POLICIES (continued)

### Treasury shares

Shares in Spescom Limited held by the Group are treated as treasury shares. These shares are treated as a deduction from the issued and weighted average numbers of shares and the cost price of the shares is deducted from share capital and share premium in the balance sheet on consolidation. Dividends received on treasury shares are eliminated on consolidation.

### Revenue recognition

Revenue is recognised only when it is probable that the economic benefits associated with a transaction will flow to the Group and the amount of the revenue can be reliably measured. Revenue is measured at the fair value of consideration received or receivable. Value-added taxation is excluded.

The Group derives gross revenues from sale of products and supporting software applications, charges under contracts for maintenance of technology solutions supplied to customers, and from the development and sale of its utilised technology.

Revenue arising from the *sale of products* is recognised when substantially all the risks and rewards of ownership have passed to the buyer and can be reliably measured.

Revenue from the *rendering of services* is recognised on the percentage completion basis. Where the contract outcome cannot be measured reliably, revenue is recognised only to the extent that expenses incurred are eligible to be recovered.

*Dividends* on equity instruments are recognised when the right to receive payment is established, with the exception of dividends on preference share investments which are recognised on a time proportional basis in the period to which they relate.

*Royalty income* is recognised on an accrual basis in accordance with the substance of the relevant agreement.

*Rental income* is derived from operating leases and is recognised on a straight line basis over the life of the lease.

Revenue arising from *maintenance contracts* is recognised on the accrual basis over the period for which the services are rendered.

Revenue arising from the development and sale of technology is utilised in accordance with progress milestones, which approximate percentage of completion, specified in a contract entered into with a third party, or on the sale of internally developed projects, revenue is utilised when all significant performance obligations have been satisfied.

*Interest income* is recognised on a time proportional basis that takes account of the effective yield on the underlying asset and an appropriate accrual is made at each accounting reference date.

### Segmental reporting

Segment information is reported on both a nature of business (primary) and geographical (secondary) basis. This approach is based on the manner in which segments are organised and managed.

The Group's operating businesses can be divided into three principal segments based on strategic focus. The communication integration activities include those operating businesses which provide products and solutions to enable enterprises and individuals to connect to the networked economy. The operating businesses included in the business and content management solutions segment are focused on providing technological solutions which manage information and knowledge. The third segment includes revenues derived from providing professional services and maintenance contracts to customers from the previously identified segments.



# NOTES TO THE FINANCIAL STATEMENTS *continued*

for the year ended 30 September 2008

## 2. ACCOUNTING POLICIES (continued)

### Segmental reporting (continued)

All segment revenue and expenses are directly attributable to the segments. Segment assets include all operating assets used by a segment and consist principally of property, plant and equipment, as well as current assets. Segment liabilities include all operating liabilities and consist principally of trade and other payables. These assets and liabilities are directly attributable to the segments.

The segmental report is set out on pages 85 to 86.

### Dividends payable

Dividends payable and secondary tax thereon are recognised in the period in which such dividends are declared.

### Earnings per share

Earnings per share is based on the earnings attributable to shareholders and is calculated on the weighted average number of shares in issue during the period.

### Statements and interpretations issued and not yet effective

These standards will be adopted on the effective date.

STANDARD OR INTERPRETATION			
Number	Name	Effective date **	Effect on Group
IFRS 2	Amendments to IFRS 2 Share Based Payment Vesting Conditions and Cancellations	1 January 2009	Additional disclosures required
IFRS 3	Business Combinations	1 July 2009	Additional disclosures required
IFRS 8	Operating Segments	1 January 2009	Additional disclosures required
IAS 1	Presentation of Financial Statements	1 January 2009	Additional disclosures required
IAS 23	Borrowing Costs	1 January 2009	Quantitative effect not yet established
IAS 29	Consolidation and Separate Financial Statements	1 July 2009	Additional disclosures required
IAS 32 & IAS 1	Amendments to IAS 32 Financial Instruments: Presentation and IAS 1 Presentation of Financial Statements – Puttable Financial Instruments and Obligations Arising on Liquidation	1 January 2009	Additional disclosures required
IAS 39	Amendment to IAS 39 Financial Instruments: Recognition and Measurement – Eligible Hedged Items	1 July 2009	No likely effect
IAS 39 & IFRS 7	Reclassification of Financial Assets – Amendments to IAS 39 Financial Instruments: Recognition and Measurement and IFRS 7 Financial Instruments: Disclosures	1 July 2008	Additional disclosures required

## 2. ACCOUNTING POLICIES (continued)

### Statements and interpretations issued and not yet effective (continued)

STANDARD OR INTERPRETATION			
Number	Name	Effective date **	Effect on Group
IFRS 1 & IAS 27	Amendments to IFRS 1 First-time Adoption of IFRS and IAS 27 Consolidated and Separate Financial Statements – Cost of an Investment in Subsidiary, Jointly Controlled Entity and Associate	1 January 2009	Additional disclosures required
IFRIC 12	Service Concession Arrangements	1 January 2008	No likely effect
IFRIC 13	Customer Loyalty Programmes	1 July 2008	Effect not yet established
IFRIC 14	IAS 19 The Limit on a Defined Benefit Asset, Minimum Funding Requirements and their Interaction	1 January 2008	No likely effect
IFRIC 15	Agreements for the Construction of Real Estate	1 January 2009	No likely effect
IFRIC 16	Hedges of a Net Investment in a Foreign Operation	1 October 2008	No likely effect
	Annual Improvements Project	1 January 2009	Effects not yet established

\*\* Annual periods beginning, unless otherwise indicated



## NOTES TO THE FINANCIAL STATEMENTS *continued*

for the year ended 30 September 2008

### 3. REVENUE

Revenue comprises turnover and other income.

Turnover represents net invoiced sales of products and services after eliminating inter-company sales within the Group and value-added tax.

	GROUP		COMPANY	
	2008	2007	2008	2007
	R	R	R	R
<b>Turnover comprises:</b>				
Sale of enterprise application and integration solutions	192 424 719	266 853 931	–	–
Revenue from services	61 630 436	33 857 284	–	–
Revenues from sale of proprietary technology applications	104 140 563	79 373 993	–	–
	<b>358 195 718</b>	<b>380 085 208</b>	<b>–</b>	<b>–</b>
<b>Other income comprises:</b>				
Bad debts recovered	23 114	2 602 383	–	2 602 383
Reversal of legal expenses	1 177 188	–	1 177 188	–
Profit on sale of property, plant and equipment and intangible assets	30 051	–	–	–
Royalties received	53 458	96 455	–	–
Other	226 323	–	–	–
Foreign exchange differences	398 117	750 514	–	–
Rent received	65 693	198 320	–	–
Premises	19 200	127 470	–	–
Other	46 493	70 850	–	–
	<b>1 973 944</b>	<b>3 647 672</b>	<b>1 177 188</b>	<b>2 602 383</b>
Investment income	2 762 396	1 737 309	571 514	3 110 846
Interest received – bank	2 354 224	1 725 692	571 514	230 093
Interest received – debtors	9 976	11 617	–	–
Interest received – intergroup	–	–	–	2 880 753
Interest received – finance lease	398 196	–	–	–
	<b>4 736 340</b>	<b>5 384 981</b>	<b>1 748 702</b>	<b>5 713 229</b>
<b>Total revenue</b>	<b>362 932 058</b>	<b>385 470 189</b>	<b>1 748 702</b>	<b>5 713 229</b>
<b>4. INCOME FROM NON-TRADING ACTIVITIES</b>				
Profit on sale of investment in Enterprise Informatics Inc.	–	20 053 892	–	9 280 289
The Group disposed of its 42,6% interest in Enterprise Informatics Inc for the value of US\$2,5 million on 30 September 2007.				

	GROUP		COMPANY	
	2008 R	2007 R	2008 R	2007 R
<b>5. OPERATING PROFIT/(LOSS)</b>				
<b>Is stated after:</b>				
<b>Income</b>				
Other income excluding investment income (Refer to note 3)	1 973 944	3 647 672	1 177 188	2 602 383
<b>Expenses</b>				
Secretarial fees	(554 353)	(307 930)	–	–
Auditors' remuneration	(2 330 970)	(2 617 719)	(406 548)	(734 539)
Audit fees	(2 242 474)	(2 312 797)	(406 548)	(734 539)
For other services	(88 496)	(304 922)	–	–
Depreciation of property, plant and equipment – owned	(3 561 507)	(3 796 460)	–	–
Amortisation of intangible assets	(9 990 908)	(9 705 391)	–	–
Gross employment costs	(110 731 575)	(95 959 292)	(680 730)	(805 926)
Short-term benefits	(103 394 312)	(90 049 540)	(680 730)	(805 926)
Non-executive directors	(680 730)	(805 926)	(680 730)	(805 926)
Executive directors	(5 545 911)	(10 740 703)	–	–
Executive management	(10 769 031)	(9 457 309)	–	–
Other staff	(86 398 640)	(69 045 602)	–	–
Retirement benefits – defined contribution plan	(6 642 325)	(5 468 329)	–	–
Executive directors	(521 814)	(783 898)	–	–
Executive management	(1 130 448)	(949 539)	–	–
Other staff	(4 990 063)	(3 734 892)	–	–
Share-based payments	(694 938)	(441 423)	–	–
Executive directors	(104 504)	(100 308)	–	–
Executive management	(166 745)	(116 341)	–	–
Other staff	(423 689)	(224 774)	–	–
Profit/(loss) on disposal of property, plant and equipment	30 051	(422 846)	–	–
Foreign exchange differences – normal operations	79 743	(3 022 534)	–	–
Impairment of loans	(1 000 000)	–	(1 000 000)	–
Royalties	6 729	280 568	–	–
Operating lease charges	(2 595 209)	(3 022 820)	–	–
Premises	(2 548 814)	(2 949 638)	–	–
Other	(46 395)	(73 182)	–	–
<b>Directors' remuneration</b> (refer to page 87 for more details)				
Non-executive directors	(680 730)	(805 926)	(680 730)	(805 926)
Executive directors	(6 172 229)	(11 621 909)	–	–
<b>Total directors' remuneration</b>	<b>(6 852 959)</b>	<b>(12 427 835)</b>	<b>(680 730)</b>	<b>(805 926)</b>
Paid by				
The Company	(680 730)	(805 926)	–	–
Subsidiaries	(6 172 229)	(11 621 909)	–	–
	<b>(6 852 959)</b>	<b>(12 427 835)</b>	–	–

# NOTES TO THE FINANCIAL STATEMENTS *continued*

for the year ended 30 September 2008

	GROUP		COMPANY	
	2008 R	2007 R	2008 R	2007 R
<b>6. FINANCE CHARGES</b>				
Bank overdraft and bankers' acceptances	(1 156 505)	(1 599 459)	(722 696)	(1 516 373)
Mortgage bond – properties	(3 244 964)	(2 783 753)	–	–
Group loans	–	–	(1 540 999)	(1 324 015)
Other	(141 789)	(243 047)	–	–
	<b>(4 543 258)</b>	<b>(4 626 259)</b>	<b>(2 263 695)</b>	<b>(2 840 388)</b>
<b>7. TAXATION</b>				
SA normal taxation for the year				
Current taxation – current year	(6 505 724)	(1 573 475)	–	–
Deferred taxation – current year	(157 198)	962 743	–	–
Change in tax rate	(417 093)	–	–	–
	<b>(7 080 015)</b>	<b>(610 732)</b>	<b>–</b>	<b>–</b>
<b>Reconciliation of tax rate</b>	%	%	%	%
<b>Standard tax rate</b>	<b>(28,0)</b>	<b>(29,0)</b>	<b>(28,0)</b>	<b>(29,0)</b>
Adjusted for:				
Disallowable expenditure	(18,5)	(6,6)	11,8	(1,7)
Capital gains	–	27,4	–	31,8
Tax losses utilised/(incurred)	0,4	4,9	16,2	(1,1)
Tax rate change	(2,9)	–	–	–
Prior years	–	0,3	–	–
<b>Effective tax rate</b>	<b>(49,0)</b>	<b>(3,0)</b>	<b>–</b>	<b>–</b>

The minister of finance advised a change in the company tax rate from 29% to 28% for years of assessment ending during 1 April 2008 – 31 March 2009.

Certain group companies have computed tax losses. Aggregated computed unutilised tax losses available for set-off against future taxable income are estimated at R172 944 233 (2007: R169 569 629). Deferred tax assets have been raised where appropriate.

## 8. EARNINGS PER SHARE

### Headline earnings per share

Basic earnings per share amounts are calculated by dividing net profit for the year attributable to ordinary holders of the parent by the weighted average number of ordinary shares outstanding during the year.

Diluted earnings per share amounts are calculated by dividing the net profit attributable to ordinary equity holders of the parent by the weighted average number of ordinary shares that would be issued on the conversion of all the dilutive potential ordinary shares into ordinary shares.

The following reflects the income and share data used in the basic and diluted earnings per share computations:

	<b>2008</b>	<b>GROUP</b>
	<b>R</b>	2007
		R
Basic earnings attributable to ordinary equity holders of the parent for basic earnings	<b>7 366 554</b>	24 605 441
Profit on sale of investment: Enterprise Informatics Inc.	–	(20 053 892)
(Loss)/profit on sale of fixed assets	<b>(30 051)</b>	422 846
<b>Profit for calculation of headline earnings</b>	<b>7 336 503</b>	4 974 395
Weighted average number of ordinary shares (excluding treasury shares) for basic earnings per share	<b>72 230 513</b>	72 314 237
Effect of dilution:		
Share options	<b>974 741</b>	3 318 714
<b>Weighted average number of ordinary shares (excluding treasury shares) adjusted for the effect of dilution</b>	<b>73 205 254</b>	75 632 951

There have been no other transactions involving ordinary shares between the reporting date and the date of completion of these financial statements.

9. PROPERTY, PLANT AND EQUIPMENT GROUP 2008

	Land	Buildings (9:1) and leasehold improvements	Office equipment	Computer and manufacturing equipment and software	Motor vehicles	Furniture and fittings	Managed services	Total owned assets
	R	R	R	R	R	R	R	R
<b>Opening balance: 01/10/2007</b>								
Cost	6 000 000	22 591 227	3 185 056	16 838 596	482 896	2 690 028	-	51 787 803
Less: Accumulated depreciation	-	(1 929 923)	(2 097 949)	(10 999 087)	(156 396)	(1 082 851)	-	(16 266 206)
<b>Net book value</b>	<b>6 000 000</b>	<b>20 661 304</b>	<b>1 087 107</b>	<b>5 839 509</b>	<b>326 500</b>	<b>1 607 177</b>	<b>-</b>	<b>35 521 597</b>
<b>Current year movement</b>								
Additions	-	8 507	306 375	3 006 355	97 106	280 086	4 693 445	8 391 874
Revaluation	1 500 000	5 317 580	-	-	-	-	-	6 817 580
Effects of foreign exchange	-	-	(2 736)	-	-	-	-	(2 736)
Disposals	-	-	(208 786)	(1 464 256)	(79 701)	(50 141)	-	(1 802 884)
Depreciation: Revaluation reserve	-	(233 788)	-	-	-	-	-	(233 788)
Depreciation: Disposal/transferred	-	-	192 795	933 163	50 300	37 151	-	1 213 409
Depreciation: Income statement	-	(312 383)	(331 941)	(2 308 769)	(47 983)	(169 311)	(391 120)	(3 561 507)
	<b>1 500 000</b>	<b>4 779 916</b>	<b>(44 293)</b>	<b>166 492</b>	<b>19 722</b>	<b>97 785</b>	<b>4 302 325</b>	<b>(10 821 948)</b>
<b>Closing balance: 30/09/2008</b>								
Cost	7 500 000	27 917 314	3 279 909	18 380 695	500 301	2 919 973	4 693 445	65 191 637
Less: Accumulated depreciation	-	(2 476 094)	(2 237 095)	(12 374 693)	(154 079)	(1 215 011)	(391 120)	(18 848 092)
<b>Net book value</b>	<b>7 500 000</b>	<b>25 441 220</b>	<b>1 042 814</b>	<b>6 006 002</b>	<b>346 222</b>	<b>1 704 962</b>	<b>4 302 325</b>	<b>46 343 545</b>

# NOTES TO THE FINANCIAL STATEMENTS *continued*

for the year ended 30 September 2008

9. PROPERTY, PLANT AND EQUIPMENT (continued)  
GROUP  
2007

	Land	Buildings (9.1) and leasehold improve- ments	Office equipment	Computer and manu- facturing equipment and software	Motor vehicles	Furniture and fittings	Total owned assets
	R	R	R	R	R	R	R
<b>Opening balance: 01/10/2006</b>							
Cost	6 000 000	22 577 316	3 378 597	17 805 371	434 327	2 720 427	52 916 038
Less: Accumulated depreciation	-	(1 469 577)	(2 003 526)	(10 838 792)	(179 710)	(1 025 808)	(15 517 413)
<b>Net book value</b>	<b>6 000 000</b>	<b>21 107 739</b>	<b>1 375 071</b>	<b>6 966 579</b>	<b>254 617</b>	<b>1 694 619</b>	<b>37 398 625</b>
<b>Current year movement</b>							
Additions	-	13 911	145 015	2 133 176	119 845	139 370	2 551 317
Effects of foreign exchange	-	-	(1 829)	-	-	-	(1 829)
Disposals	-	-	(336 727)	(3 099 951)	(71 276)	(169 769)	(3 677 723)
Transfer	-	-	-	-	-	-	-
Depreciation: Revaluation reserve	-	(127 436)	-	-	-	-	(127 436)
Depreciation: Disposal/transferred	-	-	252 639	2 750 313	70 616	101 534	3 175 102
Depreciation: Income statement	-	(332 910)	(347 062)	(2 910 608)	(47 302)	(158 577)	(3 796 460)
	-	<b>(446 435)</b>	<b>(287 965)</b>	<b>(1 127 070)</b>	<b>71 883</b>	<b>(87 442)</b>	<b>(1 877 029)</b>
<b>Closing balance: 30/09/2007</b>							
Cost	6 000 000	22 591 227	3 185 056	16 838 596	482 896	2 690 028	51 787 803
Less: Accumulated depreciation	-	(1 929 923)	(2 097 949)	(10 999 087)	(156 396)	(1 082 851)	(16 286 206)
<b>Net book value</b>	<b>6 000 000</b>	<b>20 661 304</b>	<b>1 087 107</b>	<b>5 839 509</b>	<b>326 500</b>	<b>1 607 177</b>	<b>35 521 597</b>

# NOTES TO THE FINANCIAL STATEMENTS *continued*

for the year ended 30 September 2008

## 9. PROPERTY, PLANT AND EQUIPMENT (continued)

There is no property, plant and equipment which is encumbered under credit agreements. There is also no property, plant and equipment which is either idle or fully depreciated and still in use.

	GROUP		COMPANY	
	2008	2007	2008	2007
	R	R	R	R
<b>9.1 Land and buildings</b>				
Portion 13 of Agricultural Holding No 1: Halfway House Estate, Registration Division IR Gauteng	32 914 220	26 661 304	-	-
<i>Revaluation of land and buildings</i>				
The Group engaged Glenross Property Consultants (Pty) Limited, an accredited independent valuer, to determine the fair value of its land and buildings. Fair value was determined using the definition of open market value in continuation of existing use as the value of the real estate for the same purpose for which it is currently used. The date of the revaluation was 1 August 2008.				
The useful life of the buildings was estimated to be 50 years after taking into account the functionality of the buildings as well as the fact that they have been well maintained. The assessment of residual values of these owner occupied buildings at date of valuation is deemed to be nil and depreciation has been calculated accordingly.				
If the land and buildings were measured using the cost model, the carrying amounts would be as follows:				
Cost	19 350 000	19 350 000	-	-
Accumulated depreciation	(1 161 000)	(774 000)	-	-
Net carrying value	18 189 000	18 576 000	-	-

This property is covered by a mortgage bond in favour of Nedbank Limited. The carrying value of the mortgage bond is R22 795 755 (2007: R24 275 682).

	GROUP		COMPANY	
	2008 R	2007 R	2008 R	2007 R
<b>10. INTANGIBLE ASSETS</b>				
<b>Opening balance</b>				
Cost	38 621 442	28 654 752		
Less: Accumulated amortisation	(23 832 413)	(14 127 022)	–	–
Net book value	14 789 029	14 527 730	–	–
<b>Current year movement</b>				
Additions	14 153 728	9 966 690	–	–
Amortisation: income statement	(9 990 908)	(9 705 390)	–	–
	4 162 820	261 300	–	–
<b>Closing balance</b>				
Cost	52 775 170	38 621 442	–	–
Less: Accumulated amortisation	(33 823 321)	(23 832 412)	–	–
Net book value	18 951 849	14 789 030	–	–
Intangible assets consist of costs capitalised during the development of various voice transaction management applications. These intangible assets have finite lives and are amortised over a period of three years.				
There are no intangible assets which are either idle or fully amortised and still in use.				
<b>11. SUBSIDIARY COMPANIES</b>				
(refer to schedule of subsidiary companies)				
Carrying value of shares	–	–	8 431 399	8 431 399
Loans owed to subsidiaries	–	–	58 317 892	70 151 442
Loans owed by subsidiaries	–	–	(105 559 647)	(102 044 000)
	–	–	(38 810 356)	(23 461 159)

Amounts owing by subsidiary companies are unsecured and have no fixed terms of repayment.

# NOTES TO THE FINANCIAL STATEMENTS *continued*

for the year ended 30 September 2008

	GROUP		COMPANY	
	2008	2007	2008	2007
	R	R	R	R
<b>12. LOANS AND RECEIVABLES</b>				
<b>12.1 Leseding Electronic Investments (Proprietary) Limited</b>				
These loans are unsecured, have no fixed terms of repayment and bear interest at prime bank overdraft rates	5 676 469	7 147 261	9 842 857	10 842 857
<b>12.2 Spescom Limited Share Trust</b>	–	–	6 112 758	6 084 936
Opening balance	–	–	6 084 936	6 072 645
Add: Loan amount repaid	–	–	27 822	12 291
Scheme shares are required to be pledged to the Trust and serve as security for due payment of the share debts.				
The loan is interest free and not subject to any fixed terms of repayment.				
The directors are of the opinion that the loan is fairly stated.				
	5 676 469	7 147 261	15 955 615	16 927 793
<b>13. INVESTMENT IN ASSOCIATE COMPANIES</b>				
<b>Decision Technologies (Proprietary) Limited</b>	3 100	3 100	–	–
Attributable cost of shares	200	200	–	–
Loan owing: this amount is unsecured, interest free and not subject to any fixed terms of repayment.	2 900	2 900	–	–
	3 100	3 100	–	–
<b>14. AVAILABLE-FOR-SALE INVESTMENT</b>				
<b>Leseding Electronics Investments (Proprietary) Limited</b>				
100 000 ordinary shares	1 000	1 000	1 000	1 000
235 000 convertible cumulative preference shares	1	1	1	1
	1 001	1 001	1 001	1 001
The directors are of the opinion that the investment is fairly stated.				

	GROUP		COMPANY	
	2008 R	2007 R	2008 R	2007 R
<b>15. DEFERRED TAXATION</b>				
<b>Analysis of major categories of temporary differences:</b>				
Computed tax losses	(11 456 757)	(14 783 809)		
Prepayments	525 653	586 654	–	–
Fixed assets	4 136 979	2 619 117	–	–
Provisions	(3 233 028)	(517 654)	–	–
<b>Deductible temporary differences</b>	<b>(10 027 153)</b>	<b>(12 095 692)</b>	<b>–</b>	<b>–</b>
Analysed to:				
Companies with net credit temporary differences	3 377 302	1 876 621	–	–
Companies with net debit temporary differences	(13 404 455)	(13 972 313)	–	–
	<b>(10 027 153)</b>	<b>(12 095 692)</b>	<b>–</b>	<b>–</b>
<b>Reconciliation of deferred taxation:</b>				
Taxation rate (%)	28	29	28	29
Balance at beginning of the year	(12 095 692)	(11 132 949)	–	–
Income statement charge	157 198	(962 743)	–	–
Change in tax rate	417 093	–	–	–
Arising on revaluation of land and buildings	1 494 249	–	–	–
<b>Balance at end of the year</b>	<b>(10 027 152)</b>	<b>(12 095 692)</b>	<b>–</b>	<b>–</b>
<b>16. INVENTORIES</b>				
Merchandise for resale	9 136 553	13 355 019	–	–
Components and raw materials	–	446 913	–	–
Projects-in-progress	5 176 434	4 899 396	–	–
Demonstration and hire equipment	968 084	1 656 921	–	–
Provision for obsolete and slow-moving inventory	(1 411 092)	(1 741 449)	–	–
Total inventories at the lower of cost and net realisable value	<b>13 869 979</b>	<b>18 616 800</b>	<b>–</b>	<b>–</b>
Inventory expensed and included in cost of sales				
– inventory expensed during the year	(177 359 642)	(233 416 508)	–	–
– inventory written off during the year	(256 270)	(662 180)	–	–
– reversal of inventory written off in previous year	–	19 572	–	–
– warranty and maintenance provisions included in cost of sales	(11 715 986)	(7 367 658)	–	–
	<b>(189 331 898)</b>	<b>(241 426 774)</b>	<b>–</b>	<b>–</b>

The reversal of inventories written off in previous years arose as a result of a scrap market being found for products which had previously been considered obsolete.

# NOTES TO THE FINANCIAL STATEMENTS *continued*

for the year ended 30 September 2008

	GROUP		COMPANY	
	2008 R	2007 R	2008 R	2007 R
<b>17. TRADE AND OTHER RECEIVABLES</b>				
Trade receivables	61 527 472	124 147 284	–	–
Other receivables	4 467 821	13 156	–	12 457 770
Prepayments and deposits	6 203 567	21 961 514	–	–
	<b>72 198 860</b>	<b>146 121 954</b>	<b>–</b>	<b>12 457 770</b>

Trade receivables are non-interest-bearing and are generally on 30 day terms. Other debtors are payable immediately upon receipt of invoice, but no later than 30 days term.

Movement in the allowance for impairment of receivables was as follows:

	Total individually impaired R	Total individually impaired R	Total individually impaired R	Total individually impaired R
Balance as at beginning of year	164 669	4 865 689	–	–
Charge for the year	3 100 160	165 705	–	–
Unused amounts reversed	–	(4 866 725)	–	–
<b>Balance as at end of year</b>	<b>3 264 829</b>	<b>164 669</b>	<b>–</b>	<b>–</b>

At 30 September, the age analysis of trade receivables is as follows:

GROUP	Total R	Neither past due nor impaired R	Past due but not impaired			
			<30 days R	30-60 days R	60-90 days R	>90 days R
2008	61 527 472	50 932 960	6 217 483	1 926 905	2 231 310	218 814
2007	124 147 284	112 748 160	6 854 531	1 659 614	798 033	2 086 946

	GROUP		COMPANY	
	2008 R	2007 R	2008 R	2007 R
<b>18. CASH AND CASH EQUIVALENTS</b>				
Cash at banks and in hand	26 746 283	17 311 240	1 778 711	90 351
Short-term deposits	16 971 743	4 574 073	16 978 706	4 574 073
	<b>43 718 026</b>	<b>21 885 313</b>	<b>18 757 417</b>	<b>4 664 424</b>

Cash at banks earns interest at floating rates based on daily bank deposit rates. Short-term deposits are made for varying periods of between one day and one month depending on the immediate cash requirements of the Group, and earn interest at the respective short-term deposit rates.

	GROUP		COMPANY	
	2008	2007	2008	2007
	R	R	R	R
<b>19. SHARE CAPITAL AND SHARE PREMIUM</b>				
<b>Ordinary shares</b>				
<b>Authorised</b>				
100 000 000 (2007: 100 000 000) ordinary shares of 1 cent each	1 000 000	1 000 000	1 000 000	1 000 000
<b>Issued</b>				
Balance at beginning of year	684 389	684 389	787 681	787 681
Less: Net movement in treasury shares	–	–	–	–
<b>Balance at end of year</b>	<b>684 389</b>	<b>684 389</b>	<b>787 681</b>	<b>787 681</b>
	<b>Number of shares</b>	<b>Number of shares</b>	<b>Number of shares</b>	<b>Number of shares</b>
<b>Total number of shares in issue to external parties</b>				
Balance at beginning of year	72 320 540	72 320 540	78 768 056	78 768 056
Net movement in treasury shares	201 000	–	–	–
<b>Balance at end of year</b>	<b>72 521 540</b>	<b>72 320 540</b>	<b>78 768 056</b>	<b>78 768 056</b>
The unissued shares are under the control of the directors until the forthcoming annual general meeting.				
<b>Weighted average number of shares in issue</b>				
Total issued share capital at beginning of year	78 768 056	78 768 056	–	–
Less: Weighted average number of treasury shares	(6 246 516)	(6 447 516)	–	–
<b>Total weighted average number of shares in issue at end of year</b>	<b>72 521 540</b>	<b>72 320 540</b>	<b>–</b>	<b>–</b>
<b>Share premium</b>				
Premium arising on issue of shares				
Balance at beginning of year	44 598 909	44 598 909	55 619 179	55 619 179
Net movement in treasury shares	–	–	–	–
<b>Balance at end of year</b>	<b>44 598 909</b>	<b>44 598 909</b>	<b>55 619 179</b>	<b>55 619 179</b>



## NOTES TO THE FINANCIAL STATEMENTS *continued* for the year ended 30 September 2008

### 19. SHARE CAPITAL AND SHARE PREMIUM (continued)

#### 19.1 Treasury shares

The Spescom Limited Share Trust owns 6 246 516 (2007: 6 447 516) shares in Spescom Limited. These shares are recorded in the balance sheet as treasury shares.

#### 19.2 Share-based payments

The Spescom Limited Share Incentive Trust was formed in 1990 to enable all employees of the Group to acquire share options in Spescom to provide them with incentives to advance the Group's interests.

The maximum number of shares and/or options that may be issued by the Trust may not exceed 20% of the issued ordinary share capital of Spescom Limited. The maximum number of shares and/or options that may be held by any one participant of the scheme may not exceed 1% of the issued share capital in question. The exercise price of the options is equal to 90% of the average market price determined for the month in which the share or option is granted. The contractual life of the options is ten years.

The stated objectives of these options was to recognise the employees' valued contribution and continued loyalty to the Group as well as to incentivise and enable the employees to participate in the capital growth of the Spescom Limited share. Unfortunately, some of the options were granted at a price which exceeds the prevailing share price and as such was no longer acting as an incentive.

The directors therefore proposed to cancel all share options granted at a price not lower than 70 cents. Such share options were cancelled on 12 December 2006.

The directors also decided to issue new share options on 15 December 2006. The intention of this issue was to compensate the employees for the cancelled issue.

According to the cancelled options, the right to take delivery or exercise the options vested five years from the date of allocation at a rate of 20% each year.

According to the new scheme, the right to take delivery or exercise the options vests one year from the date of allocation at the rate of 40% and two years from the date of allocation at a rate of 60%.

Participants can defer exercising the options subject to the rules of the scheme, but must exercise within 10 years of the allocation date.

Should the option holder resign from a Group company prior to the vesting dates, the rights to the unexercised options will be forfeited.

The Spescom Limited Share Trust is funded out of its own resources and by loans made by employers of participants in accordance with the provisions of section 38(2) of the Companies Act of 1971.

The Trust's accounts are consolidated with those of the Group.

Equity-settled share-based payment transactions are valued at the grant date, with the expense being recognised over the vesting period. The fair value of the options granted under the scheme is estimated at the date of grant using the Black-Scholes valuation technique. In line with Spescom's policy not to declare a dividend, the valuations have been performed excluding dividends.

## GROUP

2008

2007

**19. SHARE CAPITAL AND SHARE PREMIUM (continued)****19.2 Share-based payments (continued)**

*The key assumptions used in the calculations are detailed below:*

**Cancellation of previous scheme**

Expected volatility (based on standard deviation of the share price over 12 months)	–	11,47
Risk free rate (based on R513)	–	8,26%
Option strike price	–	117 cents
Market price at date of issue of options	–	83 cents
Estimated forfeiture rate (based on historical staff turnover rates)	–	28,0%
Expected life of options (years)	–	8,00
Option withdrawal date	–	15 December 2006
Model used	–	Black-Scholes

Due to the cancellation of the previous share options on 15 December 2006, the vesting period was accelerated, resulting in an expense to the income statement in 2007 of R322 950 (2008: nil).

**Issue of share options on 15 December 2006**

Expected volatility (based on standard deviation of the share price over 12 months)	<b>11,47</b>	11,47
Risk free rate (based on R513)	<b>8,26%</b>	8,26%
Option strike price	<b>68 cents</b>	68 cents
Market price at date of issue of options	<b>83 cents</b>	83 cents
Estimated forfeiture rate (based on historical staff turnover rates)	<b>28,0%</b>	28,0%
Expected life of options (years)	<b>5,00</b>	5,00
Option issue date	<b>15 December 2006</b>	15 December 2006
Model used	<b>Black-Scholes</b>	Black-Scholes

**Issue of share options on 21 February 2007**

Expected volatility (based on standard deviation of the share price over 12 months)	<b>10,29</b>	10,29
Risk free rate (based on R513)	<b>7,89%</b>	7,89%
Option strike price	<b>82 cents</b>	82 cents
Market price at date of issue of options	<b>99 cents</b>	99 cents
Estimated forfeiture rate (based on historical staff turnover rates)	<b>28,0%</b>	28,0%
Expected life of options (years)	<b>5,00</b>	5,00
Option issue date	<b>21 February 2007</b>	21 February 2007
Model used	<b>Black-Scholes</b>	Black-Scholes

The expected life of the options is based on historical data and is not necessarily indicative of exercise patterns that may occur. The expected volatility reflects the assumption that the historical volatility is indicative of future trends, which may also not necessarily be the actual outcome.

# NOTES TO THE FINANCIAL STATEMENTS *continued*

for the year ended 30 September 2008

## 19. SHARE CAPITAL AND SHARE PREMIUM (continued)

### 19.2 Share-based payments (continued)

#### Reconciliation of the movement in number of shares held by the Spescom Limited Share Trust

	Number of shares 2008	Number of shares 2007
Balance at beginning of the year	6 447 516	6 447 516
Shares (sold)/purchased during the year	(201 000)	–
<b>Balance at end of the year</b>	<b>6 246 516</b>	6 447 516

#### Reconciliation of the movement in options issued by Spescom Limited Share Trust

	2008		2007	
	Number of share options	Weighted average exercise price R	Number of share options	Weighted average exercise price R
Share options allocated at the beginning of the year	6 285 650	1,30	5 727 800	1,30
Cancellation of share options on 15 December 2006	–	1,45	(4 733 100)	1,45
Share options granted to employees on 15 December 2006	–	0,68	4 238 100	0,68
Share options granted to employees on 21 February 2007	–	0,68	1 232 250	0,82
Share options exercised	(201 000)	0,55	–	–
Share options forfeited on termination of employment	(100 500)	0,69	(179 400)	0,70
Share options outstanding at end of the year	5 984 150	0,70	6 285 650	0,69
Exercisable at 30 September	1 987 140		495 000	

The weighted average remaining contractual life for the share options outstanding as at 30 September 2008 is 7,86 years (2007: 8,86 years).

The weighted average fair value of options granted during the year was nil (2007: R0,71).

The range of exercise prices for options outstanding at the end of the year was R0,55 – R0,82 (2007: R0,55 – R0,82).

	GROUP		COMPANY	
	2008 R	2007 R	2008 R	2007 R
<b>20. NON-DISTRIBUTABLE RESERVES</b>				
<b>20.1 Foreign currency translation reserve</b>	<b>(12 889 720)</b>	(13 028 925)	<b>(12 533 513)</b>	(12 533 513)
Balance at beginning of the year	<b>(13 028 926)</b>	13 939 902	<b>(12 533 513)</b>	(12 533 513)
Movement for the year	<b>139 206</b>	(26 968 827)	–	–
The foreign currency translation reserve is used to record exchange differences arising from the translation of the financial statements of foreign subsidiaries.				
<b>20.2 Capital redemption reserve fund</b>	<b>540 000</b>	540 000	–	–
This reserve consists of an allocation of profits to cover the par value of preference shares redeemed and is created in terms of the Companies Act requirement that total ordinary shareholders should not be prejudiced to the extent that distributable reserves are used to redeem preference shares.				
<b>20.3 Asset revaluation reserve</b>	<b>10 810 682</b>	5 863 378	–	–
Balance at beginning of the year	<b>5 863 378</b>	5 953 857	–	–
Arising during the year	<b>6 817 580</b>	–	–	–
Less: Deferred taxation arising on revaluation	<b>(1 698 921)</b>	–	–	–
Depreciation of revalued amounts	<b>(233 789)</b>	(127 436)	–	–
Add: Deferred tax arising on depreciation of revalued amounts	<b>62 434</b>	36 957	–	–
The asset revaluation reserve is used to record increases in the fair value of land and buildings and decreases to the extent that such decrease relates to an increase on the same asset previously recognised in equity. The reserve can only be used to pay dividends in limited circumstances.				
<b>20.4 Share-based payments reserve</b>	<b>1 504 359</b>	809 420	–	–
Balance at beginning of the year	<b>809 421</b>	367 998	–	–
Arising during the year	<b>694 938</b>	441 422	–	–
This reserve arises as a result of equity-settled share-based payment transactions (refer to note 19.2).				
	<b>(34 679)</b>	(5 816 127)	<b>(12 533 513)</b>	(12 533 513)

# NOTES TO THE FINANCIAL STATEMENTS *continued*

for the year ended 30 September 2008

	GROUP		COMPANY	
	2008	2007	2008	2007
	R	R	R	R
<b>21. BANK FINANCE</b>				
Overdraft facilities, limited to a maximum of R10 million, are secured by suretyships, the cession and pledge of all debit bank balances as well as debtors balances. These facilities bear interest at the banks' corporate base wholesale rate plus 2% per annum. There are no fixed terms of repayment	–	–	–	–

## 22. INTEREST BEARING LIABILITIES

### Current portion

#### 22.1 Revolving credit facility: Amalgamated Banks of Southern Africa Limited (United Kingdom):

A revolving credit facility of US\$3,15 million which was reduced to US\$1,15 million subsequent to FY06 following the repayment of US\$2 million.

This facility was secured by a cession and pledge of Enterprise Informatics Inc. (incorporated in the United States of America) ordinary and preference shares held by Spescom Limited. It was further secured by way of unlimited guarantees from each of the Group's main operating subsidiaries.

The Group sold its investment in Enterprise Informatics Inc. on 30 September 2007, with cash flow settlements occurring on 11 October 2007, on which date the outstanding capital of R8 066 145 plus interest was repaid in full.

	GROUP		COMPANY	
	2008	2007	2008	2007
	R	R	R	R
Interest was payable at Libor plus 2,5% per annum and was repaid in full on 11 October 2007	–	8 066 145	–	8 066 145
<b>22.2 Property loan facility: Nedbank Limited</b>				
The Group has entered into a property loan agreement by registering a bond for the sum of R25 860 000 over its property described as Portion 198 (A Portion of Portion 2) of the farm Waterval No. 5 IR in extent 1,9827 hectares	22 795 755	24 275 682	–	–
Less: Long-term portion	(21 164 512)	(22 715 528)	–	–
The facility attracts interest at prime overdraft rates less 1%. This loan is repayable in 120 (one hundred and twenty) equal instalments commencing on 31 October 2006 until 30 September 2016.				
<b>Total current portion</b>	<b>1 631 243</b>	<b>9 626 299</b>	<b>–</b>	<b>8 066 145</b>

	GROUP		COMPANY	
	2008	2007	2008	2007
	R	R	R	R
<b>22. INTEREST BEARING LIABILITIES (continued)</b>				
<b>22.3 Long-term portion</b>				
<b>Property loan facility: Nedbank Limited</b>				
The Group has entered into a property loan agreement by registering a bond for the sum of R25 860 000 over its property described as Portion 198 (A Portion of Portion 2) of the farm Waterval No. 5 IR in extent 1,9827 hectares	21 164 512	22 715 528	–	–
The facility attracts interest at prime overdraft rates less 1%. This loan is repayable in 120 (one hundred and twenty) equal instalments commencing on 31 October 2006 until 30 September 2016.				
<b>Total long-term portion</b>	<b>21 164 512</b>	<b>22 715 528</b>	<b>–</b>	<b>–</b>
<b>23. INTEREST BEARING BORROWINGS</b>				
Long-term	21 164 512	22 715 528	–	–
Short-term	1 631 243	9 626 299	–	8 066 145
	<b>22 795 755</b>	<b>32 341 827</b>	<b>–</b>	<b>8 066 145</b>
There are no restrictions on the borrowing capabilities of the Company or the Group imposed by the Articles of Association or any other covenant.				
<b>24. TRADE AND OTHER PAYABLES</b>				
Trade	50 612 836	109 672 600	–	–
SARS – Vat payable	3 920 945	6 655 998	–	–
Accruals	4 542 030	9 663 134	889 790	2 903 971
Sundry	2 592 054	3 854 474	–	–
	<b>61 668 865</b>	<b>129 846 206</b>	<b>889 790</b>	<b>2 903 971</b>
Trade and other payables comprise amounts owing to suppliers for goods and services in the normal course of business.				
Terms vary in accordance with contracts of supply and service, but are generally settled on 30-60 day terms.				

# NOTES TO THE FINANCIAL STATEMENTS *continued*

for the year ended 30 September 2008

	GROUP		COMPANY	
	2008 R	2007 R	2008 R	2007 R
<b>25. TAXATION PAYABLE/(PREPAID)</b>				
Net amounts unpaid at beginning of year	4 155 453	2 437 654	–	–
Amounts charged to the income statement	6 505 724	352 012	–	–
Foreign exchange revaluation	48 518	–	–	–
Stamp duty paid	130 678	–	–	–
Amounts (paid)/refunded during year	(5 644 230)	1 365 788	–	–
<b>Net amounts unpaid at end of year</b>	<b>5 196 143</b>	<b>4 155 453</b>	<b>–</b>	<b>–</b>
Reconciled to:				
Taxation payable	5 331 725	4 220 954	–	–
Taxation prepaid	(135 582)	(65 500)	–	–
<b>Net amount</b>	<b>5 196 143</b>	<b>4 155 454</b>	<b>–</b>	<b>–</b>
<b>26. COMMITMENTS AND CONTINGENCIES</b>				
<b>Operating lease commitments</b>				
<b>– Group as a lessee</b>				
The Group has entered into commercial leases for rental of the regional premises. These leases have a life of two to three years with a renewal option included in the contracts. There are no restrictions placed upon the Group by entering into these leases.				
Future minimum rentals payable under operating leases as at 30 September are as follows:				
Later than one year but not exceeding five years	97 673	2 040 705	–	–
Within one year	2 074 844	2 062 153	–	–
	<b>2 172 517</b>	<b>4 102 858</b>	<b>–</b>	<b>–</b>
<b>Operating lease commitments</b>				
<b>– Group as a lessor</b>				
The Group has entered into commercial leases with customers for various equipment. These leases have a life of three to five years with a renewal option included in the contracts. There are no restrictions placed upon the Group by entering into these leases.				
Future minimum rentals receivable under operating leases as at 30 September are as follows:				
Later than one year but not exceeding five years	23 928 229	–	–	–
Within one year	10 219 319	–	–	–
	<b>34 147 548</b>	<b>–</b>	<b>–</b>	<b>–</b>

## 26. COMMITMENTS AND CONTINGENCIES (continued)

### Finance leases

The Group has entered into commercial leases with customers for various equipment. These leases have a life of three to five years with a renewal option included in the contracts. There are no restrictions placed upon the Group by entering into these leases.

Future minimum lease receivables under finance leases together with the present value of the net minimum lease receivables as at 30 September are as follows:

	GROUP			
	2008		2007	
	Minimum receipts R	Present value of receipts R	Minimum receipts R	Present value of receipts R
Later than one year but not exceeding five years	3 100 114	2 293 176	–	–
Within one year	2 175 509	1 653 291	–	–
Total minimum lease receivables	5 275 623	3 946 467	–	–
Less: Amounts representing finance charges	(1 329 156)	–	–	–
Present value of minimum lease payments	3 946 467	3 946 467	–	–

### Letter of support

Spescom Limited has issued a letter of support in favour of Spescom Limited UK (Proprietary) Limited. This letter of support is valid until October 2009. In the event that Spescom Limited UK (Proprietary) Limited requires financial support, the estimated financial effect of such support is expected to be GBP50 000. Spescom Limited UK (Proprietary) Limited anticipates growth and expects to be able to meet its obligations during the ordinary course of business.

### Guarantees

Spescom Limited has granted two guarantees in respect of subsidiary Spescom Telecommunications (Pty) Limited, one being incurred in respect of an Industrial Participation obligation on the award of a Telkom tender in 1999. The obligation was incurred in terms of the Department of Trade and Industry's National Industrial Participation Programme, where Spescom Limited had agreed to issue a bank guarantee for the amount of US\$450 000. This is currently under negotiations with the DTI. The second guarantee is issued to Neotel (Pty) Limited for an amount of R2 million in respect of a performance guarantee in respect of the orders placed.

	GROUP		COMPANY	
	2008 R	2007 R	2008 R	2007 R
<b>27. DEFERRED MAINTENANCE REVENUE</b>				
Service level agreements are provided as a separate service in addition to the sale of the products. Revenue arising from maintenance contracts is recognised on the accrual basis over the period for which the services are rendered.				
> 12 months	26 545 554	11 528 173	–	–
< 12 months	3 290 603	450 000	–	–
	29 836 157	11 978 173	–	–

# NOTES TO THE FINANCIAL STATEMENTS *continued*

for the year ended 30 September 2008



	GROUP		COMPANY	
	2008 R	2007 R	2008 R	2007 R
<b>28. PROVISIONS</b>				
<b>Short-term provisions consist of:</b>				
Performance incentives	15 741 048	16 359 029	–	–
Audit fee	1 631 992	1 498 158	359 297	527 650
Leave pay	6 317 126	5 404 783	–	–
Warranty	52 006	195 209	–	–
	<b>23 742 172</b>	23 457 179	<b>359 297</b>	527 650
<b>Reconciliation:</b>				
Balance at beginning of year	23 457 179	14 709 450	3 431 621	315 496
Increases in provisions/additional provisions	24 761 341	16 713 978	359 298	964 565
Payments against/expenses set-off against provisions	(24 476 348)	(7 861 339)	(2 541 831)	(752 411)
Foreign exchange rate adjustment	–	(104 910)	–	–
Balance at end of year	<b>23 742 172</b>	23 457 179	<b>359 298</b>	527 650

The warranty provision is for product warranties given to customers on the sale of certain products.

The utilisation of the above provisions, other than for leave pay which is expected to be utilised within three years, is expected to occur within 12 months.

## 29. FINANCIAL INSTRUMENTS AND RISK MANAGEMENT POLICIES

The Group's\* principal liabilities comprise mainly bank loans, overdrafts and trade payables. The main purpose of these financial liabilities is to raise finance for the Group's operations. The Group has various financial assets such as trade receivables and cash, which arise directly from its operations.

The Group also enters into foreign currency contracts to manage its currency risks arising from the Group's operations. It has always been the Group's policy not to trade in derivatives.

The main risks arising from the Group's financial instruments are cash flow interest rate risk, liquidity risk, foreign currency risk and credit risk. The Group has developed a risk management process to facilitate, control and monitor these risks. This process includes formal documentation of policies, including limits, controls and reporting structures.

\*Reference to Group also holds true for the Company.

### 29.1 Foreign currency risk

The Group has transactional foreign currency exposures. Such exposure arises mainly from purchases by an operating unit in currencies other than the unit's functional currency. The objective of foreign exchange risk management is to minimise the exposure to foreign currency fluctuations. The Group requires all of its operating units to use forward exchange contracts to eliminate the currency exposures on any individual transaction. The foreign currency contract must be in the same currency as the hedged item. It is the Group's policy not to enter into a forward exchange contract until a firm commitment is in place.

## 29. FINANCIAL INSTRUMENTS AND RISK MANAGEMENT POLICIES (continued)

### 29.1 Foreign currency risk (continued)

It is the Group's policy to negotiate the terms of the hedge derivatives to match the terms of the hedged item. Material forward exchange contracts at 30 September are summarised below:

	Rand equivalent	Average rate
<b>2008</b>		
US Dollars	28 780 299	8.28
Euro	52 136	12.06
British Pounds	121 318	15.90
<b>2007</b>		
US Dollars	18 805 973	7.21
Japanese Yen	4 841 473	0.06
Euro	58 295	10.09
British Pounds	307 542	14.89
Other	16 352	0.17

The following table demonstrates the sensitivity to a reasonably possible change in the material currencies that the Group operates with, all other variables held constant, of the Group's profit before tax (due to changes in the fair value of monetary assets and liabilities at year-end). The sensitivity analysis is unrepresentative of the risk.

	Closing rate	Change in year-end rate		Effect on PBT	
		Increase of 5%	Decrease of 5%	Increase of 5%	Decrease of 5%
<b>2008</b>					
US Dollars	8.20	8.61	7.79	(1 424 450)	1 424 450
British Pounds	14.90	15.65	14.15	(5 682)	5 682
<b>2007</b>					
US Dollars	6.92	7.27	6.57	(6 582 091)	6 582 091
British Pounds	14.17	14.88	13.46	(218 355)	218 355

### 29.2 Foreign companies

The Group has investments in foreign companies which are classified as foreign entities. The rates used in translating the income statements and balance sheets of these entities are as follows:

	Average rate	Closing rate
<b>2008</b>		
US Dollars	7.48	8.20
British Pounds	14.74	14.90
<b>2007</b>		
US Dollars	7.21	6.92
British Pounds	14.19	14.17



## NOTES TO THE FINANCIAL STATEMENTS *continued*

for the year ended 30 September 2008

### 29. FINANCIAL INSTRUMENTS AND RISK MANAGEMENT POLICIES (continued)

#### 29.3 Interest rate risk

The Group's exposure to interest rate risk relates primarily to the Group's long-term debt obligation with a variable interest rate.

The Group's policy is to manage interest rate risk through both fixed and variable, long- and short-term instruments.

Deposits and cash balances all carry interest at rates that vary in response to the prime lending rate in South Africa.

No financial instruments are entered into to mitigate the risk of interest rates.

As this is the Group's only long-term debt instrument, the Group is comfortable to assume this risk. Should further debt instruments be entered into, consideration will be given to fixed rate funding to manage its interest cost.

As part of the process of managing the Group's interest rate risk, interest rate characteristics of new borrowings and the refinancing of existing borrowings are positioned according to expected movements in interest rates. Full details of interest rates relating to borrowings are detailed in note 22.

The following table illustrates the effect on the Group's profit before tax, all other factors remaining equal, of changes in the variable interest liabilities at 30 September. The sensitivity analysis is unrepresentative of the risk, if this is the case.

	GROUP		COMPANY	
	2008 R	2007 R	2008 R	2007 R
Total variable borrowings	22 795 755	32 341 827	–	8 066 145
Effect on profit before tax Plus 50 basis points	(113 979)	(161 709)	–	(40 331)
Effect on profit before tax Minus 50 basis points	113 979	161 709	–	40 331

#### 29.4 Credit risk

The Group is exposed to a credit risk from its operating activities and certain financing activities. With regard to financing activities, transactions are only concluded with rated counterparties in connection with an operational credit and management system. At the level of operations, the outstanding debts are continuously monitored in each area. Credit risks must be taken into account through individual and collective allowances.

The solvency of the business with key accounts, especially international customers, is monitored separately. In terms of the overall risk exposure from the credit risk, however, the receivables from these counterparties are not so extensive as to justify extraordinary concentrations of risk.

The maximum exposure to credit risk is partly represented by the carrying amounts of the financial assets that are carried in the balance sheet (refer to note 17). No significant agreements reducing the maximum exposure to credit risk (such as contractual netting) had been concluded as of the reporting date. In addition, Spescom Limited is exposed to a credit risk through the granting of financial guarantees amounting to a nominal total of R6,5 million (2007: R6,5 million).

The exposure in respect of the loan to the Share Trust is limited to the differential between the price at which shares were purchased by the Trust and the price at which options were issued to employees. Where the recoverable amount of the loan is less than the amount recoverable by way of options, the loan is impaired to its recoverable value.

With respect to the trade receivables that are neither impaired nor past due, there are no indications as of the reporting date that the debtors will not meet their payment obligations.

## 29. FINANCIAL INSTRUMENTS AND RISK MANAGEMENT POLICIES (continued)

### 29.5 Fair value

The directors are of the opinion that the carrying values of financial instruments at year-end approximated their fair values.

### 29.6 Liquidity risk

The Group monitors its risk to a shortage of funds by performing regular forecasts of projected cash flows from operations.

The Group's objective is to maintain a balance between continuity of funding and flexibility through the use of bank overdrafts, bank loans, debentures, preference shares, finance leases and hire purchase contracts.

#### *Bank relationship management*

The Group and Company strive to have a balanced pool of banks that can provide the desired funding and services at a competitive price, while limiting and managing the concentration of counterparty risk.

Due to the importance of having access to long-term financing for growth purposes the Group and Company select counterparties based on their ability and willingness to support both the Group and the Company.

Banking business is divided between banks in a balanced way based on performance and competitiveness. In the case of comparable quality and pricing, the business allocation decision is relationship-driven.

#### *Financial counterparty exposure management*

The Board of Directors approves counterparty limits.

Actual exposure against these limits is monitored on a continual basis. Positions are placed only with counterparties with a high quality rating.

The Group's maximum exposure to liquidity risk at the reporting date is as follows:

	Interest bearing funding		Deposit and call accounts	
	Bank limit	Balance	Internal limit	Balance
	R	R	R	R
<b>For the year ended 30 September 2008</b>				
General banking facility – First National Bank	(9 980 000)	–	30 000 000	22 109 488
Money market facility – Investec	–	–	40 000 000	16 971 743
Money market facility – Barclays Bank London	–	–	10 000 000	4 636 795
Mortgage bond over land and buildings – Nedbank	(22 795 755)	(22 795 755)	–	–
Total	(32 775 755)	(22 795 755)	80 000 000	43 718 026
<b>For the year ended 30 September 2007</b>				
General banking facility – First National Bank	(9 980 000)	–	30 000 000	4 862 690
Money market facility – Investec	–	–	40 000 000	4 574 072
Money market facility – Barclays Bank London	–	–	10 000 000	288 618
Mortgage bond over land and buildings – Nedbank	(32 341 827)	(32 341 827)	–	–
Total	(42 321 827)	(32 341 827)	80 000 000	21 885 313

# NOTES TO THE FINANCIAL STATEMENTS *continued*

for the year ended 30 September 2008

## 29. FINANCIAL INSTRUMENTS AND RISK MANAGEMENT POLICIES (continued)

### 29.6 Liquidity risk (continued)

#### *Financial counterparty exposure management (continued)*

The table below shows the maturity profile of the Group's financial liabilities at 30 September based on contractual undiscounted payments.

Year ended 30 September 2008	On demand	Less than 3 months	3 to 12 months	1 to 5 years	>5 years	Total
<b>Group</b>						
Interest bearing loans	-	245 357	1 385 886	9 469 401	11 695 111	22 795 755
Trade and other payables	42 291 744	14 834 091	-	-	-	57 125 835
	42 291 744	15 079 448	1 385 886	9 469 401	11 695 111	79 921 590
<b>Company</b>						
Interest bearing loans	-	-	-	-	-	-
Trade and other payables	-	-	-	-	-	-
	-	-	-	-	-	-
<b>Year ended 30 September 2007</b>						
<b>Group</b>						
Interest bearing loans	8 066 145	122 989	1 213 815	7 171 781	15 767 097	32 341 827
Trade and other payables	88 974 659	31 208 413	-	-	-	120 183 072
	97 040 804	31 331 402	1 213 815	7 171 781	15 767 097	152 524 899
<b>Company</b>						
Interest bearing loans	8 066 145	-	-	-	-	8 066 145
Trade and other payables	-	-	-	-	-	-
	8 066 145	-	-	-	-	8 066 145

## 30. EMPLOYEE BENEFITS

### 30.1 Post-retirement benefits

Eligible employees are members of defined contribution schemes or are members of funds within the various industries and countries within which they are employed.

Prior to 1 July 1999, qualifying employees within South Africa were covered by a defined contribution pension fund scheme (Spescom Pension Fund). With effect from 1 July 1999 the Group established a defined contribution provident scheme (Spescom Retirement Fund) for employees and no further contributions were made to the Spescom Pension Fund. The Spescom Retirement Fund covers all existing employees as well as subsequent new employees.

As the funds are defined contribution plans, the benefits are determined solely by the contributions to the funds together with the resultant investment earnings on those contributions. There is therefore no responsibility on the Group for any future unfunded obligations arising from these funds.

During May 2006, in order to prevent the capital base of the Spescom Pension Fund from being eroded by the costs associated with administering an inactive fund, the trustees of the Spescom Pension Fund applied for the voluntary liquidation of the fund. The liquidation date is 9 December 2006 and the liquidation process was finalised in May 2007.

All the South African funds are administered by Aon Consulting South Africa (Pty) Limited on behalf of the Group. The South African funds are governed by the Pensions Act, No 24 of 1956 and all other funds are governed by the respective legislation of the country concerned.

### 30. EMPLOYEE BENEFITS (continued)

#### 30.1 Post retirement benefits (continued)

The most recent actuarial reviews of the Spescom Retirement Fund as well as the Spescom Pension Fund were performed by QED Actuaries and Consultants (Pty) Limited on 30 September 2007. The reviews for the financial year ending 30 September 2008 are still in progress.

The objectives of the reviews of the funds were to assess the financial position of the funds as well as the solvency of the funds in terms of assets and liabilities. Both funds were previously found to be in sound financial condition.

Contributions to the Spescom Provident Fund are employee determined and range from a minimum of 15% to a maximum of 20% of the employee's pensionable payroll cost.

Contributions expensed during the financial year to 30 September 2008 amounted to R6 313 939 (2007: R5 328 135).

	2008	2007
Total number of employees in the Group	289	257
Membership details of the Spescom Pension and Provident Funds at the valuation date are:		
Active members – Spescom Limited Pension Fund	nil	nil
Active members – Spescom Limited Provident Fund	263	236

#### 30.2 Employee share incentive scheme

In terms of the Spescom Limited Share Trust Deed, all full-time employees of the Company and its subsidiaries, including directors holding full-time salaried employment or office, are entitled to acquire shares in Spescom Limited to provide them with an incentive to advance the Group's interests. Refer to note 19.2.

### 31. CAPITAL MANAGEMENT

The primary objective of the Group's capital management is to ensure that it maintains a strong credit rating and healthy capital ratios in order to support business and maximise shareholder value.

The Group manages its capital structure and makes adjustments to it, in light of changes in economic conditions.

No changes were made in the objectives, policies or processes during the years ended 30 September 2008 and 30 September 2007.

The Group monitors capital using a gearing ratio, which is net debt divided by total capital plus net debt. The Group's policy is to keep the gearing ratio between 30% – 40%. The Group includes within net debt, interest bearing liabilities, trade and other payables, less cash and cash equivalents. Capital includes equity attributable to equity holders of the parent.

	2008 R	2007 R
Interest bearing liabilities	22 795 755	32 344 827
Trade and other payables	57 125 835	120 183 072
Less: Cash and cash equivalents	(43 718 026)	(21 885 313)
Net debt	36 203 564	130 642 586
Equity attributable to the equity holders of the parent	67 550 910	54 402 908
Total capital	67 550 910	54 402 908
<b>Capital and net debt</b>	<b>103 754 474</b>	<b>185 045 494</b>
Gearing ratio (%)	35	71

### 32. RELATED PARTY DISCLOSURES

The financial statements include the financial statements of Spescom Limited and the subsidiaries listed in the following table:

Name	Country of incorporation	% equity interest	
		2008	2007
Spescom DataFusion (Pty) Limited	South Africa	100	100
Spescom DataVoice (Pty) Limited	South Africa	66	66
Spescom Systems (Pty) Limited	South Africa	100	100
Spescom Telecommunications (Pty) Limited	South Africa	60	60
CIT Telecommunications (Pty) Limited	South Africa	100	100
Analysis Management & Systems (Pty) Limited	South Africa	100	100
Spescom Limited UK	United Kingdom	100	100

The following intergroup transactions have been entered into with related parties:

Related party	Year	Sales to related parties		Purchases from related parties		Admin fees paid to related parties		Admin fees received from related parties		Rent paid to related parties		Rent received from related parties		Interest paid to related parties		Interest received from related parties		Amounts owed by related parties		Amounts owed to related parties	
		R	R	R	R	R	R	R	R	R	R	R	R	R	R	R	R	R	R	R	R
Spescom Systems (Pty) Limited	2008	522 137	55 204	13 692 748	4 947 480	1 681 284	-	-	4 947 480	1 094 737	-	-	-	-	71 370 051	33 107 382					
	2007	-	-	14 215 036	4 947 480	1 094 737	-	-	4 947 480	1 094 737	104 632	4 503 725	77 821 147	37 573 571							
Spescom Telecommunications (Pty) Limited	2008	-	2 258	-	523 821	-	-	-	-	-	-	-	-	589 491	17 170 261						
	2007	-	-	-	264 955	-	-	-	-	-	1 062 903	-	-	405 210	19 260 373						
Spescom DataFusion (Pty) Limited	2008	88 554	34 350 114	5 987 751	987 016	-	40 000	-	987 016	-	-	-	-	73 752 521	25 036 316						
	2007	341 376	19 058 289	4 904 975	769 057	-	-	-	769 057	-	4 144 802	4 530 380	78 157 467	34 311 524							
Spescom DataVoice (Pty) Limited	2008	37 056 283	8 261 281	3 961 871	170 448	-	-	-	170 448	-	-	-	-	373 438	94 655 988						
	2007	21 779 226	13 065	3 079 786	133 362	56 221	-	-	133 362	6 675 569	-	-	266 882	102 023 951							
Analysis Management & Systems (Pty) Limited	2008	-	-	-	-	-	-	-	-	-	-	-	-	2 471 771	18 698 130						
	2007	-	-	-	-	-	-	-	-	-	-	-	-	1 188 184	17 376 594						

### 32. RELATED PARTY DISCLOSURES (continued)

Other related party transactions are detailed below:

Related party	Relationship to the Group	Transaction type	GROUP	
			2008 R	2007 R
Fluxmans Attorneys Incorporating Kallmeyer and Strime	P Vallet is a partner of this firm and also a non-executive director of Spescom Limited	Legal and consultancy services	–	7 509
Enterprise Informatics Inc.	Associate company	Administration fees	–	1 050 114
Enterprise Informatics Inc.	Associate company	Interest received on loans	–	41 584

The Group's key management personnel consist of directors and executive management. The Group's investment in Enterprise Informatics Inc. (previously trading as Spescom Software Inc.) was sold on 30 September 2007.

The sales to and purchases from related parties are made at normal market prices. Outstanding balances at year-end are unsecured, interest free and settlement occurs in cash. The Group has not recorded any impairment of receivables relating to amounts owed by related parties. This assessment is undertaken each financial year through examining the financial position of the related party and the market in which the related party operates.

## SUBSIDIARY COMPANIES

for the year ended 30 September 2008

	Issued capital		% Interest in issued capital		Book value of holding company's interest Shares		Book value of holding company's interest Indebtedness	
	2008 R	2007 R	2008 %	2007 %	2008 R	2007 R	2008 R	2007 R
<b>Direct</b>								
Spescom Limited UK (Incorporated in United Kingdom) (Telecommunications)	993	993	100	100	114 991	114 991	(27 416 369)	(23 900 722)
Spescom MeasureGraph (Pty) Limited (Dormant)	100	100	100	100	1 808 948	1 808 948	-	-
Spescom Edge Technologies (Pty) Limited (Investment holding)	100	100	100	100	1	1	18 529 153	18 529 153
Spescom Electronics Holdings (Pty) Limited (Investment holding)	20 000	20 000	100	100	6 371 358	6 371 358	(361 933)	(361 933)
Analysis Management and Systems (Pty) Limited (Telecommunications)	13 400	13 400	100	100	136 001	136 001	(56 706 753)	(56 706 753)
Spescom Special Resources (Pty) Limited (Telecommunications)	100	100	100	100	100	100	(100)	(100)
<b>Indirect</b>								
Spescom DataFusion (Pty) Limited (Voice recording and contact centre solutions)	100	100	100	100			23 982 138	23 982 138
Spescom Global Systems (Pty) Limited (Investment holding)	1 000	1 000	100	100			-	-
Spescom Properties (Pty) Limited (Property owning)	100	100	100	100			(17 500 000)	(17 500 000)
Spescom Systems (General electronics and broadcasting equipment)	100	100	100	100			15 806 601	27 640 151
Spescom DataVoice (Pty) Limited (Voice recording and work force optimisation solutions)	100	100	66	66			-	-
CIT Telecommunications (Pty) Limited (Communications and Information Technology)	1 000	1 000	100	100			-	-
Secure Systems Engineering (Pty) Limited (Dormant)	100	100	100	100			-	-
Spescom Telecommunications (Pty) Limited (Telecommunications)	1 380 120	1 380 120	60	60			(3 574 492)	(3 574 492)
Connection Technology (Pty) Limited (Dormant)	150 000	150 000	100	100			-	-
Chercoor (Pty) Limited (Dormant)	125 103	125 103	100	100			-	-
Spescom Software South Africa (Pty) Limited (Electronic document and configuration management systems)	100	100	100	100			-	-
					8 431 399	8 431 399		
Aggregate amounts owing by subsidiaries							(105 559 647)	(102 044 000)
Aggregate amounts owing to subsidiaries							58 317 892	70 151 442
							(47 241 755)	(31 892 558)
							2008	2007
The interest of the Company in the aggregate profits and losses after tax of the subsidiary companies is as follows:							R	R
• Profit							25 254 482	44 448 544
• Losses							(17 887 928)	(23 669 422)

# SEGMENTAL REPORT

for the year ended 30 September 2008

## SEGMENT INFORMATION

The primary segment reporting format is determined to be business segments as the Group's risks and rates of return are affected predominantly by differences in the products and services produced. Secondary information is reported geographically. The operating businesses are organised according to the nature of the products and services provided, with each segment representing a combination of business units that offer different products and serve different markets.

Transfer prices between business unit segments are set on an arm's length basis in a manner similar to transactions with third parties. Segment revenue, segment expense and segment results include transfers between business segments.

Those transfers are eliminated on consolidation. The Group's geographical segments are based on the location of the Group's assets. Sales to external customers disclosed in geographical segments are based on the geographical location of its customers.

### 1. Based on business segment

#### Business unit's Income Statement

	Enterprise application and integration solutions R	Commu- nication integration activities R	Services R	Total R
<b>2008</b>				
Revenue	277 461 231	23 025 964	62 444 931	362 932 125
Cost of sales	(157 998 258)	(14 755 242)	(16 578 398)	(189 331 898)
Operating profit	12 441 060	118 500	3 667 871	16 227 431
Depreciation	(2 420 073)	(359 883)	(781 551)	(3 561 507)
Amortisation of intangible assets	(9 990 908)	–	–	(9 990 908)
<b>2007</b>				
Revenue	262 664 858	86 098 545	36 706 786	385 470 189
Cost of sales	(161 006 607)	(69 609 196)	(10 810 971)	(241 426 774)
Operating profit	2 207 660	487 635	1 529 617	4 224 912
Depreciation	(2 762 657)	(260 174)	(773 629)	(3 796 460)
Amortisation of intangible assets	(9 705 391)	–	–	(9 705 391)
Profit from associate company	3 826 319	–	–	3 826 319

# SEGMENTAL REPORT *continued*

for the year ended 30 September 2008

## SEGMENT INFORMATION (continued)

### Business unit's Balance Sheet

	Enterprise application and integration solutions R	Communi- cation integration activities R	Services R	Total R
<b>2008</b>				
<b>Assets</b>	<b>212 050 398</b>	<b>1 021 482</b>	<b>1 230 619</b>	<b>214 302 499</b>
<b>Liabilities</b>	<b>(98 631 334)</b>	<b>(13 667 679)</b>	<b>(34 452 943)</b>	<b>(146 751 956)</b>
<b>2007</b>				
Assets	191 171 093	65 832 254	1 119 918	258 123 265
Liabilities	(90 487 525)	(63 586 585)	(49 610 831)	(203 684 941)

## 2. Based on geographical operations

### Income Statement

	Africa R	Europe R	USA R	Other R	Total R
<b>2008</b>					
<b>Revenue</b>	<b>353 991 926</b>	<b>8 940 199</b>	<b>–</b>	<b>–</b>	<b>362 932 125</b>
<b>Cost of sales</b>	<b>(185 903 909)</b>	<b>(3 427 989)</b>	<b>–</b>	<b>–</b>	<b>(189 331 898)</b>
<b>Operating profit</b>	<b>13 149 450</b>	<b>3 077 981</b>	<b>–</b>	<b>–</b>	<b>16 227 431</b>
<b>Depreciation</b>	<b>(3 533 382)</b>	<b>(28 125)</b>	<b>–</b>	<b>–</b>	<b>(3 561 507)</b>
<b>Amortisation of intangible assets</b>	<b>(9 990 908)</b>	<b>–</b>	<b>–</b>	<b>–</b>	<b>(9 990 908)</b>
<b>2007</b>					
Revenue	375 020 748	8 305 964	1 643 779	499 698	385 470 189
Cost of sales	(236 733 613)	(4 070 852)	(361 275)	(261 034)	(241 426 774)
Operating profit	4 404 208	(713 024)	285 108	248 620	4 224 912
Depreciation	(3 766 836)	(29 624)	–	–	(3 796 460)
Amortisation of intangible assets	(9 705 391)	–	–	–	(9 705 391)

### Balance Sheet

	Africa R	Europe R	Total R
<b>2008</b>			
<b>Assets</b>	<b>186 462 495</b>	<b>27 840 004</b>	<b>214 302 499</b>
<b>Liabilities</b>	<b>(146 021 650)</b>	<b>(730 306)</b>	<b>(146 751 956)</b>
<b>2007</b>			
Assets	233 303 996	24 819 269	258 123 265
Liabilities	(200 014 085)	(3 670 856)	(203 684 941)

# DIRECTORS' REMUNERATION

as at 30 September 2008

## NON-EXECUTIVE DIRECTORS

Name	Fees R	Basic salary R	Perfor- mance bonus R	Retirement and other benefits R	Total 2008 R	Total 2007 R
J Myers (resigned 9 July 2007)	–	–	–	–	–	333 946
M Mogase	296 390	–	–	–	296 390	160 860
P Vallet	198 260	–	–	–	198 260	185 120
L Ogilvy	150 580	–	–	–	150 580	116 000
W Kansteiner (resigned 28 February 2007)	–	–	–	–	–	10 000
C Nkosi (appointed 1 June 2008)	35 500	–	–	–	35 500	–
<b>Total</b>	<b>680 730</b>	<b>–</b>	<b>–</b>	<b>–</b>	<b>680 730</b>	<b>805 926</b>

## EXECUTIVE DIRECTORS

	Basic salary R	Perfor- mance bonus R	Retirement benefits R	Total 2008 R	Total 2007 R
A Farah (resigned 31 August 2007)	–	–	–	–	7 070 669
J Palmer	1 494 079	882 000	205 886	2 581 965	1 876 311
T Makore	1 112 466	182 049	187 494	1 482 009	1 397 949
P Fick (appointed 12 April 2007)	1 124 896	750 421	128 434	2 003 751	1 179 672
<b>Total</b>	<b>3 731 441</b>	<b>1 814 470</b>	<b>521 814</b>	<b>6 067 725</b>	<b>11 524 601</b>

W Kansteiner is resident in the United States of America and his remuneration was denominated in US Dollars. For the purposes of reporting, this remuneration has been converted into South African Rand (ZAR).

# DIRECTORS' SHARE OPTIONS

at 30 September 2008

## Spescom Limited share options

Name	Options held at beginning of year	Withdrawal of options by the Group	Re-issue based on change in policy	Granted during the year	Options held at year-end	2008
						Weighted average price-closing
J Palmer	320 000	–	–	–	320 000	0,74
L Ogilvy	–	–	–	–	–	–
P Vallet	–	–	–	–	–	–
M Mogase	–	–	–	–	–	–
T Makore	285 000	–	–	–	285 000	0,82
P Fick	300 000	–	–	–	300 000	0,64
C Nkosi	–	–	–	–	–	–
<b>Total</b>	<b>905 000</b>	<b>–</b>	<b>–</b>	<b>–</b>	<b>905 000</b>	

Name	Options held at beginning of year	Withdrawal of options by the Group	Re-issue based on change in policy	Granted during the year	Options held at year-end	2007
						Weighted average price-closing
J Palmer	340 000	(190 000)	190 000	–	340 000	0,70
L Ogilvy	320 000	(220 000)	220 000	–	320 000	0,74
W Kansteiner	–	–	–	–	–	1,17
P Vallet	–	–	–	–	–	–
M Mogase	–	–	–	–	–	–
T Makore	85 000	(85 000)	85 000	200 000	285 000	0,82
J Myers	–	–	–	–	–	–
P Fick	300 000	(200 000)	200 000	–	300 000	0,64
C Nkosi	–	–	–	–	–	–
<b>Total</b>	<b>1 045 000</b>	<b>(695 000)</b>	<b>695 000</b>	<b>200 000</b>	<b>1 245 000</b>	

# NOTICE OF ANNUAL GENERAL MEETING

Notice is hereby given that the thirteenth Annual General Meeting of members of Spescom Limited, registration number 1987/001083/06, will be held in the Spescom Boardroom, 1st Floor, Spescom Park, Cnr. Alexandra Avenue and Second Road, Halfway House, Midrand on Friday, 17 April 2009 at 10h00 to conduct the following business:

## **ORDINARY RESOLUTION 1**

To receive and adopt the consolidated audited annual financial statements of the Company and its subsidiaries, incorporating the reports of the auditors, the Audit and Risk Committee and the directors for the year ended 30 September 2008.

## **ORDINARY RESOLUTION 2**

To elect by way of separate resolutions directors in the place of those retiring in accordance with the Company's articles of association. The directors retiring are Ms Connie Nkosi, Ms Lynne Ogilvy and Ms Dashni Sinivasan, all of whom being eligible offer themselves for re-election.

An abbreviated *curriculum vitae* in respect of each director offering herself for re-election is contained in the explanatory notes to this notice.

## **ORDINARY RESOLUTION 3**

To sanction the remuneration paid to non-executive directors for the period 1 April 2008 to 31 March 2009, as set out in the table contained in the explanatory notes to this notice.

## **ORDINARY RESOLUTION 4**

To sanction the proposed remuneration payable to non-executive directors from 1 April 2009 until the next annual general meeting, as set out in the table contained in the explanatory notes to this notice.

## **ORDINARY RESOLUTION 5**

To re-appoint Ernst & Young as independent auditors of the Company for the ensuing year (the designated auditor being Mr Warren Kinnear) and to authorise the directors to determine the remuneration of the auditors for the past year's audit as reflected on page 59 of the annual report.

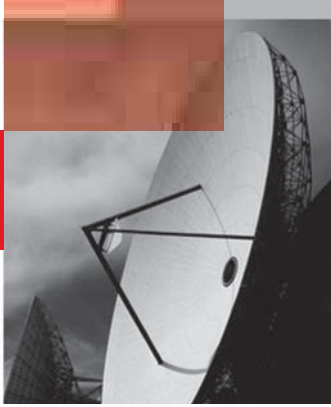
## **ORDINARY RESOLUTION 6**

To approve that, subject to the provisions of the Companies Act, 61 of 1973, as amended ("the Act") and the Listings Requirements of the JSE, the directors are hereby authorised to allot and issue at their discretion up to a maximum of 5% of the total number of issued ordinary shares in the share capital of the Company for such purposes as they may determine.

## **ORDINARY RESOLUTION 7**

To approve that, as required in terms of the JSE Listings Requirements, the directors be authorised to issue up to a maximum of 5% of the total number of issued ordinary shares in the share capital of the Company for cash, without restrictions as to any public shareholder, as defined by the JSE Listings Requirements, as and when suitable opportunities arise, subject to the following conditions:

- 1 that this authority shall only be valid until the next annual general meeting of the Company but shall not extend beyond 15 months from the date of this meeting;
- 2 that a paid press announcement giving full details, including the impact on net asset value and earnings per share, be published after any issue representing, on a cumulative basis within one financial year, 5% of the number of shares in issue prior to the issue concerned;
- 3 that the issues in aggregate in any one financial year shall not exceed 5% of the number of shares of the Company's issued ordinary share capital; and
- 4 that in determining the price at which an issue of shares for cash will be made in terms of this authority, the maximum discount permitted shall be 10% of the weighted average traded price of the ordinary shares on the JSE (adjusted for any dividend declared but not yet paid or for any capitalisation award made to shareholders) 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.



# NOTICE OF ANNUAL GENERAL MEETING

(continued)

## **SPECIAL RESOLUTION 1 – GENERAL AUTHORITY TO REPURCHASE SHARES**

To consider and, if deemed fit, to pass, with or without modification, the following special resolution:

“RESOLVED that the directors be and are hereby authorised to approve and implement the acquisition by the Company (or by a subsidiary of the Company up to a maximum of 10% (ten percent) of the number of issued ordinary shares of the Company), of ordinary shares issued by the Company by way of a general authority, which shall only be valid until the Company’s next annual general meeting, unless it is then renewed, provided that it shall not extend beyond 15 (fifteen) months from the date of the passing of the special resolution, whichever period is the shorter, in terms of the Companies Act 1973, and the rules and requirements of the JSE Limited (JSE) which provide, *inter alia*, that the Company may only make a general repurchase of its shares subject to:

- the repurchase being implemented through the order book operated by the JSE trading system, without prior understanding or arrangement between the Company and the counterparty;
- the Company being authorised thereto by its articles of association;
- repurchases not being made at a price greater than 10% (ten percent) above the weighted average of the market value of the ordinary shares for the 5 (five) business days immediately preceding the date on which the transaction was effected;
- an announcement being published as soon as the Company has repurchased ordinary shares constituting, on a cumulative basis, 3% (three percent) of the initial number of ordinary shares, and for each 3% (three percent) in aggregate of the initial number of ordinary shares repurchased thereafter, containing full details of such repurchases;
- repurchases not exceeding 20% (twenty percent) in aggregate of the Company’s issued ordinary share capital in any one financial year;
- the Company’s sponsor confirming the adequacy of the Company’s working capital for purposes of undertaking the repurchase of ordinary shares in writing to the JSE upon entering the market to proceed with the repurchase;
- the Company remaining in compliance with paragraphs 3.37 to 3.41 of the JSE Listings Requirements concerning shareholder spread after such repurchase;
- the Company and/or its subsidiaries not repurchasing securities during a prohibited period as defined in paragraph 3.67 of the JSE Listings Requirements, unless it has in place a repurchase programme where the dates and quantities of securities to be traded during the relevant period are fixed and full details of the programme have been disclosed in an announcement published on SENS prior to the commencement of the prohibited period; and
- the Company only appointing one agent to effect any repurchases on its behalf.”

The directors, having considered the effects of the repurchase of the maximum number of ordinary shares in terms of the foregoing general authority, are of the opinion that for a period of 12 (twelve) months after the date of the notice of the annual general meeting:

- the Company and the Group will be able, in the ordinary course of business, to pay its debts;
- the working capital of the Company and the Group will be adequate for ordinary business purposes;
- the assets of the Company and the Group, fairly valued, will exceed the liabilities of the Company and the Group; and
- the Company’s and the Group’s ordinary share capital and reserves will be adequate for ordinary business purposes.

The following additional information, some of which may appear elsewhere in the annual report, is provided in terms of the JSE Listings Requirements for purposes of this general authority:

- directors and management – pages 4 to 5;
- major beneficial shareholders – page 33;
- directors’ interests in ordinary shares – pages 32 and 33; and
- share capital of the Company – pages 69 and 72.

The directors in office whose names appear on pages 4 and 5 of the annual report, are not aware of any legal or arbitration proceedings, including proceedings that are pending or threatened, that may have or have had in the recent past, being at least the previous 12 (twelve) months, a material effect on the Group’s financial position.

## DIRECTORS' RESPONSIBILITY STATEMENT

The directors in office, whose names appear on pages 4 and 5 of the annual report, collectively and individually accept full responsibility for the accuracy of the information pertaining to this special resolution and certify that, to the best of their knowledge and belief, there are no facts that have been omitted which would make any statement false or misleading, and that all reasonable enquiries to ascertain such facts have been made and that the special resolution contains all information required by law and the JSE Listings Requirements.

## MATERIAL CHANGES

Other than the facts and developments reported on in the annual report, there have been no material changes in the affairs or financial position of the Company and its subsidiaries since the date of signature of the audit report and up to the date of this notice.

The directors have no specific intention, at present, for the Company to repurchase any of its shares but consider that such a general authority should be put in place should an opportunity present itself to do so during the year which is in the best interests of the Company and its shareholders.

The reason for and effect of the special resolution is to grant the directors of the Company a general authority in terms of the Companies Act 1973 and the JSE Listings Requirements for the repurchase by the Company (or by a subsidiary of the Company) of the Company's shares.

## ORDINARY RESOLUTION 8

To authorise any one director or the secretary of the Company to do all such things and sign all such documents as are deemed necessary to implement the resolutions set out in the notice convening the annual general meeting at which this ordinary resolution will be considered.

Any shareholder holding shares in certificated form or recorded on the Company's sub-register in electronic dematerialised form in "own name" and entitled to attend, speak and vote at the meeting is entitled to appoint a proxy to attend, speak and on a poll vote in his stead. A proxy need not be a member of the Company.

Proxy forms must be lodged at the registered office of the Company at Spescom Park, Cnr. Alexandra Avenue & 2nd Road, Halfway House, Midrand, 1685, South Africa (Postal address P O Box 288, Halfway House, 1685) or at the offices of the transfer secretaries, Computershare Investor Services (Proprietary) Limited (70 Marshall Street, Corner Sauer Street, Johannesburg; P O Box 61051, Marshalltown, 2107), by no later than 09h00 on Wednesday, 15 April 2009.

All beneficial owners whose shares have been dematerialised through a Central Securities Depository Participant (CSDP) or broker other than with "own name" registration, must provide the CSDP or broker with their voting instructions in terms of their custody agreement should they wish to vote at the Annual General Meeting. Alternatively, they may request the CSDP or broker to provide them with a letter of representation, in terms of their custody agreements, should they wish to attend the Annual General Meeting.

By order of the Board



Annamarie van der Merwe  
*Company Secretary*  
Midrand

18 February 2009



# NOTICE OF ANNUAL GENERAL MEETING

(continued)

## ANNUAL GENERAL MEETING – EXPLANATORY NOTES:

### Ordinary Resolution 1 – Adoption of annual financial statements

At the Annual General Meeting, the directors must present the annual financial statements for the year ended 30 September 2008 to shareholders, together with the reports of the directors, the Audit and Risk Committee and the auditors. These are contained within the Annual Report.

### Ordinary Resolution 2 – Re-election of directors

In accordance with Article 13.1 of the Company's articles of association, one third of the directors are required to retire at each Annual General Meeting and may offer themselves for re-election. In addition, any person appointed to the Board of Directors following the previous Annual General Meeting is similarly required to retire and is eligible for re-election at the next Annual General Meeting.

The following directors are eligible for re-election:

Lynne Ogilvy  
Connie Nkosi  
Dashni Sinivasan

Brief biographical details of each of the above directors and the remaining members of the Board, are set out hereunder.

#### Mutle Mogase (44)

is chairman of the Board and a non-executive director of the Company having been appointed to the Board on 23 October 2003. He is the Chairman of Vantage Capital. Mr Mogase was also instrumental in the establishment of Real Africa Investments Limited and Nubank of which he was Chief Executive Officer for three years. He is a current director of Blue IQ Investment Holdings (Pty) Limited and Air Liquide (Pty) Limited.

#### Thomas Makore (43)

joined Spescom Telecommunications (Pty) Limited as Chief Executive Officer on 1 March 2005 and was appointed to the Board of Spescom Limited on 21 October 2005. Prior to joining the Spescom Group, he was the Managing Director of Diebold South Africa (Pty) Limited and Siemens Power. Mr Makore's experience covers management, customer relationship management, sales and marketing, project management and systems engineering. He is registered with various professional institutions including ECSA, SAIEE, UK Engineering Council and the IEE and holds a BSc Eng Hons Electrical and a Masters degree in Business Leadership.

#### Lynne Ogilvy (54)

joined the Board of the Company as an independent non-executive director on 15 September 2002. Ms Ogilvy has 26 years' experience in the computer and IT industry in South Africa and was previously a director of Hi Performance Systems (Pty) Limited and Usko Limited as well as the Managing Director of Hewlett Packard SA (Pty) Limited.

#### Jené Palmer (38)

is Chief Executive Officer of the Company, having been appointed to the Board as an executive director on 23 October 2003. Ms Palmer joined the Spescom Group in 1998 having previously been the financial accountant for Intaba Chemicals (Pty) Limited, a subsidiary of Omnia Limited. She completed her accounting articles of clerkship with McAllister Dobeyn in 1995.

#### Phillip Vallet (62)

joined the Board of the Company as an independent non-executive director on 23 October 2003. Phillip is the Chief Executive Officer of Fluxmans Attorneys. He is presently the Deputy Chairman of Super Group Limited and a director of several public companies including Caxton and CTP Printing & Publishing Limited, Celcom Group Limited, Andulela Investment Holdings Limited and Myriad Medical Holdings Limited.

Phillip is cited in Chambers Global (The World's Leading Lawyers for Business – Client's Guide) as "one of the leading commercial lawyers in South Africa".

### Dashni Sinivasan (39)

joined Spescom Limited as Group Financial Manager in March 2007, was promoted as Chief Financial Officer in January 2008 and was appointed to the Board of Spescom Limited on 19 November 2008. Prior to joining the Spescom Group, she was the General Manager: Finance of BMW Financial Services SA (Pty) Limited. She completed her commercial articles with BMW SA (Pty) Limited and was the first person to qualify as a CA(SA) through BMW SA's Training Outside Public Practice (TOPP) programme.

### Connie Nkosi (63)

is the first black SA woman to graduate with an MBA from Wits Business School. She has been a member of the boards of British American Tobacco, Lonrho Africa, Kollosus and Sota International, to name a few. She also held the position of Chief Executive Officer for the National Empowerment Corporation (now called African Legend) which is a BEE investment company. Connie is a non-executive director for Pick 'n Pay Limited, a position she has held for the past 10 years; a director for PrimeServ Limited and chairman of First Technology (Pty) Limited. Presently she is executive chair and major shareholder at Lidonga Group Holdings, a black women's investment company.

### Paul Fick (52)

is currently Managing Director of Spescom DataFusion – the Group's enterprise telephony and contact centre operation. He joined Spescom in 1998 when Spescom acquired Ampkon (Pty) Limited. Prior to joining Spescom he was Managing Director of Ampkon (Pty) Limited and a director of AMS (Pty) Limited. Mr Fick has extensive experience in management of high technology businesses and holds a BSc degree in Engineering and an Honours degree in Electronic and Computer Engineering, as well as a Masters degree in Business Leadership.

### Ordinary Resolution 3 – Current fees of non-executive directors

Shareholders are requested to sanction the current fees payable to non-executive directors for the period 1 April 2008 until 31 March 2009 as set out in the table hereunder. Full particulars of all fees and remuneration for the past financial year are contained on page 87 of the annual report.

### Ordinary Resolution 4 – Proposed fees of non-executive directors payable from 1 April 2009

Shareholders are requested to consider and if deemed appropriate, sanction the proposed fees payable to non-executive directors with effect from 1 April 2009 until the next Annual General Meeting as set out in the table hereunder. Full particulars of all fees and remuneration for the past financial year are contained on page 87 of the annual report.

Category	Current remuneration	Proposed remuneration payable with effect from 1 April 2009	Note
<b>Spescom Limited Board</b>			
<i>Chairman</i>	R160 000 annual retainer	R160 000 annual retainer	(1)
	R20 000 per meeting attended	R20 000 per meeting attended	
<i>Board member</i>	R50 000 annual retainer	R50 000 annual retainer	(2)
	R10 000 per meeting attended	R10 000 per meeting attended	
<b>Audit and Risk Committee</b>			
<i>Chairman</i>	R18 000 per meeting attended	R20 000 per meeting attended	(3)
<i>Audit Committee member (ACM)</i>	R13 000 per meeting attended	R15 000 per meeting attended	(4)
<b>Remuneration and Nomination Committee</b>			
<i>Chairman</i>	R10 000 per meeting attended	R12 500 per meeting attended	(5)
<i>Remuneration Committee member (RCM)</i>	R6 500 per meeting attended	R8 000 per meeting attended	(6)

### Notes

- (1) It is proposed that the non-executive chairman of the Board receives a fee calculated at approximately three times the total annual Board fees payable to a Board member (retainer plus minimum four Board meetings), in addition to the other committee fees set out above.



## NOTICE OF ANNUAL GENERAL MEETING

(continued)

- (2) The Company holds minimum four Board meetings during any 12 month period.
- (3) The Audit and Risk Committee chairman receives a higher fee than the fee payable to non-executive directors who serve on the committee.
- (4) The Company holds three Audit and Risk Committee meetings during any 12 month period.
- (5) The Remuneration and Nomination Committee chairman receives a higher fee than the fee payable to non-executive directors who serve on the committee.
- (6) The Company holds two Remuneration and Nomination Committee meetings during any 12 month period.

### **Ordinary Resolution 5 – Auditors**

Ernst & Young has indicated its willingness to continue in office and resolution 5 proposes the re-appointment of that firm as the Company's auditors with effect from 17 April 2009 until the next Annual General Meeting. As required in terms of s274(3) of the Companies Act, the name of the designated auditor, Mr Warren Kinnear, forms part of the resolution. The resolution also gives authority to the directors to fix the auditors' remuneration.

### **Ordinary Resolutions 6 and 7 – Placement and Issue of shares**

In terms of Sections 221 and 222 of the Companies Act No 61 of 1973, as amended, the shareholders have to approve the placement of the unissued shares under the control of the directors. The authority will be subject to the Companies Act No 61 of 1973, as amended, and the JSE Listings Requirements. The authority is furthermore limited to a maximum of 5% of the issued share capital.

Ordinary resolution number 7 is required in order for the JSE Listings Requirements to be complied with. The approval of a 75% majority of the votes cast by shareholders present or represented by proxy at this Annual General Meeting is required for this ordinary resolution to become effective. The authority is again limited to a maximum of 5% of the issued share capital

### **Special Resolution 1**

It is envisaged that participants in the Company's share option scheme may wish to exercise options and sell the shares immediately thereafter. The Board of Directors believe that it may be prudent for the Company to consider acquiring these shares and as a result require shareholders' consent by way of a special resolution for a buy-back of the Company's shares, subject to the provisions of the JSE Listings Requirements as set out in the proposed resolution.

### **Ordinary Resolution 8**

Any one director or the secretary of the Company be authorised to do all such things and sign all documents and take all such action as they consider necessary to implement the resolutions set out in the notice convening the Annual General Meeting at which this ordinary resolution will be considered.

# FORM OF PROXY

**Spescom Limited**  
 (Incorporated in the Republic of South Africa)  
 (Registration number: 1987/001083/06)  
 Share code: SPS ISIN: ZAE000017919  
 ("Spescom")



## TO BE COMPLETED BY CERTIFICATED SHAREHOLDERS AND DEMATERIALISED SHAREHOLDERS WITH "OWN NAME" REGISTRATION ONLY

For completion by registered members of Spescom unable to attend the annual general meeting of the Company to be held in the Spescom Boardroom, 1st Floor, Spescom Park, Cnr. Alexandra Avenue and Second Road, Halfway House, Midrand on Friday, 17 April 2009 at 10h00 or at any adjournment thereof.

I/We

(name/s in block letters)

of

being the holder/s of \_\_\_\_\_ shares in the Company, do hereby appoint:

1. \_\_\_\_\_ or failing him/her,
2. \_\_\_\_\_ or failing him/her,

the chairman of the annual general meeting, as my/our proxy to attend, speak and, on a poll, vote on my/our behalf at the annual general meeting of members to be held in the Spescom Boardroom, 1st Floor, Spescom Park, Cnr. Alexandra Avenue and Second Road, Halfway House, Midrand on Friday, 17 April 2009 at 10h00 or at any adjournment thereof, and to vote or abstain from voting as follows on the ordinary and special resolutions to be proposed at such meeting:

	For	Against	Abstain
Ordinary business			
Ordinary resolution 1: To adopt the 2008 audited group financial statements			
Ordinary resolution 2: To re-elect the directors required to retire in terms of the articles of association:			
2.1 Ms C Nkosi			
2.2 Ms L Ogilvy			
2.3 Ms D Sinivasan			
Ordinary resolution 3: To sanction the non-executive directors' fees paid for the period 1 April 2008 to 31 March 2009			
Ordinary resolution 4: To sanction the proposed non-executive directors' fees to be paid from 1 April 2009 to the date of the next annual general meeting			
Ordinary resolution 5: To approve the appointment of the external auditors			
Ordinary resolution 6: To authorise directors to allot and issue unissued ordinary shares			
Ordinary resolution 7: To authorise directors to allot and issue unissued ordinary shares for cash			
Special resolution 1: To give general authority for share buy-back			
Ordinary resolution 8: To authorise implementation of all approved resolutions			

Please indicate with an "X" in the appropriate spaces provided above how you wish your vote to be cast. If no indication is given, the proxy may vote or abstain as he/she sees fit.

Signed at \_\_\_\_\_ this \_\_\_\_\_ day of \_\_\_\_\_ 2009

Signature \_\_\_\_\_

Assisted by me, where applicable (name and signature) \_\_\_\_\_

**Please read the notes on the reverse side hereof.**



## NOTES TO FORM OF PROXY

1. A form of proxy is only to be completed by those ordinary shareholders who are:
  - 1.1 holding ordinary shares in certificated form; or
  - 1.2 recorded on sub-register electronic form in "own name".
2. If you have already dematerialised your ordinary shares through a Central Securities Depository Participant (CSDP) or broker and wish to attend the annual general meeting, you must request your CSDP or broker to provide you with a Letter of Representation or you must instruct your CSDP or broker to vote by proxy on your behalf in terms of the agreement entered into between yourself and your CSDP or broker.
3. A member may insert the name of a proxy or the names of two alternative proxies of the member's choice in the space. The person whose name stands first on the form of proxy and who is present at the annual general meeting of shareholders will be entitled to act to the exclusion of those whose names follow.
4. On a show of hands a member of the Company present in person or by proxy shall have one (1) vote irrespective of the number of shares he/she holds or represents, provided that a proxy shall, irrespective of the number of members he/she represents, have only one (1) vote. On a poll a member who is present in person or represented by proxy shall be entitled to that proportion of the total votes in the Company, which the aggregate amount of the nominal value of the shares held by him/her bears to the aggregate amount of the nominal value of all the shares issued by the Company.
5. A member's instructions to the proxy must be indicated by the insertion of the relevant numbers of votes exercisable by the member in the appropriate box provided. Failure to comply with the above will be deemed to authorise the proxy to vote or to abstain from voting at the annual general meeting as he/she deems fit in respect of all the member's votes exercisable thereat. A member or the proxy is not obliged to use all the votes exercisable by the member or by the proxy, but the total of the votes cast and in respect of which abstention is recorded may not exceed the total of the votes exercisable by the member or by the proxy.
6. Forms of proxy must be lodged at, or posted to Computershare, to be received not later than 48 hours before the time fixed for the meeting (excluding Saturdays, Sundays and public holidays).

### Contact details

Computershare Investor Services (Pty) Limited  
70 Marshall Street, Johannesburg 2001  
PO Box 16051, Marshalltown 2017, South Africa  
Tel: +27 11 370 5120  
Facsimile: +27 11 688 5248

7. The completion and lodging of this form of proxy will not preclude the relevant member from attending the annual general meeting and speaking and voting in person thereat to the exclusion of any proxy appointed in terms hereof.
8. Documentary evidence establishing the authority of a person signing this form of proxy in a representative capacity or other legal capacity must be attached to this form of proxy, unless previously recorded by the transfer secretaries or waived by the chairman of the annual general meeting.
9. Any alteration or correction made to this form of proxy must be initialled by the signatory/ies.
10. Notwithstanding the foregoing, the chairman of the annual general meeting may waive any formalities that would otherwise be a prerequisite for a valid proxy.
11. If any shares are jointly held, all joint members must sign this form of proxy. If more than one of those members is present at the annual general meeting either in person or by proxy, the person whose name appears first in the register shall be entitled to vote.

# SHAREHOLDERS' UPDATE FORM

Shareholder's Name:

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Title:

---

Designation:

---

Company Name:

---

Postal Address:

---

---

Postal Code:

Country:

---

---

Physical Address:

---

---

Postal Code:

Country:

---

Tel:

Fax:

---

E-mail address:

---

Would you prefer to receive your communications electronically or in printed form?

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Comments:

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All information supplied to Spescom Limited will be treated as strictly confidential.



# ADMINISTRATION



## COMPANY DETAILS

Spescom Limited  
Registration No. 1987/001083/06  
Share Code: SPS  
ISIN: ZAE000017919  
Listed on the JSE Securities Exchange South Africa (JSE) under the name "Spescom" in the "Information Technology" sub-section.

## REGISTERED OFFICE

Spescom Limited  
Spescom Park  
Cnr Alexandra Avenue and 2nd Road  
Midrand 1685, South Africa  
Telephone: +27 11 266 1500  
Facsimile: + 27 11 266 1532  
E-mail address: info@spescom.com  
Website address: www.spescom.com

## POSTAL ADDRESS

PO Box 288, Halfway House 1685, South Africa

## COMPANY SECRETARY

A van der Merwe  
Bluris, LLB, LLM  
Cnr Alexandra Avenue and 2nd Road  
Midrand 1685  
PO Box 288, Halfway House 1685, South Africa

## TRANSFER SECRETARIES

Computershare Investor Services (Pty) Limited  
70 Marshall Street,  
Johannesburg 2001  
PO Box 16051, Marshalltown 2017, South Africa

## BANKERS

First National Bank Southern Africa Limited  
No. 4 First Place, BankCity  
Cnr Simmonds and Pritchard Streets  
Johannesburg 2000, South Africa

## ATTORNEYS

Werksmans Attorneys  
155 – 5th Street, Sandton 2196  
Private Bag 10015, Sandton 2146  
Johannesburg, South Africa  
Telephone: +27 11 535 8000  
Facsimile: +27 11 535 8600

## AUDITORS

Ernst & Young Inc.  
Wanderers Office Park, 52 Corlett Drive  
Illovo 2000  
PO Box 2322, Johannesburg 2000, South Africa

## SPONSORS

Investec Bank Limited  
100 Grayston Drive, Sandown  
Sandton 2196, South Africa  
PO Box 785700, Sandton 2146, South Africa

## STRATE CHARITY SHARES

Tollfree: 0800 202 363  
Telephone: +27 11 870 8207

# SHAREHOLDERS' DIARY

Financial year-end  
Annual General Meeting  
Interim Report: October 2008 to March 2009  
Preliminary announcement of final results  
Annual financial statements

30 September 2009  
17 April 2009  
May 2009  
November 2009  
March 2010



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