STRUCTURED CONNECTIVITY SOLUTIONS (PTY) LTD

(Registration number 2002/001640/07)

Historical FInancial Information

for the year ended 31 August 2012

Index

The reports and statements set out below comprise the historical financial information presented to the members:

Introduction to historical financial information

The historical financial information of Structured Connectivity Solutions Proprietary Limited ("Historical Financial Information"), set out below, has been derived from the audited Annual Financial Statements of Structured Connectivity Solutions Proprietary Limited for the year ended 31 August 2013. The audited Annual Financial Statements of Structured Connectivity Solutions Proprietary Limited were prepared in accordance with International Financial Reporting Standards.

The Annual Financial Statements of Structured Connectivity Solutions Proprietary Limited for the year ended 31 August 2013 were reported on by PricewaterhouseCoopers Inc. without qualification.

Commentary on historical financial information

The company was incorporated on 28 January 2002 and obtained its certificate to commence on the same day.

The company is engaged in full turnkey IT infrastructure and operates principally in South Africa.
The operating results and state of affairs of the company are fully set out in the attached historical financial information and do not in our opinion require any further comment.
Net loss of the company was R 3,924,476 (2011: R 186,873 profit), after taxation of R 2,445,648 (2011: R (85,594)).

The fact that the total liabilities exceed the assets has not hindered (and the director believes that it will not hinder) the company's ability to pay its short-term debts as they become due in the normal course of business.

ConvergeNet Holdings Limited is in the process of disposing of its entire interest in the company to Tellumat Proprietary Limited for R 5 million, pending shareholder approval.

This will result in a controlling interest and 100% shareholding by Tellumat Proprietary Limited in Structured Connectivity Solutions Proprietary Limited.

Statement of Financial Position

Figures in Rand	Note(s)	2012	2011
Assets			
Non-Current Assets			
Property, plant and equipment	3	309,763	385,711
Intangible assets	4	2	3,912
Other financial assets	6	435,000	125,000
Deferred tax	8	5,870,012	3,405,417
		6,614,777	**3,920,040**
Current Assets			
Inventories		-	282,607
Other financial assets	6	5,175	200,000
Current tax receivable		-	61,778
Trade and other receivables	9	2,436,626	10,145,146
Cash and cash equivalents	10	689,166	1,279,469
		3,130,967	**11,969,000**
Total Assets		**9,745,744**	**15,889,040**
Equity and Liabilities			
Equity			
Share capital	11	100	100
Equity contribution by parent		3,840,000	3,840,000
Accumulated loss		(5,618,726)	(1,694,250)
		(1,778,626)	**2,145,850**
Liabilities			
Non-Current Liabilities			
Other financial liabilities	14	145,001	93,750
Operating lease liability		2,198	10,641
Deferred tax	8	18,947	-
		166,146	**104,391**
Current Liabilities			
Loans from group companies	5	8,737,914	7,781,914
Trade and other payables	16	2,409,474	5,371,867
Provisions	15	200,140	159,231
Bank overdraft	10	10,696	325,787
		11,358,224	**13,638,799**
Total Liabilities		**11,524,370**	**13,743,190**
Total Equity and Liabilities		**9,745,744**	**15,889,040**

Structured Connectivity Solutions (Pty) Ltd

(Registration number 2002/001640/07)
Historical Financial Information for the year ended 31 August 2012

Statement of Comprehensive Income

Figures in Rand	Note(s)	2012	2011
Revenue	18	19,703,527	40,932,540
Cost of sales		(18,289,124)	(29,576,981)
Gross profit		**1,414,403**	**11,355,559**
Other income		2,613,093	626,293
Operating expenses		(10,527,197)	(11,929,240)
Operating profit / (loss)	19	**(6,499,701)**	**52,612**
Investment income	20	48,345	78,544
Fair value adjustments	21	101,500	(36,667)
Finance costs	22	(20,268)	6,790
Profit / (loss) before taxation		**(6,370,124)**	**101,279**
Taxation	23	2,445,648	85,594
Profit / (loss) for the year		**(3,924,476)**	**186,873**
Other comprehensive income		-	-
Total comprehensive income / (loss)		**(3,924,476)**	**186,873**

Statement of Changes in Equity

Figures in Rand	Share capital	Equity contribution by parent	Accumulated loss	Total equity
Balance at 01 September 2010	**100**	**3,840,000**	**(1,881,123)**	**1,958,977**
Changes in equity				
Total comprehensive loss for the year	-	-	186,873	186,873
Total changes	-	-	186,873	186,873
Balance at 01 September 2011	**100**	**3,840,000**	**(1,694,250)**	**2,145,850**
Changes in equity				
Total comprehensive income for the year	-	-	(3,924,476)	(3,924,476)
Total changes	-	-	(3,924,476)	(3,924,476)
Balance at 31 August 2012	**100**	**3,840,000**	**(5,618,726)**	**(1,778,626)**
Note(s)	11			

Statement of Cash Flows

Figures in Rand	Note(s)	2012	2011
Cash flows from operating activities			
Cash receipts from customers		27,960,168	41,113,919
Cash paid to suppliers and employees		(29,227,890)	(41,184,367)
Cash generated from/(used in) operations	25	(1,267,722)	(70,448)
Interest income		48,345	78,544
Finance costs		(20,268)	(3,371)
Tax (paid) received	26	61,778	-
Net cash generated from/(used in) operating activities		**(1,177,867)**	**4,725**
Cash flows from investing activities			
Purchase of property, plant and equipment	3	(41,430)	(134,214)
Sale of property, plant and equipment	3	3,509	278,026
Proceeds from loans from group companies		956,000	-
Repayment of loans from group companies		-	(300,000)
Purchase of financial assets		-	99,443
Sale of financial assets		(66,675)	-
Net cash generated from/(used in) investing activities		**851,404**	**(56,745)**
Cash flows from financing activities			
Repayment of other financial liabilities		51,251	-
Finance lease payments		-	(138,870)
Net cash used in financing activities		**51,251**	**(138,870)**
Total cash movement for the year		**(275,212)**	**(190,890)**
Cash at the beginning of the year		953,682	1,144,572
Total cash at end of the year	10	**678,470**	**953,682**

Accounting Policies

1. ACCOUNTING POLICIES

STATEMENT OF COMPLIANCE

The historical financial information has been prepared in accordance with International Financial Reporting Standards and the Companies Act 71 of 2008. The historical financial information has been prepared on the historical cost basis and incorporate the principal accounting policies set out below. They are presented in South African Rands.

These accounting policies are consistent with those applied in the previous period, except for the changes set out in note 2, New Standards and Interpretations.

1.1 KEY ASSUMPTIONS MADE BY MANAGEMENT IN APPLYING ACCOUNTING POLICIES

In preparing the historical financial information, management is required to make judgements, estimates and assumptions that affect the amounts represented in the historical financial information and related disclosures. Use of available information and the application of judgement are inherent in the formation of estimates. Actual results in the future could differ from these estimates.

The estimates and the underlying assumptions are reviewed on an ongoing basis. Revisions to accounting estimates are recognised in the period in which the estimate is revised if the revision affects only that period or in the period of the revision and future periods if the revision affects both current and future periods.

1.2 PROPERTY PLANT AND EQUIPMENT

The cost of an item of property, plant and equipment is recognised as an asset when:

- it is probable that future economic benefits associated with the item will flow to the company; and
- the cost of the item can be measured reliably.

Property, plant and equipment is initially measured at cost.

Costs include costs incurred initially to acquire or construct an item of property, plant and equipment and costs incurred subsequently to add to, replace part of, or service it when relevant to major refurbishment of a component resulting in derecognition of existing component and recognition of refurbishment costs.

If a replacement cost is recognised in the carrying amount of an item of property, plant and equipment, the carrying amount of the replaced part is derecognised.

Property, plant and equipment is carried at cost less accumulated depreciation and any accumulated impairment losses.

Depreciation is charged to profit or loss for each component of an asset on a straight-line basis over its expected useful lives to estimated residual values. The current estimated useful lives for the current and comparative periods are as follows:

- Furniture and fixtures 10 years
- IT equipment 3 years
- Office Equipment 5 years
- Computer software 3 years
- Loose tools 3 years
- Buildings 2 years

The residual value, the estimated useful life and depreciation method of each asset are reviewed at the end of each reporting period.
Each component of an item of property, plant and equipment with a cost that is significant in relation to the total cost of the item shall be depreciated separately.

The depreciation charge for each period is recognised in profit or loss unless it is included in the carrying amount of another asset.

The gain or loss arising from the derecognition of an item of property, plant and equipment is included in profit or loss when the item is derecognised. The gain or loss arising from the derecognition of an item of property, plant and equipment is determined as the difference between the net disposal proceeds, if any, and the carrying amount of the item.

Accounting Policies

ACCOUNTING POLICIES (continued)

1.3 INTANGIBLE ASSETS

Intangible assets include those assets acquired and identified as part of a business combination including marketing related items such as patents, trademarks and trade names; technology related items like computer software and customer related items amongst other items.

An intangible asset is recognised when:
- It is identifiable;
- The entity has control over it;
- it is probable that the expected future economic benefits that are attributable to the asset will flow to the entity; and
- the cost of the asset can be measured reliably.

Intangible assets are initially measured at cost except for those acquired in a business combination which are measure at fair value at acquisition date.

Expenditure on research or on the research phase of an internal project is recognised as an expense when it is incurred.

An intangible asset arising from development or from the development phase of an internal project shall be recognised if, and only if, an entity can demonstrate all of 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 and use or sell it.
- its ability to use or sell the intangible asset.
- how the intangible asset will generate probable future economic benefits. Among other things, the entity can demonstrate the existence of a market for the output of the intangible asset or the intangible asset itself or, if it is to be used internally, the usefulness of the intangible asset.
- the availability of adequate technical, financial and other resources to complete the development and to use or sell the intangible asset.
- its ability to measure reliably the expenditure attributable to the intangible asset during its development.

Intangible assets are carried at cost less any accumulated amortisation and any impairment losses.

An intangible asset is regarded as having an indefinite useful life when, based on all relevant factors, there is no foreseeable limit to the period over which the asset is expected to generate net cash inflows. Amortisation is not provided for these intangible assets.

Internally generated brands, mastheads, publishing titles, customer lists and items similar in substance are not recognised as intangible assets.

The gain or loss arising from the derecognition of an intangible asset is recognised in profit or loss and is determined as the difference between the net proceeds, if any, and the carrying amount of the asset.

Amortisation is provided to write down the intangible assets, on a straight line basis, to their residual values as follows:

Item	**Useful life**
Computer software	3 years

The amortisation period and the amortisation method for intangible assets are reviewed at the end of each reporting period.

Reassessing the useful life of an intangible asset as finite rather than indefinite is an indicator that the asset may be impaired. As a result, the entity tests the asset for impairment by comparing its recoverable amount, determined in accordance with IAS 36, with its carrying amount, and recognising any excess of the carrying amount over the recoverable amount as an impairment loss.

Internally generated brands, mastheads, publishing titles, customer lists and items similar in substance are not recognised as intangible assets.
The gain or loss arising from the derecognition of an intangible asset is recognised in profit or loss and is determined as the difference between the net proceeds, if any, and the carrying amount of the asset.

ACCOUNTING POLICIES (continued)

1.4 FINANCIAL INSTRUMENTS

Classification

The Company classifies financial assets and financial liabilities into the following categories:
- Financial assets at fair value through profit or loss – designated
- Loans and receivables
- Financial liabilities at amortised cost

Classification depends on the purpose for which the financial instruments were obtained/incurred and takes place at initial recognition.

Initial recognition and measurement

The company classifies financial instruments, or their component parts, on initial recognition as a financial asset, a financial liability or an equity instrument in accordance with the substance of the contractual arrangement.

Financial instruments are recognised initially when the company becomes party to the contractual provisions of the instrument.

Financial instruments are initially measured at fair value, which includes transaction costs, except for those items recognised at fair value through profit or loss.

Subsequent measurement

Financial instruments at fair value through profit or loss are subsequently measured at fair value, with gains and losses arising from changes in fair value recognised in profit or loss for the period.

Net gains or losses on financial instruments at fair value through profit or loss exclude dividends and interest.

Dividend income is recognised in profit or loss as part of other income when the Company's right to receive payment is established.

Loans and receivables are subsequently measured at amortised cost, using the effective interest method, less accumulated impairment losses.

Financial liabilities at amortised cost are subsequently measured at amortised cost, using the effective interest rate method.

Derecognition

Financial assets are derecognised when the rights to receive cash flows from the investments have expired or have been transferred and the Company has transferred substantially all risks and rewards of ownership.

Fair value determination

The fair values of quoted financial instruments are based on current bid prices. If the market for a financial asset is not active (and for unlisted securities), the Company establishes fair value by using valuation techniques. These include the use of recent arm’s length transactions, reference to other instruments that are substantially the same, discounted cash flow analysis, and option pricing models making maximum use of market inputs and relying as little as possible on entity-specific inputs.

Impairment of financial assets

At each reporting date the Company assesses all financial assets, other than those at fair value through profit or loss, to determine whether there is objective evidence that a financial asset or Company of financial assets has been impaired.

Impairment losses are recognised in profit or loss.

Reversals of impairment losses are recognised in profit or loss except for equity investments classified as available-for-sale which are recognised in other comprehensive income.

ACCOUNTING POLICIES (continued)

Loans to/(from) group companies

These include loans to holding companies, fellow subsidiaries, subsidiaries, joint ventures and associates and are recognised initially at fair value plus direct transaction costs.

Loans to group companies are classified as loans and receivables.

Loans from group companies are classified as financial liabilities measured at amortised cost.

The impairment 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.

Loans to shareholders, directors, managers and employees

These financial assets are classified as loans and receivables.

The impairment 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.

Trade and other receivables

Trade receivables are measured at initial recognition at fair value, and are subsequently measured at amortised cost using the effective interest rate method. Appropriate allowances for estimated irrecoverable amounts 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 original effective interest rate computed at initial recognition.

Trade and other receivables are classified as loans and receivables.

Trade and other payables

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

Cash and cash equivalents

Cash and cash equivalents comprise cash on hand, 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. These are initially recognised at fair value and subsequently at amortised cost.

Bank overdraft and borrowings

Bank overdrafts and borrowings 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 company's accounting policy for borrowing costs.

Accounting Policies

ACCOUNTING POLICIES (continued)

1.5 TAXATION

Current tax for current and prior periods is, to the extent which it is unpaid, recognised as a liability. If the amount already paid in respect of current and prior periods exceeds the amount due for those periods, the excess is recognised as an asset.

Current tax liabilities/(assets) for the current and prior periods are measured at the amount expected to be paid to/(recovered from) the tax authorities, using the tax rates (and tax laws) that have been enacted or substantively enacted by the end of the reporting period.

A deferred tax liability is recognised for all taxable temporary differences, except to the extent that the deferred tax liability arises from the initial recognition of goodwill in a business combination or, an asset or liability in a transaction which is not a business combination and at the time of the transaction affects neither accounting profit nor taxable profit/(tax loss).

A deferred tax asset is recognised for all deductible temporary differences to the extent that it is probable that taxable profit will be available against which the deductible temporary difference can be utilised. A deferred tax asset is not recognised when it arises from the initial recognition of an asset or liability in a transaction which is not a business combination and at the time of the transaction affects neither accounting profit nor taxable profit/(tax loss).

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

Deferred tax assets and liabilities are measured at the tax rates that are expected to apply to the period when the asset is realised or the liability is settled, based on tax rates (and tax laws) that have been enacted or substantively enacted by the end of the reporting period.

The measurement of deferred tax assets and deferred tax liabilities reflect the tax consequences that follow from the manner in which the Company expects, at the end of the reporting period, to recover or settle the carrying amount of its assets and liabilities.

Deferred tax assets and deferred tax liabilities are not discounted.

The carrying amount of a deferred tax asset is reviewed at the end of the reporting period. The carrying amount of a deferred tax asset is reduced to the extent that it is no longer probably that sufficient taxable profit will be available to allow the benefit of part or all of that deferred tax asset to be utilised. Any such reduction is reversed to the extent that it becomes probable that sufficient taxable profit will be available.

Current and deferred taxes are recognised as income or an expense and included in profit or loss for the period, except to the extent that the tax arises from:
- a transaction or event which is recognised, in the same or a different period, in other comprehensive income,
- a transaction or event which is recognised, in the same or a different period, directly in equity, or
- a business combination.

Current tax assets and current tax liabilities are offset when the Company has a legally enforceable right to offset the recognised amounts and intends either to settle on a net basis, or to realise the asset and settle the liability simultaneously.

Deferred tax assets and deferred tax liabilities are offset when the Company has a legally enforceable right to offset the current tax assets and current tax liabilities and the deferred tax assets and the deferred tax liabilities relate to income taxes levied the same taxation authority on either the same taxable entity or different taxable entities which intend to settle current tax liabilities and assets on a net basis, or to realise the assets and settle the liabilities simultaneously, in each future period in which significant amounts of deferred tax liabilities or assets are expected to be settled or recovered.

Withholding tax paid or payable to taxation authorities on dividends paid to shareholders is charged to equity as part of the dividends.

ACCOUNTING POLICIES (continued)

1.6 LEASES

A lease is classified as a finance lease if it transfers substantially all the risks and rewards incidental to ownership. All other leases are classified as operating leases.

Items acquired in terms of finance leases are initially recognised as assets and liabilities in the Statement of Financial Position at amounts equal to the fair value of the leased items or, if lower, the present value of the minimum lease payments. The corresponding liability to the lessor is included in the Statement of Financial Position as a finance lease obligation.

The discount rate used in calculating the present value of the minimum lease payments is the interest rate implicit in the lease. Any initial direct costs of the lessee are added to the amount recognised as an asset.

Subsequently the minimum lease payments are apportioned between the finance charge and reduction of the outstanding liability. The finance charge is allocated to each period during the lease term so as to produce a constant periodic rate of on the remaining balance of the liability.

Depreciation relating to assets subject to finance leases are consistent with that of depreciable assets which are owned. If there is no reasonable certainty that the lessee will obtain ownership by the end of the lease term, the asset is fully depreciated over the shorter of the lease term and its useful life.

Operating leases which have a fixed or determinable escalation are recognised as an expense on a straight-line basis over the lease term. The difference between the amounts recognised as an expense and the contractual payments are recognised as an operating lease liability/asset which is not discounted. Any contingent payments are expensed in the period in which they are incurred.

1.7 INVENTORIES

The company measures inventories at the lower of cost and net realisable value on the weighted average basis.

Net realisable value is the estimated selling price in the ordinary course of business less the estimated costs of completion and the estimated costs necessary to make the sale.

The cost of inventories comprises of all costs of purchase, costs of conversion and other costs incurred in bringing the inventories to their present location and condition.

When inventories are sold, the carrying amount of those inventories is recognised as an expense in the period in which the related revenue is recognised. The amount of any write-down of inventories to net realisable value and all losses of inventories are recognised as an expense in the period the write-down or loss occurs. The amount of any reversal of any write-down of inventories, arising from an increase in net realisable value, are recognised as a reduction in the amount of inventories recognised as an expense in the period in which the reversal occurs.

1.8 IMPAIRMENT OF ASSETS

The company assesses at each reporting period whether there is any indication that an asset may be impaired. If any such indication exists, the company estimates the recoverable amount of the asset.

Irrespective of whether there is any indication of impairment, the company also:

- tests intangible assets with an indefinite useful life or intangible assets not yet available for use for impairment annually by comparing its carrying amount with its recoverable amount. This impairment test is performed during the annual period and at the same time in each period.
- tests goodwill acquired in a business combination for impairment annually.

If there is any indication that an asset may be impaired, the recoverable amount is estimated for the individual asset. If it is not possible to estimate the recoverable amount of the individual asset, the recoverable amount of the cash generating unit to which the asset belongs is determined.

The recoverable amount of an asset or cash-generating unit is the higher of its fair value less costs to sell and its value in use.

Accounting Policies

ACCOUNTING POLICIES (continued)

If the recoverable amount of an asset is less than its carrying amount, the carrying amount of the asset is reduced to its recoverable amount. That reduction is an impairment loss.

An impairment loss is recognised immediately in profit or loss. Any impairment loss of a revalued asset is treated as a revaluation decrease (see policy note for property plant and equipment).

Goodwill acquired in a business combination is, from the acquisition date, allocated to each of the cash generating units, or companys of cash generating units, that are expected to benefit from the synergies of the combination.
An impairment loss is recognised for cash generating units if the recoverable amount of the unit is less than the carrying amount of the units. The impairment loss is allocated to reduce the carrying amount of the assets of the unit in the following order:
- first to reduce the carrying amount of any goodwill allocated to the cash generating 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.

The company assesses at each reporting date whether there is any indication that an impairment loss recognised in prior periods for assets other than goodwill may no longer exist or may have decreased. If any such indication exists, the recoverable amounts of those assets are estimated.

The increased carrying amount of an asset other than goodwill attributable to a reversal of an impairment loss does not exceed the carrying amount that would have been determined had no impairment loss been recognised for the asset in prior periods.

A reversal of an impairment loss of assets carried at cost less accumulated depreciation or amortisation other than goodwill is recognised immediately in profit or loss. Any reversal of an impairment loss of a revalued asset is treated as a revaluation increase.

1.9 SHARE CAPITAL AND EQUITY

An equity instrument is any contract that evidences a residual interest in the assets of an entity after deducting all of its liabilities.

If the company reacquires its own equity instruments, those instruments are deducted from equity. No gain or loss is recognised in profit or loss on the purchase, sale, issue or cancellation of the company's own equity instruments. Consideration paid or received shall be recognised directly in equity. Repurchased shares held by subsidiaries are classified as treasury shares and presented as a deduction from total equity on consolidation.

1.10 PROVISIONS AND CONTINGENCIES

Provisions are recognised when:
- the company has a present obligation (legal or constructive) as a result of a past event; and
- it is probable that an outflow of resources embodying economic benefits will be required to settle the obligation; and
- a reliable estimate can be made of the obligation.

The amount recognised as a provision is the best estimate of the expenditure required to settle the obligation at the end of the reporting period, Where the effect of time value of money is material, the provision shall be measured as the present value of the expenditure expected to be required to settle the obligation.

Where some or all of the expenditure required to settle a provision is expected to be reimbursed by another party, the reimbursement shall be recognised when, and only when, it is virtually certain that reimbursement will be received if the entity settles the obligation. The reimbursement shall be treated as a separate asset. The amount recognised for the reimbursement shall not exceed the amount of the provision. The expense relating to a provision may be presented net of the amount recognised for a reimbursement.

If an entity has a contract that is onerous, the present obligation under the contract shall be recognised and measured as a provision.
Contingent assets and contingent liabilities are not recognised.

Accounting Policies

ACCOUNTING POLICIES (continued)

1.11 REVENUE RECOGNITION

Revenue from the sale of goods is recognised when all the following conditions have been satisfied:
- the company has transferred to the buyer the significant risks and rewards of ownership of the goods;
- the company retains neither continuing managerial involvement to the degree usually associated with ownership nor effective control over the goods sold;
- the amount of revenue can be measured reliably;
- it is probable that the economic benefits associated with the transaction will flow to the company; and
- the costs incurred or to be incurred in respect of the transaction can be measured reliably.

When the outcome of a transaction involving the rendering of services can be estimated reliably, revenue associated with the transaction is recognised by reference to the stage of completion of the transaction at the end of the reporting period. The outcome of a transaction can be estimated reliably when all the following conditions are satisfied:
- the amount of revenue can be measured reliably;
- it is probable that the economic benefits associated with the transaction will flow to the company;
- the stage of completion of the transaction at the end of the reporting period can be measured reliably; and
- the costs incurred for the transaction and the costs to complete the transaction can be measured reliably.

When the outcome of the transaction involving the rendering of services cannot be estimated reliably, revenue shall be recognised only to the extent of the expenses recognised that are recoverable.

Service revenue is recognised by reference to the stage of completion of the transaction at the end of the reporting period. Stage of completion is determined by services performed to date as a percentage of total services to be performed.

Revenue is measured at the fair value of the consideration received or receivable and represents the amounts receivable for goods and services provided in the normal course of business, net of trade discounts, volume rebates and value added tax.

Interest is recognised, in profit or loss, using the effective interest rate method.

Dividends are recognised, in profit or loss, when the company’s right to receive payment has been established.

1.12 EMPLOYEE BENEFITS

Short-term employee benefits

The cost of short-term employee benefits, (those payable within 12 months after the service is rendered, such as paid vacation leave and sick leave, bonuses, and non monetary benefits such as medical care), are recognised in the period in which the service is rendered and are not discounted.

The expected cost of compensated absences is recognised as an expense as the employees render services that increase their entitlement or, in the case of non accumulating absences, when the absence occurs.

The expected cost of profit sharing and bonus payments is recognised as an expense when there is a legal or constructive obligation to make such payments as a result of past performance.

Defined contribution plans

Payments to defined contribution retirement benefit plans are charged as an expense as they fall due.

Payments made to industry managed (or state plans) retirement benefit schemes are dealt with as defined contribution plans where the company’s obligation under the schemes is equivalent to those arising in a defined contribution retirement benefit plan.

1.13 SHARE-BASED PAYMENTS TRANSACTIONS

Company share-based payment transactions

The company enters into share-based payment transactions with employees, whereby treasury shares in the holding company are transferred to employees on fulfillment of the vesting conditions over a vesting period.
Employee costs are recognised in profit or loss at the fair value of the treasury shares at the end of each period over the vesting period based on the number of employees still falling within the vesting conditions.
A corresponding liability is recognised for the obligation to supply treasury shares to employees at the fair value of the treasury shares at year end.
The liability is remeasured to the fair value of the treasury shares annually and the movement is recognised in profit or loss in the Statement of Comprehensive Income.

Accounting Policies

2 NEW STANDARDS AND INTERPRETATIONS

Standards and interpretations adopted at 31 August 2012

The Company adopted all the new, revised or amended accounting standards and interpretations as issued by the IASB, which were effective for the Company from 1 September 2011. The adopted accounting standards and interpretations, which had an impact on the Company or were reviewed for possible impact, are as follows:

May 2010 Annual Improvements to IFRS's: Amendments to IFRS 7 Financial Instruments: Disclosures

The amendment clarifies the intended interaction between qualitative and quantitative disclosure of the nature and extent of risks arising from financial instruments and removed some disclosure items which were seen to be superfluous or misleading.

The effective date of the amendment is for years beginning on or after 01 January 2011.

The Company adopted the amendment for the first time in the 2012 financial statements.

The adoption of this amendment had no material impact on the results of the Company.

May 2010 Annual Improvements to IFRS's: Amendments to IAS 1 Presentation of Financial Statements

The amendment now requires that an entity must present, either in the statement of changes in equity or in the notes, an analysis of other comprehensive income by item.

The effective date of the amendment is for years beginning on or after 01 January 2011.

The Company adopted the amendment for the first time in the 2012 financial statements.

The adoption of this amendment had no material impact on the results of the Company.

IAS 24 Related Parties Disclosure (Revised)

The revisions to IAS 24 include a clarification of the definition of a related party as well as providing a partial exemption for related party disclosures between government-related entities.

In terms of the definition, the revision clarifies that joint ventures or associates of the same third party are related parties of each other. To this end, an associate includes its subsidiaries and a joint venture includes its subsidiaries.

The partial exemption applies to related party transactions and outstanding balances with a government which controls, jointly controls or significantly influences the reporting entity as well as to transactions or outstanding balances with another entity which is controlled, jointly controlled or significantly influenced by the same government. In such circumstances, the entity is exempt from the disclosure requirements of paragraph 18 of IAS 24 and is required only to disclose:

- The name of the government and nature of the relationship
- Information about the nature and amount of each individually significant transaction and a quantitative or qualitative indication of the extent of collectively significant transactions. Such information is required in sufficient detail to allow users to understand the effect.

The effective date of the amendment is for years beginning on or after 01 January 2011.

The Company adopted the amendment for the first time in the 2012 financial statements.

The adoption of this amendment had no material impact on the results of the Company.

2010 Annual Improvements to IFRS's: Amendments to IFRS 7 Financial Instruments: Disclosures

Amendments require additional disclosure on transfer transactions of financial assets, including the possible effects of any residual risks that the transferring entity retains. The amendments also require additional disclosures if a disproportionate amount of transfer transactions are undertaken around the end of a reporting period.

The effective date of the amendment is for years beginning on or after 01 July 2011.

Accounting Policies

NEW STANDARDS AND INTERPRETATIONS (continued)

The Company adopted the amendment for the first time in the 2012 financial statements.

The adoption of this amendment had no material impact on the results of the Company.

Standards and interpretations issued but not yet effective

The Company has evaluated the effect of all new standards, amendments and interpretations that have been issued but which are not yet effective. Based on the evaluation, management does not expect these standards, amendments and interpretations to have a significant impact on the Company's results and disclosures. the expected implications of applicable standards, amendments and interpretations are dealt with below.

2010 Annual Improvements to IFRS's: Amendments to IAS 1 Presentation of Financial Statements

New requirements to group together items within Other Comprehensive Income that may be reclassified to the profit or loss section of the income statement in order to facilitate the assessment of their impact on the overall performance of an entity.

The effective date of the amendment is for years beginning on or after 01 July 2012.

The Company expects to adopt the amendment for the first time in the 2013 financial statements.

The impact of this standard is currently being assessed.

IFRS 9 Financial Instruments

This new standard is the first phase of a three phase project to replace IAS 39 Financial Instruments: Recognition and Measurement. Phase one deals with the classification and measurement of financial assets. The following are changes from the classification and measurement rules of IAS 39:

- Financial assets will be categorised as those subsequently measured at fair value or at amortised cost.
- Financial assets at amortised cost are those financial assets where the business model for managing the assets is to hold the assets to collect contractual cash flows (where the contractual cash flows represent payments of principal and interest only). All other financial assets are to be subsequently measured at fair value.
- Under certain circumstances, financial assets may be designated as at fair value
- For hybrid contracts, where the host contract is within the scope of IFRS 9, then the whole instrument is classified in accordance with IFRS 9, without separation of the embedded derivative. In other circumstances, the provisions of IAS 39 still apply.
- Voluntary reclassification of financial assets is prohibited. Financial assets shall be reclassified if the entity changes its business model for the management of financial assets. In such circumstances, reclassification takes place prospectively from the beginning of the first reporting period after the date of change of the business model.
- Investments in equity instruments may be measured at fair value through other comprehensive income. When such an election is made, it may not subsequently be revoked, and gains or losses accumulated in equity are not recycled to profit or loss on derecognition of the investment. The election may be made per individual investment.
- IFRS 9 does not allow for investments in equity instruments to be measured at cost under any circumstances.

The effective date of the standard is for years beginning on or after 01 January 2015.

The Company expects to adopt the standard for the first time in the 2016 financial statements.

The impact of this standard is currently being assessed.

IFRS 13 Fair Value Measurement

New guidance on fair value measurement and disclosure requirements.

The effective date of the standard is for years beginning on or after 01 January 2013.

The Company expects to adopt the standard for the first time in the 2014 financial statements.

The impact of this standard is currently being assessed.

NEW STANDARDS AND INTERPRETATIONS (continued)

IAS 19 Employee Benefits

Amendments to the accounting for current and future obligations resulting from the provision of defined benefit plans.

The effective date of the amendment is for years beginning on or after 01 January 2013.

The Company expects to adopt the amendment for the first time in the 2014 financial statements.

The impact of this standard is currently being assessed.

IAS 12 Income Taxes: Amendment: Deferred Tax: Recovery of Underlying Assets

The amendment now provides that for investment property measured at fair value, the recovery of the carrying amount is assumed to be through sale, with the result that deferred tax arising on the valuation is measured using the prevailing tax rate for capital gains.

The effective date of the amendment is for years beginning on or after 01 January 2012.

The Company expects to adopt the amendment for the first time in the 2013 financial statements.

The impact of this standard is currently being assessed.

2011 Annual Improvements Project: Amendments to IFRS 12 Disclosure of Interests in Other Entities

The amendment provides for new and comprehensive standard disclosure requirements for all forms of interests in other entities, including joint

arrangements, associates, special purpose vehicles and other off balance sheet vehicles

The effective date of the amendment is for years beginning on or after 01 January 2013.

The Company expects to adopt the amendment for the first time in the 2014 financial statements.

The impact of this standard is currently being assessed.

2011 Annual Improvements to IFRS's: Amendments to IAS 1 Presentation of Financial Statements

Amendments clarifying the requirements for comparative information including minimum and additional comparative information required.

The effective date of the amendment is for years beginning on or after 01 January 2013.

The Company expects to adopt the amendment for the first time in the 2014 financial statements.

The impact of this standard is currently being assessed.

IAS 16 Property, Plant and Equipment

Amendments to the recognition and classification of servicing equipment.

The effective date of the amendment is for years beginning on or after 01 January 2013.

The Company expects to adopt the amendment for the first time in the 2014 financial statements.

The impact of this standard is currently being assessed.

IAS 32 Financial Instruments: Presentation

The amendments require entities to disclose gross amounts subject to rights set-off, amounts set off in accordance with the accounting standards followed, and the related net credit exposure. this information will help investors understand the extent to which an entity has set off in its balance sheet and the effects of rights of set-off on the entity's rights and obligations

Accounting Policies

NEW STANDARDS AND INTERPRETATIONS (continued)

The additional amendment requires clarification of the tax effect of distribution to holders of equity instruments..

The effective date of the amendment is for years beginning on or after 01 January 2013.

The Company expects to adopt the amendment for the first time in the 2014 financial statements.

The impact of this standard is currently being assessed.

2011 Annual Improvements to IFRS's: Amendments to IFRS 7 Financial Instruments: Disclosures

Amendments require entities to disclose gross amounts subject to rights of set-off, amounts set off in accordance with the accounting standards followed, and the related net credit exposure. This information will help investors understand the extent to which an entity has set off in its balance sheet and the effects of rights of set-off on the entity's rights and obligations.

The effective date of the amendment is for years beginning on or after 01 January 2013.

The Company expects to adopt the amendment for the first time in the 2014 financial statements.

The impact of this standard is currently being assessed.

Notes to the Historical Financial Information

Figures in Rand	2012	2011

3. Property, plant and equipment

	2012			2011		
	Cost / Valuation	Accumulated depreciation	Carrying value	Cost / Valuation	Accumulated depreciation	Carrying value
Buildings	39,975	(38,453)	1,522	39,975	(32,366)	7,609
Furniture and fixtures	533,153	(325,519)	207,634	557,671	(292,282)	265,389
Office equipment	70,523	(51,572)	18,951	70,523	(47,054)	23,469
IT equipment	329,763	(278,722)	51,041	296,560	(259,125)	37,435
Loose tools	91,187	(60,572)	30,615	91,187	(39,378)	51,809
Total	**1,064,601**	**(754,838)**	**309,763**	**1,055,916**	**(670,205)**	**385,711**

Reconciliation of property, plant and equipment - 2012

	Opening balance	Additions	Disposals	Depreciation	Total
Buildings	7,609	-	-	(6,087)	1,522
Furniture and fixtures	265,389	438	-	(58,193)	207,634
Office equipment	23,469	-	-	(4,518)	18,951
IT equipment	37,435	40,992	(4,362)	(23,024)	51,041
Loose tools	51,809	-	-	(21,194)	30,615
	385,711	**41,430**	**(4,362)**	**(113,016)**	**309,763**

Reconciliation of property, plant and equipment - 2011

	Opening balance	Additions	Disposals	Depreciation	Total
Buildings	24,274	28,884	(16,665)	(28,884)	7,609
Furniture and fixtures	275,898	38,961	-	(49,470)	265,389
Motor vehicles	264,093	-	(252,769)	(11,324)	-
Office equipment	6,674	24,516	(2,251)	(5,470)	23,469
IT equipment	68,099	41,853	(12,792)	(59,725)	37,435
Loose tools	73,002	-	-	(21,193)	51,809
	712,040	**134,214**	**(284,477)**	**(176,066)**	**385,711**

4. Intangible assets

	2012			2011		
	Cost / Valuation	Accumulated amortisation	Carrying value	Cost / Valuation	Accumulated amortisation	Carrying value
Computer software, acquired	123,506	(123,504)	2	123,506	(119,594)	3,912

Reconciliation of intangible assets - 2012

	Opening balance	Amortisation	Total
Computer software, acquired	3,912	(3,910)	2

Reconciliation of intangible assets - 2011

	Opening balance	Amortisation	Total
Computer software, acquired	19,557	(15,645)	3,912

Notes to the Historical Financial Information

Figures in Rand	2012	2011

4. Intangible assets (continued)

Other information

Computer software has been reclassified from property, plant and equipment to intangible assets in the current year.

5. Loans from group companies

Holding company

ConvergeNet Holdings Limited This loan is unsecured, bears interest at rates as determined from time to time and is repayable within one year.	(8,737,914)	(7,781,914)
Current liabilities	(8,737,914)	(7,781,914)
	(8,737,914)	**(7,781,914)**

6. Other financial assets

At fair value through profit or loss - designated		
Listed shares	435,000	125,000

The above represents a shareholding of 1 450 000 (2011: 1 450 000) shares in ConvergeNet Holdings Limited. These shares are held for the purpose of the share based payment scheme entered into with Structured Connectivity Solutions Proprietary Limited's employees. Under the Forfeitable Share Plan the employees were granted the voting rights, and the rights to dividends on these shares from date of grant. However the shares vested in Structured Connectivity Solutions Proprietary Limited until the vesting conditions of the Forfeitable Share Plan were met. The employees at year end did not have the right to sell the shares until the vesting date of 1 September 2014 and the other vesting conditions were met (Refer note 12).

No shares were purchased or sold during the current year.

Loans and receivables		
Staff loans This loan is unsecured, bears interest at rates as determined from time to time and is repayable within one year.	5,175	200,000
Total other financial assets	**440,175**	**325,000**
Non-current assets		
At fair value through profit or loss	435,000	125,000
Current assets		
At amortised cost	5,175	200,000
	440,175	**325,000**

Notes to the Historical Financial Information

Figures in Rand	2012	2011

6. Other financial assets (continued)

The fair values of the financial assets were determined as follows:

* The fair values of listed or quoted investments are based on the quoted market price

Fair values are determined annually at balance sheet date.

The company has not reclassified any financial assets from cost or amortised cost to fair value, or from fair value to cost or amortised cost during the current or prior year.

Notes to the Historical Financial Information

Figures in Rand	2012	2011

7. Financial assets by category

The accounting policies for financial instruments have been applied to the line items below:

2012

	Amortised cost	Fair value through profit or loss - held for trading	Total
Loans and receivables	5,175	-	5,175
Listed shares	-	435,000	435,000
Trade receivables	1,773,627	-	1,773,627
Deposits	54,128	-	54,128
	1,832,930	**435,000**	**2,267,930**

2011

	Amortised cost	Fair value through profit or loss - designated	Total
Loans and receivables	200,000	-	200,000
Listed shares	-	125,000	125,000
Trade receivables	10,030,268	-	10,030,268
Deposits	114,878	-	114,878
	10,345,146	**125,000**	**10,470,146**

8. Deferred tax

Deferred tax asset/(liability)

	2012	2011
Tax losses available for offset against future taxable income	5,813,358	3,354,702
Leave pay provision	56,039	44,584
Fair value adjustments	(28,420)	748,767
Share based payments	9,474	(745,617)
Straight line lease	615	2,980
	5,851,066	**3,405,416**

Reconciliation of deferred tax asset/(liability)

	2012	2011
At beginning of the year	3,405,416	3,377,793
Increase in tax losses available for offset against future taxable income	2,458,655	87,413
Reversing temporary difference on straight line lease balance	(2,365)	(7,406)
Originating temporary difference on share-based payments	18,224	(313,833)
Originating temporary difference on fair value adjustment	(40,320)	191,800
Reversing temporary difference on leased assets	-	32,217
Reversing temporary difference on leave pay provision	11,456	(12,574)
Reversing temporary difference on tangible fixed assets	-	50,006
	5,851,066	**3,405,416**

Notes to the Historical Financial Information

Figures in Rand	2012	2011

9. Trade and other receivables

Trade receivables	1,773,627	10,030,268
Deposits	54,128	114,878
VAT	238,714	-
Project specific receivables	370,157	-
	2,436,626	**10,145,146**

Trade and other receivables past due but not impaired

The following represents an analysis of the ageing of trade receivables that are past due but not impaired:

1 month past due	51,750	2,328,037
2 months past due	115,463	429,657
3 months and older	562,640	285,256

10. Cash and cash equivalents

Cash and cash equivalents consist of:

Bank balances	408,629	-
Short-term deposits	280,537	1,279,469
Bank overdraft	(10,696)	(325,787)
	678,470	**953,682**

Current assets	689,166	1,279,469
Current liabilities	(10,696)	(325,787)
	678,470	**953,682**

Trade receivables to the amount of R 1,509,763.50 and call deposits to the amount of R 1 were ceeded as security for overdraft facilities of R 1,490,000.00

11. Share capital

Authorised		
1 000 Ordinary shares of R 1 each	1,000	1,000

Issued		
100 Ordinary shares of R 1 each	100	100

Notes to the Historical Financial Information

Figures in Rand	2012	2011

12. Share based payments

Forfeitable Share Plan by the Holding Company to certain employees of the subsidiaries in the group. The fair value of the shares is measured at the fair value of the liability. The vesting period is 24 months and employees are required to provide services for the full period to become unconditionally entitiled to the equity instruments. The shares in the company's financials are treated as cash-settled.

Total expenses of R 48,251 related to cash-settled share basd payments transactions were recognised in profit and loss in 2012.

Fair value of goods and services received

The fair value of the services rendered by the counterparty during the 12 months was accounted for by determining the fair value of the liability.

13. Equity contribution by parent

The company received an equity contribution by ConvergeNet Holdings Ltd, the ultimate holding company, to fund the share-based payments to be made in terms of the group share incentive scheme.

	2012	2011
Equity contribution by parent	3,840,000	3,840,000

14. Other financial liabilities

	2012	2011
At fair value through profit or loss		
Share-based payment liability The liability in terms of the share-based payment arrangement (Refer note 12) calculated at the fair value of the instrument at year end. Secured by other financial assets (Refer note 5)	145,001	93,750
Non-current liabilities		
Fair value through profit or loss	145,001	93,750

15. Provisions

Reconciliation of provisions - 2012

	Opening balance	Additions	Total
Leave pay provision	159,231	40,909	200,140

Reconciliation of provisions - 2011

	Opening balance	Utilised during the year	Total
Leave pay provision	204,138	(44,907)	159,231

Notes to the Historical Financial Information

Figures in Rand	2012	2011

16. Trade and other payables

Trade payables	2,249,631	3,979,945
VAT	-	214,109
Other payables	159,843	152,481
Project specific payables	-	1,025,332
	2,409,474	**5,371,867**

17. Financial liabilities by category

The accounting policies for financial instruments have been applied to the line items below:

2012

	Financial liabilities at amortised cost	Total
Loans from group companies	8,737,914	8,737,914
Trade payables	2,249,631	2,249,631
Bank overdraft	10,696	10,696
	10,998,241	**10,998,241**

2011

	Financial liabilities at amortised cost	Total
Loans from group companies	7,781,914	7,781,914
Trade payables	3,979,945	3,979,945
Bank overdraft	325,787	325,787
Project specific payables	1,025,332	1,025,332
	13,112,978	**13,112,978**

18. Revenue

Sale of goods	19,703,527	40,932,540

Notes to the Historical Financial Information

Figures in Rand	2012	2011

19. Operating profit / (loss)

Operating profit / (loss) for the year is stated after accounting for the following:

Operating lease charges		
Premises		
• Contractual amounts	638,621	721,973
Equipment		
• Contractual amounts	146,512	125,679
	785,133	**847,652**

Loss on sale of property, plant and equipment	853	6,451
Loss on sale of other financial assets	53,000	-
Profit / (loss) on exchange differences	(48,965)	49,954
Depreciation on property, plant and equipment	116,925	191,711
Employee costs	6,451,810	7,386,586

20. Investment income

Interest income		
Bank	46,051	74,738
Other interest	2,294	3,806
	48,345	**78,544**

21. Fair value adjustments

Other financial assets	101,500	(36,667)

22. Finance costs

Trade payables	-	57
Finance leases	-	(10,161)
Bank	20,268	3,227
Late payment of tax	-	87
	20,268	**(6,790)**

Notes to the Historical Financial Information

Figures in Rand	2012	2011

23. Taxation

Major components of the tax income

Current		
Local income tax - recognised in current tax for prior periods	-	(57,972)
Deferred		
Increase in tax losses available for offset against future taxable income	(2,458,655)	(87,412)
Reversing temporary difference on leave pay provision	(11,454)	12,574
Originating temporary difference on share-based payments	(18,223)	313,833
Originating temporary difference on fair value adjustments	40,320	(191,800)
Reversing temporary difference on tangible fixed assets	-	(50,006)
Reversing temporary difference on straight line lease	2,364	7,406
Reversing temporary difference on finance lease	-	(32,217)
	(2,445,648)	**(27,622)**
	(2,445,648)	**(85,594)**

Reconciliation of the tax expense

Reconciliation between accounting profit and tax expense.

Accounting (loss) / profit	(6,370,124)	101,279
Tax at the applicable tax rate of 28%	(1,783,635)	28,358
Tax effect of adjustments on taxable income		
Disallowable charges	(709,567)	808
Prior period adjustment on deferred tax	-	(56,788)
Prior period tax recognised in current year	-	(57,972)
Tax losses carried forward	3,360	-
Prior period error	44,194	-
	(2,445,648)	**(85,594)**

No provision has been made for 2012 current tax as the company has an estimated tax loss available for offset against future taxable income of R 20,761,991 (2011: R 11,981,078).

24. Auditors' remuneration

Fees	85,950	85,000
Consulting	950	1,600
	86,900	**86,600**

Notes to the Historical Financial Information

Figures in Rand	2012	2011

25. Cash generated from/(used in) operations

(Loss) / profit before taxation	(6,370,124)	101,279
Adjustments for:		
Depreciation and amortisation	116,925	191,711
Loss on sale of assets	53,853	6,451
Interest received	(48,345)	(78,544)
Finance costs	20,268	(6,790)
Fair value adjustments	(101,500)	36,667
Movements in operating lease assets and accruals	(8,443)	(28,871)
Movements in provisions	40,909	(44,907)
Other non-cash items	-	(3,808)
Fair value adjustments	-	145,833
Changes in working capital:		
Inventories	282,607	-
Trade and other receivables	7,708,520	736,533
Trade and other payables	(2,962,392)	(1,126,002)
	(1,267,722)	**(70,448)**

26. Tax (paid) / refunded

Balance at beginning of the year	61,778	-
Current tax for the year recognised in profit or loss	-	57,972
Interest received	-	3,806
Balance at end of the year	-	(61,778)
	61,778	**-**

27. Commitments

Operating leases – as lessee (expense)

Minimum lease payments due		
- within one year	128,090	175,849
- in second to fifth year inclusive	-	43,962
	128,090	**219,811**

Operating lease payments represent rentals payable by the company for certain of its office properties. No contingent rent is payable.

Notes to the Historical Financial Information

Figures in Rand	2012	2011

28. Related parties

Relationships	
Holding company	ConvergeNet Holdings Ltd
Group companies	Intelligent Facility Management (Pty) Ltd
	ConvergeNet Networks (Pty) Ltd
	EQ Tickets (Pty) Ltd
	Sizwe Africa IT Group (Pty) Ltd
	Mantella Trading 634 (Pty) Ltd
	Sizwe Business Networking (Pty) Ltd
	Leboa IT Solutions (Pty) Ltd
	Telesto Communications (Pty) Ltd
	Navix Distribution (Pty) Ltd
	ConvergeNet Management Services (Pty) Ltd
	Koba IT Solutions (Pty) Ltd
	NetXcom ICT Solutions (Pty) Ltd
	Setsibi IT Solutions (Pty) Ltd
	Tekanyo IT Services (Pty) Ltd
	Inzuzu IT Consulting (Pty) Ltd
	Interface Network Technology (Pty) Ltd
	Isiqina Property Holdings (Pty) Ltd
	X-DSL Networking Solutions (Pty) Ltd
	Travel Mall (Pty) Ltd
	Andrews Kit (Pty) Ltd

Related party balances

	2012	2011
Loan accounts - Owing (to) / by related parties		
Convergenet Holdings Ltd	(8,737,914)	(7,781,914)
Amounts included in Trade receivables/(Trade payables) regarding related parties		
Navix Distribution (Pty) Ltd	(254,612)	-
Navix Distribution (Pty) Ltd	209,221	-
ConvergeNet Management Services (Pty) Ltd	(735,669)	-
ConvergeNet Holdings Ltd	-	638,400
Sizwe Africa IT Group (Pty) Ltd	44,289	-

Related party transactions

	2012	2011
Purchases from/(Sales to) related parties		
Sizwe IT Africa Group (Pty) Ltd	(947,449)	-
Andrews Kit (Pty) Ltd	84,720	-
Navix Distribution (Pty) Ltd	(3,515,384)	722,243
Navix Distribution (Pty) Ltd	779,035	-
Mantella Trading 634 (Pty) Ltd	897	-
ConvergeNet Holdings Ltd	-	3,759,252
ConvergeNet Holdings Ltd	-	(560,000)
Management fees paid to / (received from) related parties		
ConvergeNet Management Services (Pty) Ltd	1,536,000	1,416,000

Notes to the Historical Financial Information

Figures in Rand	2012	2011

29. Directors' emoluments

Executive

2012

	Emoluments	Total
G.G. Botha*	910,348	910,348
G. B. Robertson*	404,421	404,421
A.T. Scheepers	89,906	89,906
	1,404,675	**1,404,675**

2011

	Emoluments	Total
G.G. Botha	1,166,944	1,166,944
G.B. Robertson	1,165,697	1,165,697
G.S. Edwards	175	175
	2,332,816	**2,332,816**

* Directors resigned during the year.

30. Risk management

Financial risk management

The company's activities expose it to a variety of financial risks: market risk, credit risk and liquidity risk.

Liquidity risk

The company's risk to liquidity is a result of the funds available to cover future commitments. The company manages liquidity risk through an ongoing review of future commitments and credit facilities.

Contractual maturities of financial liabilities, including interest payments

At 31 August 2012	Due in one year	Due in 2 years
Loans from group companies	8,737,914	-
Trade payables	2,249,631	-
Share-based payment liability	-	145,001
Bank overdraft	11,605	-

At 31 August 2011	Due in one year	Due in 2 years
Bank overdraft	353,479	-
Loans from group companies	7,781,914	-
Trade payables	3,979,945	-
Share-based payment liability	-	93,750

Interest rate risk

As the company has no significant interest-bearing financial instruments, the company's income and operating cash flows are substantially independent of changes in market interest rates.

Notes to the Historical Financial Information

Figures in Rand	2012	2011

30. Risk management (continued)

Credit risk

Credit risk is managed on a group basis.

Credit risk consists mainly of cash deposits, cash equivalents, derivative financial instruments and trade debtors. The company only deposits cash with major banks with high quality credit standing and limits exposure to any one counter-party.

Trade receivables comprise a widespread customer base. Management evaluated credit risk relating to customers on an ongoing basis. If customers are independently rated, these ratings are used. Otherwise, if there is no independent rating, risk control assesses the credit quality of the customer, taking into account its financial position, past experience and other factors. Individual risk limits are set based on internal or external ratings in accordance with limits set by the board. The utilisation of credit limits is regularly monitored. Sales to retail customers are settled in cash or using major credit cards. Credit guarantee insurance is purchased when deemed appropriate.

No credit limits were exceeded during the reporting period, and management does not expect any losses from non-performance by these counterparties.

Financial assets exposed to credit risk at year end were as follows:

Financial instrument	2012	2011
Trade receivables	1,773,627	10,030,268
Short term deposits	238,714	1,279,469
Loans and receivables	5,175	200,000

31. Events after the reporting period

ConvergeNet Holdings Limited is in the process of disposing of its entire interest in the company to Tellumat Proprietary Limited for R 5 million, pending shareholder approval.

This will result in a controlling interest and 100% shareholding by Tellumat Proprietary Limited in Structured Connectivity Solutions Proprietary Limited.

Supplementary Information

The earnings, diluted earnings, headline earnings, diluted headline earnings, net asset value and tangible net asset value per share and dividends per share in respect of each class of share is presented below in accordance with the requirements of paragraph 8.11 of the Johannesburg Stock Exchange Listings Requirements:

	2012	2011
Earnings per share		
Basic (loss)/earnings per share (cents)		
From continuing operations	(3,924,476)	186,873
Basic (loss)/earnings for the period	(3,924,476)	186,873
Earnings per share		
Diluted basic (loss)/earnings per share (cents)		
From continuing operations	(3,924,476)	186,873
Diluted basic (loss)/earnings for the period	(3,924,476)	186,873
Headline (loss)/earnings per share (cents)		
From continuing operations	(3,978,329)	180,422
Headline (loss)/earnings for the period	(3,978,329)	180,422
Diluted headline (loss)/earnings per share (cents)		
From continuing operations	(3,978,329)	180,422
Headline (loss)/earnings for the period	(3,978,329)	180,422
Net asset value per share (cents)	(1,778,626)	2,145,850
Net tangible asset value per share (cents)	(1,778,626)	2,145,850