

Notes to the annual financial statements

for the year ended 31 March 2010

1. ADOPTION OF NEW AND REVISED INTERNATIONAL FINANCIAL REPORTING STANDARDS

During the year, the Company adopted all of the new and revised Standards and Interpretations issued by the International Accounting Standards Board (the IASB) and the International Financial Reporting Interpretations Committee (IFRIC) of the IASB that are relevant to its operations and effective for the Company's reporting period. The adoption of IFRS 7 Financial Instruments: Disclosure (amendments), IFRS 8 Operating Segments and related amendments to IAS 1 Presentation of Financial Statements has not resulted in any significant changes to the Company's accounting policies and the effects on the amounts reported for the current or prior years have been disclosed.

At the date of authorisation of these financial statements, the following Standards applicable to the Group and Company were in issue but not yet effective:

- IFRS 2 Share-based Payments (Amendments)
- IFRS 3 Business Combinations (Amendments)
- IFRS 5 Non-current Assets Held for Sale and Discontinued Operations (Amendments)
- IFRS 8 Operating Segments (Amendments)
- IFRS 9 Financial Instruments – Classification and Measurement
- IAS 1 Presentation of Financial Statements (Revised)
- IAS 7 Statement of Cash Flows (Amendments)
- IAS 17 Leases (Amendments)
- IAS 24 Related Party Disclosures (Revised)
- IAS 27 Consolidated and Separate Financial Statements (Amendments)
- IAS 28 Investments in Associates (Amendments)
- IAS 31 Interests in Joint Ventures (Amendments)
- IAS 32 Financial Instruments: Presentation (Amendments)
- IAS 36 Impairment of Assets (Amendments)
- IAS 38 Intangible Assets (Amendments)
- IAS 39 Financial Instruments: Recognition and Measurement (Amendments)

The directors anticipate that the adoption of these Standards in future periods will have no material impact on the financial statements of the Group and Company.

2. SIGNIFICANT ACCOUNTING POLICIES

The financial statements have been prepared in accordance with International Financial Reporting Standards and in the manner required by the Companies Act of South Africa. The financial statements have been prepared on the historical cost basis, except for the revaluation of certain properties and financial instruments. The principal accounting policies adopted are set out below.

2.1 Basis of consolidation

The consolidated financial statements incorporate the financial statements of the Company and entities controlled by the Company (its subsidiaries). Control is achieved where the Company has the power to govern the financial and operating policies of an entity so as to obtain benefits from its activities. The results of subsidiaries acquired or disposed of during the year are included in the consolidated income statement from the effective date of acquisition or up to the effective date of disposal, as appropriate.

Where necessary, adjustments are made to the financial statements of subsidiaries to bring their accounting policies into line with those used by the Group.

All intra-Group transactions, balances, income and expenses are eliminated on consolidation. Minority interests in the net assets of consolidated subsidiaries are identified separately from the Group's equity therein. Minority interests consist of the amount of those interests at the date of the original business combination and the minority's share of changes in equity since the date of the combination. Losses applicable to the minority in excess of the minority's interest in the subsidiary's equity are allocated against the interests of the Group except to the extent that the minority has a binding obligation and is able to make an additional investment to cover the losses.

2.2 Business combinations

The acquisition of subsidiaries is accounted for using the purchase method. The cost of the acquisition is measured at the aggregate of the fair values, at the date of exchange, of assets given, liabilities incurred or assumed, and equity instruments issued by the Group in exchange for control of the acquiree, plus any costs directly attributable to the business combination. The acquiree's identifiable

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assets, liabilities and contingent liabilities that meet the conditions for recognition under IFRS 3 are recognised at their fair values at the acquisition date, except for non-current assets (or disposal Groups) that are classified as held for sale in accordance with IFRS 5 Non-Current Assets Held for Sale and Discontinued Operations, which are recognised and measured at fair value less costs to sell. Goodwill arising on acquisition is recognised as an asset and 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 recognised. If, after reassessment, the Group's interest in the net fair value of the acquiree's identifiable assets, liabilities and contingent liabilities exceeds the cost of the business combination, the excess is recognised immediately in profit or loss.

The interest of minority shareholders in the acquiree is initially measured at the minority's proportion of the net fair value of the assets, liabilities and contingent liabilities recognised.

2.3 Goodwill

Goodwill arising on the acquisition of a subsidiary or a jointly controlled entity represents the excess of the cost of acquisition over the Group's interest in the net fair value of the identifiable assets, liabilities and contingent liabilities of the subsidiary or jointly controlled entity recognised at the date of acquisition.

Goodwill is initially recognised as an asset at cost and is subsequently measured at cost less any accumulated impairment losses. For the purpose of impairment testing, goodwill is allocated to each of the Group's cash-generating units expected to benefit from the synergies of the combination. Cash-generating units to which goodwill has been allocated are tested for impairment annually, or more frequently when there is an indication that the unit may be impaired. If the recoverable amount of the cash-generating unit is less than the carrying amount of the unit, the impairment loss is allocated first to reduce the carrying amount of any goodwill allocated to the unit and then to the other assets of the unit pro rata on the basis of the carrying amount of each asset in the unit. An impairment loss recognised for goodwill is not reversed in a subsequent period.

On disposal of a subsidiary or a jointly controlled entity, the attributable amount of goodwill is included in the determination of the profit or loss on disposal.

2.4 Investments in associates

The results and assets and liabilities of associates are incorporated in the consolidated financial statements using the equity method of accounting. Under the equity method, investments in associates are carried in the consolidated statement of financial position at cost as adjusted for post-acquisition changes in the Group's share of the net assets of the associate, less any impairment in the value of individual investments. Losses of an associate in excess of the Group's interest in that associate (which includes any long-term interests that, in substance, form part of the Group's net investment in the associate) are recognised only to the extent that the Group has incurred legal or constructive obligations or made payments on behalf of the associate.

2.5 Non-current assets held for sale

Non-current assets and disposal groups are classified as held-for-sale if their carrying amount will be recovered through a sale transaction rather than through continuing use. This condition is regarded as met only when the sale is highly probable and the asset (or disposal Group) is available for immediate sale in its present condition. Management must be committed to the sale, which should be expected to qualify for recognition as a completed sale within one year from the date of classification.

Non-current assets (and disposal groups) classified as held-for-sale are measured at the lower of the assets' previous carrying amount and fair value less costs of disposal.

2.6 Revenue recognition

Revenue is measured at the fair value of the consideration received or receivable and represents amounts receivable for goods and services provided in the normal course of business, net of discounts and sales-related taxes. Sales of goods are recognised when goods are delivered and title has passed.

Interest income is accrued on the time basis, by reference to the principal outstanding and at the effective interest rate applicable, which is the rate that exactly discounts estimated future cash receipts through the expected life of the financial asset to that asset's net carrying amount.

Dividend income from investments is recognised when the shareholders' rights to receive payment have been established.

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for the year ended 31 March 2010

2.7 Leasing

Leases are classified as finance leases whenever the terms of the lease transfer substantially all the risks and rewards of ownership to the lessee. All other leases are classified as operating leases.

The Group as lessor

Rental income from operating leases is recognised on the straight-line basis over the term of the relevant lease. Initial direct costs incurred in negotiating and arranging an operating lease are added to the carrying amount of the leased asset and recognised on the straight-line basis over the lease term.

The Group as lessee

Assets held under finance leases are recognised as assets of the Group at their fair value at the inception of the lease or, if lower, at the present value of the minimum lease payments. The corresponding liability to the lessor is included in the balance sheet as a finance lease obligation. Lease payments are apportioned between finance charges and a reduction of the lease obligation so as to achieve a constant rate of interest on the remaining balance of the liability. Finance charges are charged to profit or loss.

Rentals payable under operating leases are charged to profit or loss on the straight-line basis over the term of the relevant lease. Benefits received and receivable as an incentive to enter into an operating lease are also spread on the straight-line basis over the lease term.

2.8 Foreign currencies

The individual financial statements of each Group entity are presented in the currency of the primary economic environment in which the entity operates (its functional currency). For the purpose of the consolidated financial statements, the results and financial position of each entity are expressed in currency units, which is the functional currency of the Company, and the presentation currency for the consolidated financial statements.

In preparing the financial statements of the individual entities, transactions in currencies other than the entity's functional currency (foreign currencies) are recorded at the rates of exchange prevailing on the dates of the transactions. At each balance sheet date, monetary items denominated in foreign currencies are retranslated at the rates prevailing on the balance sheet date. Non-monetary items carried at fair value that are denominated in foreign currencies are retranslated at the rates prevailing on the date when the fair value was determined. Non-monetary items that are measured in terms of historical cost in a foreign currency are not retranslated.

Exchange differences arising on the settlement of monetary items, and on the retranslation of monetary items, are included in profit or loss for the period. Exchange differences arising on the retranslation of non-monetary items carried at fair value are included in profit or loss for the period except for differences arising on the retranslation of non-monetary items in respect of which gains and losses are recognised directly in equity. For such non-monetary items, any exchange component of that gain or loss is also recognised directly in equity.

In order to hedge its exposure to certain foreign exchange risks, the Group enters into forward contracts and options. For the purpose of presenting consolidated financial statements, the assets and liabilities of the Group's foreign operations are expressed in currency units using exchange rates prevailing on the balance sheet date. Income and expense items are translated at the average exchange rates for the period, unless exchange rates fluctuated significantly during that period, in which case the exchange rates at the dates of the transactions are used. Exchange differences arising, if any, are classified as equity and transferred to the Group's translation reserve. Such translation differences are recognised in profit or loss in the period in which the foreign operation is disposed of.

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

2.9 Borrowing costs

All borrowing costs are recognised in profit or loss in the period in which they are incurred.

2.10 Government grants

Government grants towards staff re-training costs are recognised in profit or loss over the periods necessary to match them with the related costs and are deducted in reporting the related expense.

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2.11 Retirement benefit costs

Defined contribution pension and provident funds

Current contributions to the defined contribution pension and defined contribution provident funds registered in terms of the Pension Fund Act, 1956 are based on current service and current salaries and are charged against income for the year. Payments to defined contribution retirement benefit plans are charged as an expense as they are incurred.

Other post retirement obligations

The Group provides a post-retirement medical aid subsidy to some of its retirees. The entitlement to these benefits is conditional on the employee having pensionable service from a particular date and continuous medical aid membership of a qualifying scheme from the same date. The expected costs of these benefits are accrued over the period of employment.

2.12 Taxation

Income tax expense represents the sum of the tax currently payable and deferred tax.

The tax currently payable is based on taxable profit for the year. Taxable profit differs from profit as reported in the income statement because it excludes items of income or expense that are taxable or deductible in other years and it further excludes items that are never taxable or deductible. The Group's liability for current tax is calculated using tax rates that have been enacted or substantively enacted at the balance sheet date.

Deferred tax is recognised on differences between the carrying amounts of assets and liabilities in the financial statements and the corresponding tax bases used in the computation of taxable profit, and is accounted for using the balance sheet liability method. Deferred tax liabilities are generally recognised for all taxable temporary differences and deferred tax assets are recognised to the extent that it is probable that taxable profits will be available against which deductible temporary differences can be utilised.

Such assets and liabilities are not recognised if the temporary difference arises from goodwill or from the initial recognition (other than in a business combination) of other assets and liabilities in a transaction that affects neither the taxable profit nor the accounting profit.

Deferred tax liabilities are recognised for taxable temporary differences arising on investments in subsidiaries and associates, and interests in joint ventures, except where the Group is able to control the reversal of the temporary difference and it is probable that the temporary difference will not reverse in the foreseeable future. The carrying amount of deferred tax assets is reviewed at each balance sheet date and reduced to the extent that it is no longer probable that sufficient taxable profits will be available to allow all or part of the asset to be recovered. Deferred tax is calculated at the tax rates that are expected to apply in the period when the liability is settled or the asset realised. Deferred tax is charged or credited to profit or loss, except when it relates to items charged or credited directly to equity, in which case the deferred tax is also dealt with in equity.

Deferred tax assets and liabilities are offset when there is a legally enforceable right to set off tax assets against tax liabilities and when they relate to income taxes levied by the same taxation authority and the Group intends, and is able to, settle its tax assets and liabilities on a net basis.

2.13 Property, plant and equipment

Land is stated at cost whilst other fixed assets are stated at cost, less accumulated depreciation and any accumulated impairment losses.

Buildings are stated at cost less accumulated depreciation and any accumulated impairment losses, with the exception of certain buildings which are stated at deemed cost less accumulated depreciation and accumulated impairment losses. Deemed cost was determined in terms of an election made as permitted by IFRS 1.

Assets held under finance leases are depreciated over their expected useful lives on the same basis as owned assets or, where shorter, the term of the relevant lease.

Depreciation is calculated on the straight-line basis, so as to write the cost of the assets down to their residual values, at the following per annum rates, which are considered to approximate the estimated useful lives of the assets concerned.

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for the year ended 31 March 2010

Buildings	1 – 10%
Plant and equipment	10 – 20%
Leasehold improvements	Over the period of the lease
Motor vehicles	20 – 25%
Furniture and fittings	20%
Office equipment	10 – 33,3%
Computer equipment	20 – 33,3%
Golf cars	20%
Forklifts	25%

The gain or loss arising on the disposal or retirement of an item of property, plant and equipment is determined as the difference between the sales proceeds and the carrying amount of the asset and is recognised in profit or loss.

2.14 Other intangible assets

Other intangible assets consist of computer software and are amortised on the straight-line basis over a period of three to ten years.

2.15 Impairment of tangible and intangible assets excluding goodwill

At each balance sheet date, the Group reviews the carrying amounts of its tangible and intangible assets to determine whether there is any indication that those assets have suffered an impairment loss.

If any such indication exists, the recoverable amount of the asset is estimated in order to determine the extent of the impairment loss (if any). Where it is not possible to estimate the recoverable amount of an individual asset, the Group estimates the recoverable amount of the cash-generating unit to which the asset belongs.

Recoverable amount is the higher of fair value less costs to sell and value in use. 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. If the recoverable amount of an asset (or cash-generating unit) is estimated to be less than its carrying amount, the carrying amount of the asset (cash-generating unit) is reduced to its recoverable amount.

An impairment loss is recognised immediately in profit or loss, unless the relevant asset is carried at a revalued amount, in which case the impairment loss is treated as a revaluation decrease. Where an impairment loss subsequently reverses, the carrying amount of the asset (cash-generating unit) is increased to the revised estimate of its recoverable amount, but so that the increased carrying amount does not exceed the carrying amount that would have been determined had no impairment loss been recognised for the asset (cash-generating unit) in prior years. A reversal of an impairment loss is recognised immediately in profit or loss, unless the relevant asset is carried at a revalued amount, in which case the reversal of the impairment loss is treated as a revaluation increase.

2.16 Inventories

Inventories are stated at the lower of cost and net realisable value. Cost comprises direct materials and, where applicable, direct labour costs and those overheads that have been incurred in bringing the inventories to their present location and condition. Cost is calculated using the first-in first-out method.

Net realisable value represents the estimated selling price less all estimated costs of completion and costs to be incurred in marketing, selling and distribution.

2.17 Financial instruments

Financial assets and financial liabilities are recognised on the Group's balance sheet when the Group becomes a party to the contractual provisions of the instrument.

Trade receivables

Trade receivables are measured at initial recognition at fair value, and are subsequently measured at amortised cost using the effective interest rate method as reduced by appropriate allowances for estimated irrecoverable amounts. These allowances are recognised in profit or loss when there is objective evidence that the asset is impaired. The allowance recognised is measured as the difference between the asset's carrying amount and the present value of estimated future cash flows discounted at the effective interest rate computed at initial recognition.

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Investments

Investments are recognised and derecognised on a trade date basis where the purchase or sale of an investment is under a contract whose terms require delivery of the investment within the timeframe established by the market concerned, and are initially measured at fair value, plus directly attributable transaction costs.

At subsequent reporting dates, debt securities that the Group has the expressed intention and ability to hold to maturity (held-to-maturity debt securities) are measured at amortised cost using the effective interest rate method, less any impairment loss recognised to reflect irrecoverable amounts. An impairment loss is recognised in profit or loss when there is objective evidence that the asset is impaired, and is measured as the difference between the investment's carrying amount and the present value of estimated future cash flows discounted at the effective interest rate computed at initial recognition.

Impairment losses are reversed in subsequent periods when an increase in the investment's recoverable amount can be related objectively to an event occurring after the impairment was recognised, subject to the restriction that the carrying amount of the investment at the date the impairment is reversed, shall not exceed what the amortised cost would have been had the impairment not been recognised.

Investments other than held-to-maturity debt securities are classified as either investments held for trading or as available-for-sale, and are measured at subsequent reporting dates at fair value. Where securities are held for trading purposes, gains and losses arising from changes in fair value are included in profit or loss for the period. For available-for-sale investments, gains and losses arising from changes in fair value are recognised directly in equity, until the security is disposed of or is determined to be impaired, at which time the cumulative gain or loss previously recognised in equity is included in the profit or loss for the period. Impairment losses recognised in profit or loss for equity investments classified as available-for-sale are not subsequently reversed through profit or loss. Impairment losses recognised in profit or loss for debt instruments classified as available-for-sale are subsequently reversed if an increase in the fair value of the instrument can be objectively related to an event occurring after the recognition of the impairment loss.

Cash and cash equivalents

Cash and cash equivalents comprise cash on hand and demand deposits, and other short-term highly liquid investments that are readily convertible to a known amount of cash and are subject to an insignificant risk of changes in value.

Financial liabilities and equity

Financial liabilities and equity instruments issued by the Group are classified according to the substance of the contractual arrangements entered into and the definitions of a financial liability and an equity instrument. An equity instrument is any contract that evidences a residual interest in the assets of the Group after deducting all of its liabilities. The accounting policies adopted for specific financial liabilities and equity instruments are set out below.

Bank borrowings

Interest-bearing bank loans and overdrafts are initially measured at fair value, and are subsequently measured at amortised cost, using the effective interest rate method. Any difference between the proceeds (net of transaction costs) and the settlement or redemption of borrowings is recognised over the term of the borrowings in accordance with the Group's accounting policy for borrowing costs.

Trade payables

Trade and other payables are initially measured at fair value, and are subsequently measured at amortised cost, using the effective interest rate method.

Equity instruments

Equity instruments issued by the Company are recorded at the proceeds received, net of direct issue costs.

Derivative financial instruments and hedge accounting

The Group's activities expose it primarily to the financial risks of changes in foreign exchange rates and interest rates. The Group uses derivative financial instruments (primarily foreign currency forward contracts and interest rate swaps) to hedge its risks associated with foreign currency fluctuations relating to certain firm commitments, forecast transactions and interest rate fluctuations relating to

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bank loans. The use of financial derivatives is governed by the Group's policies approved by the board of directors, which provide written principles on the use of financial derivatives consistent with the Group's risk management strategy.

The Group does not use derivative financial instruments for speculative purposes.

Derivative financial instruments are initially measured at fair value on the contract date, and are remeasured to fair value at subsequent reporting dates.

Derivatives embedded in other financial instruments or other non-financial host contracts are treated as separate derivatives when their risks and characteristics are not closely related to those of the host contract and the host contract is not carried at fair value with unrealised gains or losses reported in profit or loss.

2.18 Provisions

Provisions are recognised when the Group has a present obligation as a result of a past event, and it is probable that the Group will be required to settle that obligation. Provisions are measured at the directors' best estimate of the expenditure required to settle the obligation at the balance sheet date, and are discounted to present value where the effect is material.

The warranty provision represents warranty income that has been deferred and which is recognised on a systematic basis over the warranty term. It is expected that the majority of warranty claims will be incurred within two years after the reporting period.

2.19 Share-based payments

The Group issues equity-settled share-based payments to certain employees. Equity-settled share-based payments are measured at fair value (excluding the effect of non market-based vesting conditions) at the date of the grant. The fair value determined at the grant date of the equity-settled share-based payments is expensed on the straight-line basis over the vesting period, based on the Group's estimate of the shares that will eventually vest and is adjusted for the effect of non market-based vesting conditions. Fair value is measured using the Black-Scholes pricing model. The expected life used in the model is adjusted, based on management's best estimate, for the effects of non-transferability, exercise restrictions and behavioural considerations.

2.20 Key judgements made by management

Preparing financial statements in conformity with IFRS requires judgements and assumptions that affect reported amounts and related disclosures. Actual results could differ from these estimates. Certain accounting policies have been identified as involving particularly complex or subjective judgements or assessments as follows:

Asset lives and residual values

Property, plant and equipment is depreciated over its useful life taking into account residual values, where appropriate. The actual lives of the assets and residual values are assessed annually and may vary depending on a number of factors. In reassessing asset lives, factors such as technological innovation, product life cycles and maintenance programmes are taken into account. Residual value assessments consider issues such as future market conditions, the remaining life of the asset and projected disposal values.

Intangible assets other than goodwill

Intangible assets other than goodwill are amortised over their useful lives. The actual lives of the intangible assets are assessed annually and may vary depending on a number of factors. In reassessing intangible asset lives, factors such as technological innovation are taken into account.

Provisions

Management bases their estimation for warranty provision on the number of products under warranty at year-end, the age of these products and the remaining period under warranty. Actual warranty costs may vary depending on a number of factors.

Valuation of derivatives

Derivatives valuations are determined by discounting the contractual stream of payments/receipts using appropriate discount rates at the valuation date.

Valuation of investments

Investments are carried at cost or fair value. The directors determine the fair value on an annual basis by assessing the future cash flows associated with the investment.

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3. BUSINESS SEGMENTS

3.1 Adoption of IFRS operating segments

The Group has adopted IFRS 8 Operating Segments with effect from 1 April 2009. IFRS 8 requires operating segments to be identified on the basis of internal reports about components of the Group that are regularly reviewed by the chief operating decision maker in order to allocate resources to the segments and to assess their performance. The adoption of IFRS 8 has resulted in the Group's reportable segments remaining fundamentally the same as the prior year.

3.2 Segment revenues and results

The following is an analysis of the Group's revenue and results from operations by reportable segments:

	Segment revenue		Segment profit	
	2010 R'000	2009 R'000	2010 R'000	2009 R'000
Engineering consumables*	2 018 304	2 136 572	292 673	325 567
Capital equipment*	1 749 538	2 254 606	123 441	141 510
Group, financing and other operations	201 030	132 357	37 179	30 279
	3 968 872	4 523 535	453 293	497 356
Share of profits of associate			639	–
Finance costs			(432 886)	(382 719)
Interest and dividends received			408 498	360 115
Profit before taxation			429 544	474 752
Taxation			(64 155)	(111 940)
Profit for the year			365 389	362 812

The accounting policies of the reportable segments are the same as the Group's accounting policies. Segment profit represents the profit earned by each segment without allocation of profits of associates, finance costs and income tax expense. This is the measure reported to the chief operating decision maker for the purposes of assessment of segment performance.

* The Autobax division has been reclassified from the Capital Equipment to the Engineering Consumables segment in the current year and the comparatives have been accordingly restated.

3.3 Segment assets and liabilities

	2010 R'000	2009 R'000
Segment assets		
Engineering consumables	1 233 928	1 258 015
Capital equipment	884 232	1 165 573
Group, financing and other operations	3 818 954	3 581 042
Total segment assets	5 937 114	6 004 730

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3. BUSINESS SEGMENTS CONTINUED

3.3 Segment assets and liabilities continued

	2010 R'000	2009 R'000
Segment liabilities		
Engineering consumables	300 217	521 607
Capital equipment	631 884	967 168
Group, financing and other operations	3 391 750	3 179 704
Total segment liabilities	4 323 851	4 668 479

For the purposes of monitoring segment performance and allocating resources between segments:

- all assets are allocated to reportable segments other than investments in associates and tax assets.
- all liabilities are allocated to reportable segments other than current and deferred tax liabilities.

3.4 Other segment information

	Depreciation and amortisation		Additions to non-current assets	
	2010 R'000	2009 R'000	2010 R'000	2009 R'000
Engineering consumables	16 006	11 040	10 523	27 226
Capital equipment	22 993	10 847	25 815	14 329
Group, financing and other operations	4 464	6 725	47 992	50 429
	43 463	28 612	84 330	91 984

Geographical segments

The Group has not reported segment information by geographical location as the operations occur substantially within Southern Africa.

Customers

The Group has not reported segment information by customer as no customer contributes in excess of 10% of the Group's total revenue.

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	GROUP		COMPANY	
	2010 R'000	2009 R'000	2010 R'000	2009 R'000
4. OPERATING PROFIT BEFORE FINANCE COSTS, INTEREST AND DIVIDENDS RECEIVED				
Operating profit before finance costs, interest and dividends received is arrived at after taking into account the following items:				
Income				
Profit on disposal of property, plant and equipment	3 762	3 271	–	–
Profit on disposal of investment	–	232	–	–
Release of deferred profit on issue of shares by subsidiary	3 870	3 870	–	–
Negative goodwill recognised on acquisition of subsidiaries	7 952	–	–	–
Credit default swap derivative	(52 963)	14 239	–	–
Interest rate swap derivative	1 303	–	–	–
Expenses				
Auditors' remuneration – audit fees	3 557	2 967	–	–
– Current year	3 123	2 442	–	–
– Prior year	150	225	–	–
– Other services	284	300	–	–
Depreciation	30 215	25 700	–	–
– Buildings	3 420	2 915	–	–
– Plant and equipment	3 404	3 195	–	–
– Leasehold improvements	1 449	748	–	–
– Motor vehicles	4 144	3 690	–	–
– Furniture and fittings	2 058	1 053	–	–
– Office equipment	4 064	3 890	–	–
– Computer equipment	6 630	4 806	–	–
– Golf cars	5 039	5 403	–	–
– Forklifts	7	–	–	–
Amortisation of intangible assets	2 141	2 912	–	–
Put option/credit default swap derivative	(52 963)	14 239	–	–
Impairment of property, plant and equipment	190	4 000	–	–
Goodwill impaired	3 442	638	–	–
Interest rate swap derivative	–	3 922	–	–
Loss on disposal of property, plant and equipment	30	39	–	–
Employment costs	430 712	411 308	–	111
Operating lease expenses	14 390	29 896	92	86
– Premises	13 271	29 349	92	86
– Equipment	407	547	–	–
– Other	712	–	–	–
Pension and provident fund contributions	20 491	13 066	–	–
Share options expense	22 045	19 270	–	–

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	GROUP		COMPANY	
	2010 R'000	2009 R'000	2010 R'000	2009 R'000
5. FINANCE COSTS				
Bank overdrafts and loans	22 631	5 249	2	30
Foreign exchange premiums	9 496	20 676	–	–
Finance leases	827	1 270	–	–
Debentures, promissory notes and other long-term borrowings	399 932	355 524	–	–
Total	432 886	382 719	2	30
6. INTEREST RECEIVED				
Bank balances and cash	2 419	10 167	23	68
Partnership income	123 035	210 736	–	–
Foreign exchange gains	5 240	1 687	–	–
Long-term receivables	67 748	3 255	–	–
Total	198 442	225 845	23	68
7. TAXATION				
South African normal taxation				
Current tax				
– current year	18 044	35 126	433	567
– prior year	1 436	(3)	(65)	–
Deferred tax				
– current year	(4 466)	(15 526)	–	–
– prior year	(5 127)	(123)	–	–
Secondary tax on companies	808	955	–	–
Foreign tax	53 460	91 511	–	–
Total	64 155	111 940	368	567
Reconciliation of tax rate	%	%	%	%
Statutory tax rate	28,0	28,0	28,0	28,0
Permanent differences and exempt income	(25,3)	(21,4)	(27,7)	(28,3)
Secondary tax on companies	0,2	0,2	–	–
Utilisation of tax losses	(0,7)	(1,7)	–	–
Prior year underprovision	0,3	(0,5)	–	–
Foreign tax	12,4	19,0	–	–
Effective tax rate	14,9	23,6	0,3	(0,3)

Estimated tax losses in the Group amount to R59 403 245 (2009: R12 534 831). A deferred tax asset of R2 970 595 (2009: Rnil) was raised with respect to certain of these tax losses.

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for the year ended 31 March 2010

	GROUP	
	2010 R'000	2009 R'000
7. TAXATION CONTINUED		
7.1 Deferred tax		
Net balance at the beginning of the year	43 901	22 647
Arising on acquisition of subsidiaries	2 069	5 605
Income statement charge	9 593	15 649
Net balance at the end of the year	55 563	43 901
Comprising:		
Capital allowances	(10 422)	(17 520)
Tax losses	2 971	–
Provisions	45 272	52 612
Other temporary differences	18 252	8 936
Prepayments	(510)	(127)
Total	55 563	43 901
Disclosed as:		
Deferred taxation asset	69 852	57 177
Deferred taxation liability	(14 289)	(13 276)
Total	55 563	43 901
8. EARNINGS PER SHARE		
Basic earnings per share (cents)	453	437
Diluted earnings per share (cents)	441	437
8.1 Basic earnings per share		
The earnings and weighted average number of ordinary shares used in the calculation of basic earnings per share are as follows:		
Profit for the year attributable to owners of the company	320 896	312 812
Weighted average number of ordinary shares for the purposes of basic earnings per share	70 779	71 536
8.2 Diluted earnings per share		
The earnings used in the calculation of diluted earnings per share are as follows:		
Earnings used in the calculation of diluted earnings per share	320 896	312 812
Weighted average number of ordinary shares used in the calculation of diluted earnings per share	72 767	71 536

Notes to the annual financial statements continued

for the year ended 31 March 2010

	GROUP	
	2010 R'000	2009 R'000
9. PROPERTY, PLANT AND EQUIPMENT		
Land and buildings	196 784	151 040
– Gross carrying amount	225 213	176 523
– Accumulated depreciation and impairment	28 429	25 483
Plant and equipment	14 991	13 307
– Gross carrying amount	37 123	31 404
– Accumulated depreciation and impairment	22 132	18 097
Leasehold improvements	4 448	3 275
– Gross carrying amount	6 809	4 219
– Accumulated depreciation	2 361	944
Motor vehicles	10 430	10 657
– Gross carrying amount	31 341	29 618
– Accumulated depreciation and impairment	20 911	18 961
Furniture and fittings	8 347	9 112
– Gross carrying amount	15 556	13 865
– Accumulated depreciation	7 209	4 753
Office equipment	16 392	16 567
– Gross carrying amount	49 402	45 740
– Accumulated depreciation and impairment	33 010	29 173
Computer equipment	9 229	11 953
– Gross carrying amount	48 876	51 823
– Accumulated depreciation and impairment	39 647	39 870
Golf cars	11 586	13 086
– Gross carrying amount	26 010	27 835
– Accumulated depreciation	14 424	14 749
Forklifts	40 653	–
– Gross carrying amount	93 728	–
– Accumulated depreciation and impairment	53 075	–
Net carrying value	312 860	228 997
Total gross carrying amount	534 058	381 027
Total accumulated depreciation and impairment	221 198	152 030

9.1 Details of land and buildings

A register containing details of land and buildings is available for inspection during business hours at the registered office of the Company by members or their duly authorised agents.

9.2 Encumbrances

The Group has encumbered land and buildings, motor vehicles and golf cars having a carrying value of R155 million (2009: R173 million) to secure banking financing facilities as detailed in note 24.

Notes to the annual financial statements continued

for the year ended 31 March 2010

	GROUP	
	2010 R'000	2009 R'000
9. PROPERTY, PLANT AND EQUIPMENT		
CONTINUED		
9.3 Reconciliation of movement in carrying value		
Land and buildings		
Balance at the beginning of the year	151 040	101 280
Additions	47 227	48 310
Acquisitions of subsidiaries	–	10 635
Impairment reversed	4 000	(4 000)
Depreciation for the year	(3 420)	(2 915)
Disposals	(2 063)	(2 270)
Balance at the end of the year	196 784	151 040
Plant and equipment		
Balance at the beginning of the year	13 307	6 760
Additions	4 207	6 325
Acquisitions of subsidiaries	983	5 890
Impairment	(97)	–
Depreciation for the year	(3 404)	(3 195)
Disposals	(5)	(2 473)
Balance at the end of the year	14 991	13 307
Leasehold improvements		
Balance at the beginning of the year	3 275	125
Additions	2 622	3 898
Depreciation for the year	(1 449)	(748)
Balance at the end of the year	4 448	3 275
Motor vehicles		
Balance at the beginning of the year	10 657	8 549
Additions	4 183	3 884
Acquisitions of subsidiaries	4	2 945
Impairment	(12)	–
Depreciation for the year	(4 144)	(3 690)
Disposals	(258)	(1 031)
Balance at the end of the year	10 430	10 657
Furniture and fittings		
Balance at the beginning of the year	9 112	1 266
Additions	1 203	8 452
Acquisitions of subsidiaries	110	447
Depreciation for the year	(2 058)	(1 053)
Disposals	(20)	–
Balance at the end of the year	8 347	9 112

Notes to the annual financial statements continued

for the year ended 31 March 2010

	GROUP	
	2010 R'000	2009 R'000
9. PROPERTY, PLANT AND EQUIPMENT		
CONTINUED		
9.3 Reconciliation of movement in carrying value		
continued		
Office equipment		
Balance at the beginning of the year	16 567	13 807
Additions	4 037	7 616
Acquisitions of subsidiaries	51	121
Impairment	(189)	–
Depreciation for the year	(4 064)	(3 890)
Disposals	(10)	(1 087)
Balance at the end of the year	16 392	16 567
Computer equipment		
Balance at the beginning of the year	11 953	9 002
Additions	3 508	7 427
Acquisitions of subsidiaries	614	357
Impairment	(158)	–
Depreciation for the year	(6 630)	(4 806)
Disposals	(58)	(27)
Balance at the end of the year	9 229	11 953
Golf cars		
Balance at the beginning of the year	13 086	14 207
Additions	4 798	6 072
Depreciation for the year	(5 039)	(5 403)
Disposals	(1 259)	(1 790)
Balance at the end of the year	11 586	13 086
Forklifts		
Balance at the beginning of the year	–	–
Additions	11 639	–
Acquisitions of subsidiaries	46 329	–
Impairment	(3 734)	–
Depreciation for the year	(11 114)	–
Disposals	(2 467)	–
Balance at the end of the year	40 653	–
Total		
Balance at the beginning of the year	228 997	154 996
Additions	83 424	91 984
Acquisitions of subsidiaries	48 091	20 395
Net impairment	(190)	(4 000)
Depreciation for the year*	(41 322)	(25 700)
Disposals	(6 140)	(8 678)
Balance at the end of the year	312 860	228 997

* Depreciation relating to the forklift hire fleet is included in cost of sales.

Notes to the annual financial statements continued

for the year ended 31 March 2010

	GROUP		COMPANY	
	2010 R'000	2009 R'000	2010 R'000	2009 R'000
10. FINANCIAL INVESTMENTS				
Unlisted securities				
Business Venture Investments No. 1048 (Pty) Limited – 50 000 redeemable non-cumulative preference shares	752 100	752 100	–	–
The shares are redeemable from 8 August 2011 to 8 February 2016 in semi-annual instalments. Dividends are received at a rate of 10,9% per annum compounded semi-annually. The preference shares are pledged as security to the debenture holders under a credit default swap (refer note 24).				
Business Venture Investments No. 1057 (Pty) Limited – 50 000 redeemable non-cumulative preference shares	443 000	443 000	443 000	443 000
The shares are redeemable from 8 August 2011 to 8 February 2016 in semi-annual instalments. Dividends are received at a rate of 10,9% per annum compounded semi-annually. The preference shares are pledged as security to the debenture holders under a credit default swap (refer note 24).				
Gryphon Financial Engineering (Pty) Limited preference shares	1 684 987	–	–	–
Dividends are received at a rate of 10,35% per annum compounded quarterly. Government bonds have been pledged as security via a put option with Gryphon Support Services (Pty) Limited (refer note 25).				
Total	2 880 087	1 195 100	443 000	443 000
Directors' valuation	2 880 087	1 195 100	443 000	443 000
11. GOODWILL				
Goodwill arising on acquisition of subsidiaries				
At the beginning of the year	242 491	219 087	–	–
Acquisition of subsidiaries	6 354	13 476	–	–
Acquisition of minority interest in a subsidiary	–	10 566	–	–
Goodwill impaired during the year	(3 442)	(638)	–	–
At the end of the year	245 403	242 491	–	–

Notes to the annual financial statements continued

for the year ended 31 March 2010

	GROUP	
	2010 R'000	2009 R'000
11. GOODWILL CONTINUED		
Goodwill arising on acquisition of subsidiaries continued		
The carrying amount of the goodwill has been allocated as follows:		
Cartcom (Pty) Limited	–	2 901
Bearing Man Group	213 615	208 000
Goldquest International		
Hydraulics SA (Pty) Limited	1 683	1 683
Disa Equipment (Pty) Limited	11 793	11 793
Tiletoria Cape Group	13 292	13 094
Humulani Marketing (Pty) Limited	5 020	5 020
Total	245 403	242 491
The directors assess the carrying value of goodwill with reference to the future cash flows of the cash generating unit.		
12. OTHER INTANGIBLE ASSETS		
Computer software		
– Gross carrying value	18 529	17 623
– Accumulated amortisation	8 606	6 465
Net carrying value	9 923	11 158
Reconciliation of movement in carrying value		
Balance at the beginning of the year	11 158	11 327
Additions	906	2 743
Amortisation for the year	(2 141)	(2 912)
Balance at the end of the year	9 923	11 158
13. FINANCIAL ASSET		
Credit default swap derivative	179 549	232 512
The fair value of the credit default swap derivative was determined by discounting the contractual stream of receipts on the long-term receivable using the zero swap curve at the valuation date.		
14. LONG-TERM RECEIVABLE		
Opening balance	1 527 875	1 350 000
Capitalisation of net income from partnership	73 789	177 875
Disposal of partnership interest	(1 601 664)	–
Closing balance	–	1 527 875

The investment generated an interest return of 14,62% per annum and was secured by a forward sale agreement with Morgan Stanley Vaal LLC. Morgan Stanley Vaal LLC gave notice to exercise the forward sale agreement on the long-term receivable during the year. The settlement took place on 15 October 2009.

Notes to the annual financial statements continued

for the year ended 31 March 2010

			GROUP	
			2010 R'000	2009 R'000
15. INVESTMENT IN SUBSIDIARIES				
Details of the Company's subsidiaries at 31 March 2010 are as follows:				
Shares at cost			502 264	502 264
Total			502 264	502 264
			Proportion of ownership interest and voting power held	
Name of subsidiary	Principal activity	Place of operation	2010 %	2009 %
Direct holdings				
Bearing Man 1955 Limited	Investment holding company	South Africa	100	100
Humulani Investments (Pty) Ltd*	Investment holding company	South Africa	80	80
Indirect holdings				
Bearing Man (Botswana) (Pty) Ltd	Trading company	Botswana	80	80
Bearing Man (Namibia) (Pty) Ltd	Trading company	Namibia	80	80
Bearing Man (Swaziland) (Pty) Ltd	Trading company	Swaziland	80	80
Bearing Man (Mozambique) LDA	Trading company	Mozambique	80	80
Bearing Man (Zambia) (Pty) Ltd	Trading company	Zambia	80	80
Invicta Properties (Pty) Ltd	Property holding company	South Africa	80	80
Oscillating Systems Technology Africa (Pty) Ltd	Trading company	South Africa	80	80
Mangold Turf Equipment Company (Pty) Ltd	Trading company	South Africa	80	80
Disa Equipment (Pty) Ltd	Trading company	South Africa	80	80
Criterion Equipment (Pty) Ltd	Trading company	South Africa	80	–
Goldquest International Hydraulics SA (Pty) Ltd	Trading company	South Africa	80	80
Humulani Marketing (Pty) Ltd	Trading company	South Africa	80	80
Farmmac (Pty) Ltd	Trading company	South Africa	80	80
Tiletoria Cape (Pty) Ltd	Trading company	South Africa	48	48
Spring Lights 149 (Pty) Ltd	Trading company	South Africa	48	48

* The 5% of the ordinary issued share capital of Humulani Investments (Pty) Ltd owned by the Humulani Investments Share Incentive Trust has been consolidated in terms of SIC12. Refer to the Report of the Directors on page 37 of the 2010 Annual Report for further details.

Notes to the annual financial statements continued

for the year ended 31 March 2010

	GROUP	
	2010 R'000	2009 R'000
15. INVESTMENT IN SUBSIDIARIES CONTINUED		
The Group acquired 100% of the share capital of Criterion Equipment (Pty) Ltd, effective 1 June 2009.		
A register containing details of the other direct and indirect subsidiaries is available for inspection during business hours at the registered office of the Company by members or their duly authorised agents.		
The Company's attributable interest in the aggregate profits and losses (after taxation and minority interest) of its subsidiaries is as follows:		
Profits	272 077	267 571
Losses	41	4 022

16. INVESTMENT IN ASSOCIATE

Name of associate	Principal activity	Place of operation	Proportion of ownership interest and voting power held	
			2010 %	2009 %
Compact Computers Solutions (Pty) Ltd	Trading company	South Africa	40	–

The Group acquired a 40% interest in Compact Computers Solutions (Pty) Limited, effective 1 April 2009.

Summarised financial information in respect of the Group's associate is set out below.

	GROUP	
	2010 R'000	2009 R'000
Total assets	2 018	–
Total liabilities	1 406	–
Net assets	612	–
Group's share of net assets of associate		
Revenue for the year	17 890	–
Profit for the year	1 599	–
Group's share of profits of associate	639	–
Reconciliation of carrying amount:		
Acquisition of associate	2 080	–
Equity accounted earnings, net of taxation	639	–
Dividends received	(600)	–
Carrying value at the end of the year	2 119	–

Notes to the annual financial statements continued

for the year ended 31 March 2010

	GROUP		COMPANY	
	2010 R'000	2009 R'000	2010 R'000	2009 R'000
17. LOANS TO SUBSIDIARIES				
Bearing Man 1955 Limited	–	–	223 872	141 894
Humulani Investments (Pty) Limited	–	–	177 264	112 587
	–	–	401 136	254 481
The loans are unsecured, bear no interest and no fixed terms of repayment have been negotiated.				
18. INVENTORIES				
Merchandise	1 358 838	1 790 555	–	–
Work-in-progress	38 932	5 949	–	–
Obsolescence provision	(98 975)	(150 591)	–	–
Total	1 298 795	1 645 913	–	–
Inventory carried at net realisable value	159 151	107 118	–	–
Inventory write-down expensed	3 062	4 666	–	–
Inventory recognised in the income statement	2 886 154	3 417 181	–	–
19. TRADE AND OTHER RECEIVABLES				
Trade receivables	598 856	599 890	–	–
Provision for doubtful debts	(39 925)	(35 827)	–	–
Prepayments	3 367	45 312	121	–
Other receivables	108 681	78 731	7 025	7 008
Total	670 979	688 106	7 146	7 008
The directors consider that the carrying value of trade and other receivables approximates fair value at year-end.				
<i>Movement in provision for doubtful debt</i>				
Opening balance	35 827	18 231	–	–
Acquisition of subsidiaries	11 583	7 294	–	–
Amounts written off during the year, net of recoveries	(1 487)	(5 380)	–	–
Net provision (released) raised during the year	(5 998)	15 682	–	–
Closing balance	39 925	35 827	–	–

Notes to the annual financial statements continued

for the year ended 31 March 2010

	GROUP		COMPANY	
	2010 R'000	2009 R'000	2010 R'000	2009 R'000
19. TRADE AND OTHER RECEIVABLES				
CONTINUED				
<i>Trade receivables past due and not impaired</i>				
All past due receivable balances have been assessed for recoverability and it is believed that their credit quality remains intact. An ageing analysis of these past due trade receivables, is as follows:				
60 days	4 754	11 087	–	–
90 days	2 343	5 180	–	–
More than 120 days	–	4 414	–	–
Total	7 097	20 681	–	–
<i>Trade receivables past due and impaired</i>				
60 days	1 280	3 164	–	–
90 days	12 349	7 942	–	–
More than 120 days	26 296	24 721	–	–
Total	39 925	35 827	–	–
20. ORDINARY SHARE CAPITAL				
Authorised				
134 000 000 (2009: 134 000 000) ordinary shares of 5 cents each	6 700	6 700	6 700	6 700
Issued				
74 480 555 (2009: 74 480 555) ordinary shares of 5 cents each	3 724	3 724	3 724	3 724
	Number of shares		Number of shares	
	2010 '000	2009 '000	2010 '000	2009 '000
Unissued shares				
The unissued ordinary shares are under the control of the directors in terms of a resolution of members passed at the last annual general meeting. This authority remains in force until the next annual general meeting.	63 288	63 199	63 288	61 297

At the Company's annual general meeting held on 31 July 2009, a special resolution was passed giving the directors general authority to repurchase shares not exceeding 20% of the issued share capital on the open market. This authority remains in force until the next annual general meeting.

Notes to the annual financial statements continued

for the year ended 31 March 2010

	GROUP		COMPANY	
	2010 R'000	2009 R'000	2010 R'000	2009 R'000
21. SHARE PREMIUM				
The ordinary share premium is made up as follows:				
Balance at the end of the year	282 715	282 715	282 715	282 715
22. TREASURY SHARES				
3 768 261 (2009: 3 679 062) ordinary shares of 5 cents each	(188)	(184)	–	–
Share premium	(96 382)	(94 063)	–	–
Balance at the end of the year	(96 570)	(94 247)	–	–
23. ORDINARY DIVIDENDS*				
Final				
85 cents paid on 13 July 2009 (2009: 91 cents) to shareholders registered in the books of the Company on 10 July 2009	63 308	67 777	63 308	67 777
Interim				
49 cents paid on 7 December 2009 (2009: 53 cents) to shareholders registered in the books of the Company on 4 December 2009	36 496	39 475	36 496	39 475
Dividends received on treasury shares	(4 966)	(3 567)	–	–
Total	94 838	103 685	99 804	107 252

* In accordance with IAS 10 the final dividend of 102 cents per share (2009: 85 cents) proposed by the directors has not been reflected in the financial statements as it had not been declared at the year-end.

Notes to the annual financial statements continued

for the year ended 31 March 2010

	GROUP		COMPANY	
	2010 R'000	2009 R'000	2010 R'000	2009 R'000
24. LONG-TERM BORROWINGS				
24.1 Secured borrowings				
<i>Finance lease agreements</i>	27 368	10 073	–	–
The lease agreements are repayable between 36 and 60 months and bear interest at fixed rates between 11% and 13,8% per annum. The leases are repaid in equal monthly instalments. No arrangements have been entered into for contingent rental payments. The borrowings are secured by certain motor vehicles and golf cars as detailed in note 9.2.				
<i>Mortgage bonds</i>	125 620	108 549	–	–
The mortgage bonds are repayable over 120 months. The mortgage bonds attract interest at JIBAR plus 2,05% per annum. The capital on the JIBAR linked bonds are repayable from the third year onwards. The JIBAR linked variable rates bonds have been swapped for fixed rate loans for a period of two years. These bonds are secured by certain land and buildings as referred to in note 9.2.				
<i>Debentures</i>	1 195 100	1 195 100	–	–
The debentures bear interest at 12,5% per annum and are redeemable in semi-annual instalments from 8 August 2011 to 8 February 2016. The rights of the debenture holders to the repayment of interest and capital are subordinated in favour of the claims of the creditors of certain of the Group's companies. The debentures are secured by certain preference share investments by means of a credit default swap transaction entered into with Standard Bank of South Africa Limited as detailed in note 10.				
<i>Serec Capital (Pty) Limited loan</i>	1 686 001	1 529 269	–	–
The loan bears interest at a compounded quarterly fixed rate of 11,73% per annum. The fixed date of repayment is 15 August 2018. The Group may however elect to repay the loan at an earlier date without premium or penalty. The loan is secured by a credit default swap as referred to in note 13.				
Balance carried forward	3 034 089	2 842 991	–	–

Notes to the annual financial statements continued

for the year ended 31 March 2010

	GROUP		COMPANY	
	2010 R'000	2009 R'000	2010 R'000	2009 R'000
Balance brought forward	3 034 089	2 842 991	–	–
24.2 Unsecured borrowings				
<i>Other borrowings</i>	10 857	9 193	–	–
The amounts payable are unsecured, interest-free and no fixed repayment terms have been negotiated. The loans are long-term in nature.				
<i>Invicta Share Trust loan</i>	–	–	688	688
The loan is unsecured, interest-free and no fixed repayment terms have been negotiated. The loan is long-term in nature.				
Total borrowings	3 044 946	2 852 184	688	688
Less: Current portion of long-term borrowings disclosed in current liabilities	(18 056)	(5 546)	–	–
Total long-term borrowings	3 026 890	2 846 638	688	688
Borrowings are repayable as follows:				
On demand or within one year	18 056	5 546	–	–
In second to fifth year inclusive	145 789	236 452	–	–
After five years	2 881 101	2 610 186	688	688
Total	3 044 946	2 852 184	688	688
There is no limit on the Group's borrowings and guarantees in terms of the Company's Articles of Association.				
25. FINANCIAL LIABILITIES				
Put option/credit default swap derivative	179 549	232 512	–	–
Interest rate swap derivative	2 619	3 922	–	–
	182 168	236 434	–	–

The fair values of the put option/credit default swap derivative and the interest rate swap derivative were determined by discounting the contractual stream of payments using the zero swap curve at the valuation date.

Notes to the annual financial statements continued

for the year ended 31 March 2010

	GROUP		COMPANY	
	2010 R'000	2009 R'000	2010 R'000	2009 R'000
26. TRADE AND OTHER PAYABLES				
Trade payables	561 786	959 854	–	–
Other payables	373 007	215 071	2 431	2 440
Deferred income	12 984	16 230	–	–
Total	947 777	1 191 155	2 431	2 440
27. PROVISIONS				
Employee benefit provisions	42 885	86 439	–	–
Warranties and service provisions	29 686	16 971	–	–
Total	72 571	103 410	–	–
Movements in provisions				
<i>Employee benefit provisions</i>				
Balance at the beginning of the year	86 439	47 999	–	–
(Credited) charged to income	(46 024)	36 038	–	–
Acquisition of subsidiaries	2 470	2 402	–	–
Balance at the end of the year	42 885	86 439	–	–
<i>Warranties and service provisions</i>				
Balance at the beginning of the year	16 971	14 743	–	–
Charged (credited) to income	10 884	(1 556)	–	–
Acquisition of subsidiaries	1 831	3 784	–	–
Balance at the end of the year	29 686	16 971	–	–
The provision has been recognised for expected warranty claims on certain products sold during the last three financial years.				
28. LOAN FROM SUBSIDIARY				
Humulani Marketing (Pty) Limited	–	–	218 344	117 541
Total	–	–	218 344	117 541

The loan is unsecured, bears no interest and no fixed terms of repayment have been negotiated.

Notes to the annual financial statements continued

for the year ended 31 March 2010

	GROUP		COMPANY	
	2010 R'000	2009 R'000	2010 R'000	2009 R'000
29. RECONCILIATION OF PROFIT BEFORE TAXATION TO CASH GENERATED FROM OPERATIONS				
Profit before taxation	429 544	474 752	147 013	172 553
<i>Adjusted for:</i>				
Depreciation	30 215	25 700	–	–
Amortisation of intangible assets	2 141	2 912	–	–
Impairment of property, plant and equipment	190	4 000	–	–
Interest rate swap gain	(1 303)	–	–	–
Net profit on disposal of property, plant and equipment	(3 732)	(3 232)	–	–
Profit on disposal of investment	–	(232)	–	–
Finance costs	432 886	382 719	2	30
Dividends received	(210 056)	(134 270)	(146 034)	(171 952)
Share of profits of associate	(639)	–	–	–
Interest received	(198 442)	(225 845)	(23)	(68)
Negative goodwill on acquisition of subsidiaries	(7 952)	–	–	–
Goodwill impairment	3 442	638	–	–
Currency translation of foreign operations	(7 649)	(3 079)	–	–
Revaluation reserve reversed on liquidation of Group company	(3 169)	–	–	–
Share appreciation rights charge	22 045	19 270	–	–
Cash generated before movements in working capital	487 521	543 333	958	563
Working capital changes:	102 705	(455 361)	(147)	410
Decrease (increase) in inventories	391 825	(393 269)	–	–
Decrease (increase) in trade and other receivables	60 925	69 292	(138)	294
(Decrease) increase in trade and other payables and provisions	(350 045)	(131 384)	(9)	116
Cash generated from operations	590 226	87 972	811	973
30. DIVIDENDS PAID TO GROUP SHAREHOLDERS				
Amounts unpaid at the beginning of the year	565	507	565	507
Final dividend paid 13 July 2009 (2009: 7 July 2008)	63 308	67 777	63 308	67 777
Interim dividend paid 7 December 2009 (2009: 8 December 2008)	36 496	39 475	36 496	39 475
Dividends received on treasury shares	(4 966)	(3 567)	–	–
Amounts unpaid at the end of the year	(2 967)	(565)	(639)	(565)
Total	92 436	103 627	99 730	107 194

Notes to the annual financial statements continued

for the year ended 31 March 2010

	GROUP		COMPANY	
	2010 R'000	2009 R'000	2010 R'000	2009 R'000
31. TAXATION PAID (REFUNDED)				
Amounts (prepaid) unpaid at the beginning of the year	(35 405)	25 925	34	34
Acquisition of subsidiaries	–	5 526	–	–
Charged to the income statement	73 748	127 589	368	567
Amounts (unpaid) prepaid at the end of the year	(13 014)	35 405	(665)	(34)
Total	25 329	194 445	(263)	567
32. CASH AND CASH EQUIVALENTS				
Bank and cash balances	260 553	125 061	12 681	11 134
Bank overdrafts and bankers' acceptances	(45 846)	(256 520)	–	–
Total	214 707	(131 459)	12 681	11 134

	GROUP	
	Bank R'000	Trading R'000
Banking and trading facilities		
Gross facility balances	443 964	1 544 009
Facilities utilised	8 981	636 844
Facilities available	434 983	907 165

These facilities are callable on demand.

The directors are of the view that there are adequate facilities in place to operate for the next twelve months.

33. CONTINGENT LIABILITIES

The Group has guaranteed certain finance facilities granted to customers of ABSA Bank. At the year-end, the finance facilities guaranteed were R313 233 (2009: R1 428 112).

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for the year ended 31 March 2010

	Audit and Remuneration Directors' fees R'000	Committee fees R'000	Salary and benefits R'000	Retire- ment benefits R'000	Bonus R'000	Total emolu- ments R'000
34. DIRECTORS' EMOLUMENTS						
2010						
Executive directors						
C Barnard	–	–	1 099	170	1 200	2 469
A Goldstone	–	–	1 400	201	5 000	6 601
AM Sinclair	–	–	1 656	103	470	2 229
CE Walters	–	–	1 871	166	498	2 535
	–	–	6 026	640	7 168	13 834
Non-executive directors						
CH Wiese	635	22	–	–	–	657
J Mthimunye	84	80	–	–	–	164
DI Samuels	332	262	–	–	–	594
LR Sherrell	63	–	–	–	–	63
	1 114	364	–	–	–	1 478
Total	1 114	364	6 026	640	7 168	15 312

* With effect from 31 March 2009, a portion of the cumulative total of the bonuses paid to the directors will be deducted from the benefit accrued to the directors under the long-term bonus share incentive right ("LBSIR") scheme. The relevant percentages and cumulative portion of the bonuses to be deducted from the benefits accrued are reflected below:

	Relevant percentage	Cumulative bonus paid subject to deduction from LBSIR scheme benefit R
C Barnard	20	480 000
A Goldstone	70	14 984 900
AM Sinclair	40	1 200 000
CE Walters	40	1 297 200

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34. DIRECTORS' EMOLUMENTS CONTINUED

	Audit and Remuneration Directors' fees R'000	Committee fees R'000	Salary and benefits R'000	Retire- ment benefits R'000	Bonus R'000	Total emolu- ments R'000
2009						
Executive directors						
C Barnard	-	-	1 057	178	2 400*	3 635
A Goldstone	-	-	1 463	216	5 580*	7 259
AM Sinclair	-	-	1 304	98	3 000*	4 402
CE Walters	-	-	1 866	161	3 243*	5 270
	-	-	5 690	653	14 223	20 566
Non-executive directors						
CH Wiese	540	20	-	-	-	560
AK Masuku	-	-	-	-	-	-
J Mthimunye	40	54	-	-	-	94
DI Samuels	304	198	-	-	-	502
RE Sherrell	80	-	-	-	-	80
	964	272	-	-	-	1 236
Total	964	272	5 690	653	14 223	21 802

* With effect from 31 March 2008, a portion of the cumulative total of the bonus paid to the directors will be deducted from the benefit accrued to the directors under the long-term bonus share incentive right ("LBSIR") scheme. The relevant percentages and cumulative portion of the bonuses to be deducted from the benefits accrued are reflected below:

	Relevant percentage	Cumulative bonus paid subject to deduction from LBSIR scheme benefit R
C Barnard	20	480 000
A Goldstone	70	11 484 900
AM Sinclair	40	1 200 000
CE Walters	40	1 297 200

Share appreciation rights awarded	Total number of grants awarded to date	Number of rights awarded during the year	Weighted average incentive cost	Grant date
2010				
A Goldstone	4 000 000	1 000 000	4,44	13 March 2009
AM Sinclair	1 399 375	400 000	4,44	13 March 2009
C Barnard	1 254 000	400 000	4,44	13 March 2009
CE Walters	1 450 000	400 000	4,44	13 March 2009
2009				
A Goldstone	3 000 000	1 000 000	7,13	14 March 2008
AM Sinclair	999 375	360 000	7,13	14 March 2008
C Barnard	854 000	300 000	7,13	14 March 2008
CE Walters	1 050 000	500 000	7,13	14 March 2008

Notes to the annual financial statements continued

for the year ended 31 March 2010

	GROUP		COMPANY	
	2010 R'000	2009 R'000	2010 R'000	2009 R'000
35. RETIREMENT BENEFITS				
The Group contributes to a defined contribution pension plan and a defined contribution provident plan which are governed by the Pension Funds Act, 1956. No actuarial valuation of the plans is required. All staff are members of a fund and the costs of providing retirement benefits are charged to the income statement as they are incurred. Refer to note 4 for contributions made to retirement funds during the year.				
36. COMMITMENTS				
Commitments in respect of unexpired rental agreements for premises:				
– Payable within twelve months	30 861	41 964	54	210
– Payable thereafter	43 618	154 500	–	54
	74 479	196 464	54	264
Commitments in respect of unexpired rental agreements for motor vehicles:				
– Payable within twelve months	12 624	8 485	–	–
– Payable thereafter	14 904	11 678	–	–
	27 528	20 163	–	–
Commitments in respect of unexpired rental agreements for office equipment:				
– Payable within twelve months	231	550	–	–
– Payable thereafter	113	1 201	–	–
	344	1 751	–	–
Commitments in respect of contracted capital expenditure	988	7 026	–	–

Expenditure will be financed from existing cash facilities.

Notes to the annual financial statements continued

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37. FINANCIAL RISK MANAGEMENT

The Group is considered to be exposed to interest rate, credit, liquidity and foreign currency risk. The Company has limited exposure to interest rate, credit and foreign currency risk.

Interest rate management

The interest rate profile of total borrowings is as follows:

Description	Currency	Redemption period	Interest rate % p.a.	2010 R'000	2009 R'000
Bank overdrafts	ZAR	N/A	8,25 – 10,50	45 846	256 520
Fixed rate borrowings	ZAR	2006 – 2012	11,00 – 13,80	1 222 468	1 205 173
Variable rate borrowings	ZAR	2006 – 2017	8,50 – 14,10	1 804 422	1 641 465

The Group is exposed to interest rate risk on its variable rate borrowings. The exposure to interest rate risk is managed using derivatives, where it is considered appropriate, and through a closely monitored cash management system. The impact of a change in the interest rate of 2% will have an effect of approximately R36 million (2009: R33 million) on the income statement.

Credit risk management

Potential areas of credit risk consist of trade accounts receivable and short-term cash investments. Trade accounts receivable consist mainly of a large, widespread customer base. Group companies monitor the financial position of their customers on an ongoing basis. Where considered appropriate, use is made of credit guarantee insurance. The granting of credit is controlled by application and account limits. Provision is made for specific bad debts and at the year-end management did not consider there to be any material credit risk exposure that was not already covered by credit guarantee or a bad debt provision (refer to note 19 for further detail in this regard). It is Group policy to deposit short-term cash investments with only the major banks.

Liquidity risk management

The Group manages liquidity risk by monitoring forecast cash flows and ensuring that adequate unutilised borrowing facilities are maintained.

The following table details the Group's contractual maturities on its financial liabilities (excluding the put option/credit default swap derivatives and interest rate swap derivatives):

	Less than 1 year R'000	2 to 5 years R'000	More than 5 years R'000	Total R'000
2010				
Mortgage bonds	2 804	65 815	57 001	125 620
Serec Capital loan	–	–	1 686 001	1 686 001
Debentures	–	566 477	628 623	1 195 100
Finance lease liabilities and unsecured borrowings	15 252	8 736	3 380	27 368
Trade and other payables	947 777	–	–	947 777
	965 833	641 028	2 375 005	3 981 866
2009				
Mortgage bonds	331	1 571	106 647	108 549
Serec Capital loan	–	–	1 529 269	1 529 269
Debentures	–	222 289	972 811	1 195 100
Finance lease liabilities and unsecured borrowings	5 215	12 592	1 459	19 266
Trade and other payables	1 191 155	–	–	1 191 155
	1 196 701	236 452	2 610 186	4 043 339

Notes to the annual financial statements continued

for the year ended 31 March 2010

37. FINANCIAL RISK MANAGEMENT CONTINUED

Foreign currency risk management

All the Group's monetary assets and liabilities are denominated in South African Rand, with the exception of those assets and liabilities of BMG foreign entities which are fairly insignificant from a Group perspective.

The Group utilises currency derivatives to eliminate or reduce the exposure to its foreign currency denominated assets and liabilities, and to hedge future transactions. The Group has entered into certain forward exchange contracts in various currencies which do not relate to specific liabilities appearing on the balance sheet at the year-end. These contracts will be utilised for settlement of orders already placed on suppliers and which are due for payment in the coming year. It is the Group's policy not to speculate in foreign exchange contracts.

At year-end, open forward exchange contracts are marked-to-market and the profits and losses arising on the contracts are recognised in the income statement. The estimated net fair values have been determined at the year-end, using available market information and appropriate valuation methodologies.

As at year-end, no uncovered foreign exchange denominated transactions were in existence.

The forward exchange contracts in place at the year-end, are as follows:

	Foreign currency '000	Average exchange rate	Rand '000
2010			
US Dollar	40 490	7,6181	308 455
Euro	20 188	10,8838	219 723
Yen	786 602	11,6117	67 742
Australian Dollar	19	5,6842	108
Singapore Dollar	327	1,0734	351
British Pound	112	11,8036	1 322
Swiss Franc	17	7,5882	129
2009			
US Dollar	43 847	10,5719	463 544
Euro	21 141	13,5172	285 768
Yen	1 065 974	8,8864	119 955
Australian Dollar	6	6,8333	41
Singapore Dollar	6	6,1667	37
British Pound	63	13,5714	855
Swiss Franc	29	8,5172	247

The forward exchange contracts mature within twelve months.

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37. FINANCIAL RISK MANAGEMENT CONTINUED

Capital risk management

Capital is managed to ensure that operations are able to continue as a going concern, whilst maximising return to stakeholders through an appropriate debt and equity structure. The capital structure of the Group consists of debt, which includes borrowings, cash and cash equivalents, preference shares, debentures, a put option/credit default swap and equity. Capital risk was reviewed in detail by the board in the corporate restructure process and assessment of new acquisitions.

Financial instruments

Financial instruments as disclosed in the balance sheet include trade receivables and payables, other receivables and payables, long-term debtors, overdrafts and short-term borrowings, long-term borrowings and shareholders for dividend.

	GROUP	
	2010 R'000	2009 R'000
Categories of financial instruments		
<i>Financial assets</i>		
<i>Investments at cost or fair value</i>		
Financial investments	2 880 087	1 195 100
<i>Financial assets at fair value</i>		
Financial asset	179 549	232 512
<i>Loans and receivables at amortised cost</i>		
Long-term receivable	–	1 527 875
Long-term loans	6 721	–
Trade and other receivables	667 612	688 106
Bank balances and cash	260 553	125 061
	3 994 522	3 768 654
<i>Financial liabilities</i>		
<i>Financial liabilities at fair value</i>		
Financial liabilities	182 168	236 434
<i>Financial liabilities at amortised cost</i>		
Borrowings	3 044 946	3 083 072
Trade and other payables	947 777	1 191 155
Bank overdrafts and bankers' acceptances	45 846	256 520
	4 220 737	4 767 181

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38. DIRECTORS' INTERESTS IN THE SHARES OF THE COMPANY

	Number of shares held			
	2010		2009	
	Direct interest	Indirect interest	Direct interest	Indirect interest
C Barnard	100 000	25 000	100 000	25 000
A Goldstone	588 966	3 749 008	588 966	5 023 686
DI Samuels	800 460	4 000 000	800 460	4 000 000
RE Sherrell	3 760 018	6 253 400	3 960 018	6 253 400
AM Sinclair	137 000	–	145 000	–
CE Walters	300 000	–	300 000	–
CH Wiese	–	25 113 992	–	25 093 992

No material changes in the above shareholdings have been reported between 31 March 2010 and the date of this report.

39. RELATED PARTY TRANSACTIONS

Transactions between the Company and its subsidiaries, which are related parties, are limited to dividends received from subsidiaries of R97 million (2009: R122 million).

Remuneration of key management personnel

The remuneration of the directors of the subsidiaries, who are the key management personnel of the Group, is set out below:

	GROUP	
	2010 R'000	2009 R'000
Short-term employee benefits	33 521	23 930
Retirement benefits	1 279	1 114
	34 800	25 044

Services provided by Bravura Equity Services ("Bravura")

Bravura is a related entity to one of the directors and major shareholders in the Group. Bravura has provided financial services to the Group with regard to its BEE transaction in 2006, giving rise to certain investments and borrowings (refer notes 10 and 24 respectively). During the current and prior year, Bravura provided financial services to the counterparty in the transaction giving rise to the investments and derivative instruments (refer notes 10, 13 and 14) and borrowings (refer notes 24 and 25).

Notes to the annual financial statements continued

for the year ended 31 March 2010

	GROUP	
	2010 R'000	2009 R'000
40. ACQUISITION OF SUBSIDIARIES		
Acquisition of subsidiaries during the current year		
The significant acquisition included below is the acquisition of 100% of the share capital of Criterion Equipment (Pty) Limited, effective 1 June 2009.		
Fair value of assets acquired:		
Property, plant and equipment	48 091	20 395
Other assets	77 398	208 148
Deferred tax	2 069	5 605
Long-term borrowings	(15 658)	(7 585)
Other liabilities	(75 828)	(164 234)
Minority interest	(1 510)	–
Net asset value	34 562	62 329
Minority interest acquired in existing subsidiary	–	9 942
Fair value of net assets acquired	34 562	72 271
Cash outflow on acquisitions	32 964	89 323
Net goodwill	(1 598)	17 052
Positive goodwill	6 354	17 052
Negative goodwill	(7 952)	–
Profit after tax since acquisition date included in the consolidated results for the year	10 350	25 008
Revenue since acquisition date included in the consolidated results for the year	202 506	329 616
(Loss) profit after tax should the business combinations have been included for the entire year	(33 270)	29 825
Revenue should the business combinations have been included for the entire year	189 865	372 910