Andrews Kit Proprietary Limited
(Registration number 2001/000793/07)
Trading as Contract Kitting
Historical Financial Information
for the year ended 31 August 2012

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

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Introduction to historical financial information

The historical financial information of Andrews Kit Proprietary Limited ("Historical Financial Information"), set out below, has been derived from the audited Annual Financial Statements of Andrews Kit Proprietary Limited for the year ended 31 August 2012. The audited Annual Financial Statements of Andrews Kit Proprietary Limited were prepared in accordance with International Financial Reporting Standards.

The Annual Financial Statements of Andrews Kit Proprietary Limited for the year ended 31 August 2012 were reported on by PricewaterhouseCoopers Inc. without qualification.

Commentary on historical financial information

The company was incorporated on 06 January 2001 and obtained its certificate to commence business on the same day.

The company is engaged in manufacturing and assembly of telecommunication components 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 profit of the company was R 2,184,594 (2011: R 9,034,609 profit), after taxation of R 810,089 (2011: R 3,239,266).

The directors believe that the company has adequate financial resources to continue in operation for the foreseeable future and accordingly the historical financial information has been prepared on a going concern basis.

ConvergeNet Holdings Limited is in the process of disposing of its entire interest in the holding company, Chrystalpine Investments 9 Proprietary Limited, to Tellumat Proprietary Limited for R95,119,000, pending shareholder approval.

This will result in a controlling interest shareholding by Tellumat Proprietary Limited in Chrystalpine Investments 9 Proprietary Limited and therefore a controlling interest in Andrews Kit Proprietary Limited.

Statement of Financial Position

	Notes	2012 R	2011 R
Assets			
Non-Current Assets			
Property, plant and equipment	4	3,539,860	3,166,930
Financial assets at fair value through profit or loss	6	2,066,327	3,785,714
Deferred income tax	8	1,746,342	1,972,431
		7,352,529	**8,925,075**
Current Assets			
Inventories	10	46,100,038	46,104,927
Loans to group companies	5	850,665	196,613
Financial assets at fair value through profit or loss	6	367,108	324,613
Current income tax receivable		990,859	2,516,064
Trade and other receivables	11	52,878,731	58,270,123
Cash and cash equivalents	12	34,362,984	10,983,058
		135,550,385	**118,395,398**
Total Assets		**142,902,914**	**127,320,473**
Equity and Liabilities			
Equity			
Capital	13	11,900,100	11,900,100
Reserves		250,000	250,000
Retained income		75,227,046	73,042,452
		87,377,146	**85,192,552**
Liabilities			
Non-Current Liabilities			
Finance lease obligation	15	154,616	266,371
Operating lease liability	9	1,803,825	1,727,334
Deferred income tax	8	-	-
		1,958,441	**1,993,705**
Current Liabilities			
Finance lease obligation	15	111,710	128,702
Trade and other payables	16	53,455,617	40,005,514
		53,567,327	**40,134,216**
Total Liabilities		**55,525,768**	**42,127,921**
Total Equity and Liabilities		**142,902,914**	**127,320,473**

Statement of Comprehensive Income

	Notes	2012 R	2011 Restated R
Revenue		211,712,105	189,929,388
Cost of sales		(156,627,555)	(132,682,295)
Gross profit		**55,084,550**	**57,247,093**
Other income	17	254,523	675,716
Operating expenses		(52,123,963)	(44,813,761)
Operating profit		**3,215,110**	**13,109,048**
Investment income	19	309,591	259,156
Fair value adjustments	20	269,388	(171,429)
Finance costs	21	(799,406)	(922,900)
Profit before taxation		**2,994,683**	**12,273,875**
Taxation	22	(810,089)	(3,239,266)
Profit for the year		**2,184,594**	**9,034,609**
Other comprehensive income		-	-
Total comprehensive income		**2,184,594**	**9,034,609**
Total comprehensive income attributable to:			
Owners of the parent		2,184,594	9,034,609

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Statement of Changes in Equity

	Share capital R	Capital contribution R	Total capital R	Other NDR R	Retained income R	Total equity R
Balance at 01 September 2010	**100**	**11,900,000**	**11,900,100**	**250,000**	**64,007,843**	**76,157,943**
Changes in equity						
Total comprehensive income for the year	-	-	-	-	9,034,609	9,034,609
Total changes	-	-	-	-	9,034,609	9,034,609
Balance at 01 September 2011	**100**	**11,900,000**	**11,900,100**	**250,000**	**73,042,452**	**85,192,552**
Changes in equity						
Total comprehensive income for the year	-	-	-	-	2,184,594	2,184,594
Total changes	-	-	-	-	2,184,594	2,184,594
Balance at 31 August 2012	**100**	**11,900,000**	**11,900,100**	**250,000**	**75,227,046**	**87,377,146**
Note	13	13	13			

Statement of Cash Flows

	Notes	2012 R	2011 R
Cash flows from operating activities			
Cash receipts from customers		217,785,813	168,711,058
Cash paid to suppliers and employees		(193,094,046)	(176,469,501)
Cash generated from operations	24	24,691,767	(7,758,443)
Interest income		309,591	259,156
Finance costs		(799,406)	(922,900)
Tax received		941,204	(4,024,737)
Other non-cash item		-	-
Net cash from operating activities		**25,143,156**	**(12,446,924)**
Cash flows from investing activities			
Purchase of property, plant and equipment	4	(983,080)	(1,014,638)
Sale of property, plant and equipment	4	2,649	-
Loans advanced to group companies		654,052	111,911
Net cash from investing activities		**(1,634,483)**	**(902,727)**
Cash flows from financing activities			
Proceeds on share issue	13	-	11,900,000
Repayment of other financial liabilities		-	(280,627)
Finance lease payments		(128,747)	(275,293)
Net cash from financing activities		**(128,747)**	**11,344,080**
Total cash, cash equivalents and bank overdrafts movement for the year		**23,379,926**	**(2,005,571)**
Cash, cash equivalents and bank overdrafts at the beginning of the year		10,983,058	24,888,629
Total cash, cash equivalents and bank overdrafts at end of the year	12	**34,362,984**	**22,883,058**

Accounting Policies

1. Basis of preparation

The historical financial information have been prepared in accordance with South African Statements of Generally Accepted Accounting Practice, and the Companies Act of South Africa. The historical financial information have been prepared on the historical cost basis, except for the measurement of investment properties and certain financial instruments at fair value, and incorporate the principal accounting policies set out below. They are presented in South African Rands.

These accounting policies are consistent with the previous period.

1.1 Significant judgements and sources of estimation uncertainty

In preparing the historical financial information, management is required to make 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 is inherent in the formation of estimates. Actual results in the future could differ from these estimates which may be material to the historical financial information. Significant judgements include:

Trade receivables and Loans and receivables

The company assesses its trade receivables and loans and receivables for impairment at the end of each reporting period. In determining whether an impairment loss should be recorded in profit or loss, the company makes judgements as to whether there is observable data indicating a measurable decrease in the estimated future cash flows from a financial asset.

Allowance for slow moving, damaged and obsolete stock

An allowance for stock to write stock down to the lower of cost or net realisable value. Management have made estimates of the selling price and direct cost to sell on certain inventory items. The write down is included in the operating profit note.

Fair value estimation

The fair value of financial instruments traded in active markets (such as trading and available-for-sale securities) is based on quoted market prices at the end of the reporting period. The quoted market price used for financial assets held by the company is the current bid price.

The carrying value less impairment provision of trade receivables and payables are assumed to approximate their fair values. The fair value of financial liabilities for disclosure purposes is estimated by discounting the future contractual cash flows at the current market interest rate that is available to the company for similar financial instruments.

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.

Accounting Policies

1.2 Property, plant and equipment (continued)

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. 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. All other repairs and maintenance are charged to the statement of comprehensive income during the financial period in which they are incurred.

The initial estimate of the costs of dismantling and removing the item and restoring the site on which it is located is also included in the cost of property, plant and equipment, where the entity is obligated to incur such expenditure, and where the obligation arises as a result of acquiring the asset or using it for purposes other than the production of inventories.

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

The useful lives of items of property, plant and equipment have been assessed as follows:

Item	Average useful life
Plant and machinery	6 - 9 years
Furniture and fixtures	9 years
Motor vehicles	6 - 8 years
Office equipment	5 years
IT equipment	6 - 9 years
Computer software	3 years
Demo stock fixtures	9 years

The residual value, useful life and depreciation method of each asset is reviewed, and adjusted if appropriate, at the end of each reporting period. If the expectations differ from previous estimates, the change is accounted for as a change in accounting estimate.

Each part of an item of property, plant and equipment with a cost that is significant in relation to the total cost of the item is 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. An asset’s carrying amount is written down immediately to its recoverable amount if the asset’s carrying amount is greater than its estimated recoverable amount.

1.3 Research and development

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

1.3 Research and development (continued)

An intangible asset arising from development (or from the development phase of an internal project) is recognised when:

- it is technically feasible to complete the asset so that it will be available for use or sale.
- there is an intention to complete and use or sell it.
- there is an ability to use or sell it.
- it will generate probable future economic benefits.
- there are available technical, financial and other resources to complete the development and to use or sell the asset.
- the expenditure attributable to the asset during its development can be measured reliably.

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 fair value through profit or loss - designated
- Financial liabilities measured at amortised cost

Classification depends on the purpose for which the financial instruments were obtained / incurred and takes place at initial recognition. Classification is re-assessed on an annual basis, except for derivatives and financial assets designated as at fair value through profit or loss, which shall not be classified out of the fair value through profit or loss category.

Financial assets classified as at fair value through profit or loss which are no longer held for the purposes of selling or repurchasing in the near term may be reclassified out of that category:

- in rare circumstances
- if the asset met the definition of loans and receivables and the entity has the intention and ability to hold the asset for the foreseeable future or until maturity.

No other reclassifications may be made into or out of the fair value through profit or loss category.

A financial asset classified as available-for-sale that would have met the definition of loans and receivables may be reclassified to loans and receivables if the entity has the intention and ability to hold the asset for the foreseeable future or until maturity.

Initial recognition and measurement

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

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 measured initially at fair value, except for equity investments for which a fair value is not determinable, which are measured at cost and are classified as available-for-sale financial assets.

Accounting Policies

1.4 Financial instruments (continued)

For financial instruments which are not at fair value through profit or loss, transaction costs are included in the initial measurement of the instrument.

Transaction costs on financial instruments at fair value through profit or loss are recognised in 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 being included in profit or loss for the period.

Net gains or losses on the 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 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 investments 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 group of financial assets has been impaired.

For amounts due to the company, significant financial difficulties of the debtor, probability that the debtor will enter bankruptcy and default of payments are all considered indicators of impairment.

Where financial assets are impaired through use of an allowance account, the amount of the loss is recognised in profit or loss within operating expenses. When such assets are written off, the write off is made against the relevant allowance account. Subsequent recoveries of amounts previously written off are credited against operating expenses.

Accounting Policies

1.4 Financial instruments (continued)

Financial instruments designated as at fair value through profit or loss

Financial assets at fair value through profit or loss are financial assets desingated to fair value through profit or loss, in order to reduce an accounting mismatch with the share based payment scheme. Financial assets in this category are classfied as non-current assets.

Loans to (from) group companies

These include loans to and from 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.

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. Significant financial difficulties of the debtor, probability that the debtor will enter bankruptcy or financial reorganisation, and default or delinquency in payments (more than 30 days overdue) are considered indicators that the trade receivable 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.

The carrying amount of the asset is reduced through the use of an allowance account, and the amount of the loss is recognised in profit or loss within operating expenses. When a trade receivable is uncollectable, it is written off against the allowance account for trade receivables. Subsequent recoveries of amounts previously written off are credited against operating expenses in profit or loss.

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 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. These are initially and subsequently recorded at fair value.

Derivatives

Derivative financial instruments, which are not designated as hedging instruments, consisting of foreign exchange contracts and interest rate swaps, are initially measured at fair value on the contract date, and are re-measured to fair value at subsequent reporting dates.

1.4 Financial instruments (continued)

Changes in the fair value of derivative financial instruments are recognised in profit or loss as they arise.

Derivatives are classified as financial assets at fair value through profit or loss - held for trading.

Hedging activities

Designated and effective hedging instruments are excluded from the definition of financial instruments at fair value through profit or loss.

The company designates certain derivatives as either:
- hedges of the fair value of recognised assets or liabilities or a firm commitment (fair value hedge)

The company documents at the inception of the transaction the relationship between hedging instruments and hedged items, as well as its risk management objectives and strategy for undertaking various hedging transactions. The company also documents its assessment, both at hedge inception and on an ongoing basis, of whether the derivatives that are used in hedging transactions are highly effective in offsetting changes in fair values or cash flows of hedged items.

The full fair value of a hedging derivative is classified as a non-current asset or liability when the remaining hedged item is more than 12 months, and as a current asset or liability when the remaining maturity of the hedged item is less than 12 months.

Fair value hedge

Changes in the fair value of derivatives that are designated and qualify as fair value hedges are recorded in profit or loss, together with any changes in the fair value of the hedged asset or liability that are attributable to the hedged risk.

If the hedge no longer meets the criteria for hedge accounting, the adjustment to the carrying amount of a hedged item for which the effective interest method is used is amortised to profit or loss over the period to maturity.

1.5 Income tax

Current income tax assets and liabilities

Current income tax for current and prior periods is, to the extent 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 income 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.

Management periodically evaluates positions taken in tax returns with respect to situations in which applicable tax regulation is subject to interpretation. It establishes provisions where appropriate on the basis of amounts expected to be paid to the tax authorities.

Deferred income tax assets and liabilities

Accounting Policies

1.5 Income tax (continued)

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 an asset or liability in a transaction which 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 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 to the extent that it is probable that future taxable profit will be available against which the unused tax losses 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.

Income tax expenses

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, to other comprehensive income, or
- a business combination.

Current tax and deferred taxes are charged or credited to other comprehensive income if the tax relates to items that are credited or charged, in the same or a different period, to other comprehensive income.

Current tax and deferred taxes are charged or credited directly to equity if the tax relates to items that are credited or charged, in the same or a different period, directly in equity.

1.6 Leases

A lease is classified as a finance lease if it transfers substantially all the risks and rewards incidental to ownership. A lease is classified as an operating lease if it does not transfer substantially all the risks and rewards incidental to ownership.

Finance leases – lessee

Finance leases are recognised as assets in the statement of financial position at amounts equal to the fair value of the leased property 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.

The 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.

Accounting Policies

1.6 Leases (continued)

Operating leases – lessee

Operating lease payments 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 asset. This asset is not discounted.

Any contingent rents are expensed in the period they are incurred.

1.7 Inventories

Inventories are measured at the lower of cost and net realisable value.

Net realisable value is the estimated selling price in the ordinary course of business, less applicable variable selling expenses.

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. It excludes borrowing costs.

The cost of inventories is assigned using the weighted average cost formula. The same cost formula is used for all inventories having a similar nature and use to the entity.

When inventories are sold, the carrying amount of those inventories are 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 non-financial assets

The company assesses at each end of the 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 every 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 a cash-generating unit is the higher of its fair value less costs to sell and its value in use.

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.

1.8 Impairment of non-financial assets (continued)

An impairment loss of assets carried at cost less any accumulated depreciation or amortisation is recognised immediately in profit or loss. Any impairment loss of a revalued asset is treated as a revaluation decrease.

An entity 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.

Ordinary shares are classified as equity.

1.10 Share-based payments

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.

1.11 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, and bonuses), 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

Accounting Policies

1.11 Employee benefits (continued)

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

Payments to defined contribution retirement benefit plans are charged as an expense as they fall due. The company has no further payment obligations once the contributions have been paid.

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.

1.12 Provisions and contingencies

Provisions are recognised when:
- the company has a present obligation as a result of a past event;
- 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 of a provision is the present value of the expenditure expected to be required to settle the obligation.

1.13 Revenue

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.

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 and 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.

Service fees included in the price of the product are recognised as revenue over the period during which the service is performed.

1.14 Turnover

Turnover comprises of sales to customers and service rendered to customers. Turnover is stated at the invoice amount and is exclusive of value added taxation.

Accounting Policies

1.15 Translation of foreign currencies

Foreign currency transactions

A foreign currency transaction is recorded, on initial recognition in Rands, by applying to the foreign currency amount the spot exchange rate between the functional currency and the foreign currency at the date of the transaction.

At the end of the reporting period:

- foreign currency monetary items are translated using the closing rate;
- non-monetary items that are measured in terms of historical cost in a foreign currency are translated using the exchange rate at the date of the transaction; and
- non-monetary items that are measured at fair value in a foreign currency are translated using the exchange rates at the date when the fair value was determined.

Exchange differences arising on the settlement of monetary items or on translating monetary items at rates different from those at which they were translated on initial recognition during the period or in previous historical financial information are recognised in profit or loss in the period in which they arise.

When a gain or loss on a non-monetary item is recognised to other comprehensive income and accumulated in equity, any exchange component of that gain or loss is recognised to other comprehensive income and accumulated in equity. When a gain or loss on a non-monetary item is recognised in profit or loss, any exchange component of that gain or loss is recognised in profit or loss.

Cash flows arising from transactions in a foreign currency are recorded in Rands by applying to the foreign currency amount the exchange rate between the Rand and the foreign currency at the date of the cash flow.

1.16 Dividend distribution

Dividend distribution to the company’s shareholders is recognised as a liability in the historical financial information in the period in which the dividends are approved by the company’s shareholders.

2. New Standards and Interpretations

2.1 Standards and interpretations effective and adopted in the current year

In the current year, the company has adopted the following standards and interpretations that are effective for the current financial year and that are relevant to its operations:

IAS 24 (AC 126) Related Party Disclosures (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 has adopted the amendment for the first time in the 2012 historical financial information.

The impact of the amendment is not material.

2010 Annual Improvements Project: Amendments to IFRS 1 (AC 138) First-time Adoption of International Financial reporting Standards

The amendment provides that if an entity changes its accounting policy or its use of IFRS 1 exemptions in the first IFRS historical financial information, it shall explain the changes between its first IFRS interim financial report and its first IFRS historical financial information and shall update the reconciliations accordingly. Such explanations are also required in each interim report where changes are made.

Additional exemptions are provided for first time adopters who have established a deemed cost under previous GAAP for assets and liabilities by measuring them at fair value at a particular date because of an event such as a privatisation. If such measurement date is in the first reporting period covered by the first IFRS historical financial information, then the event driven fair value measurements may be applied. The adjustment shall be recognised directly in retained earnings.

Entities who hold assets in operations subject to rate regulation may apply the previous GAAP carrying amount for such items on first time adoption of IFRS. However, the entity shall test for impairment when the exemption is applied.

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

2. New Standards and Interpretations (continued)

The company has adopted the amendment for the first time in the 2012 historical financial information.

The impact of the amendment is not material.

2010 Annual Improvements Project: Amendments to IFRS 7 (AC 144) Financial Instruments: Disclosures

Additional clarification is provided on the requirements for risk disclosures

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

The company has adopted the amendment for the first time in the 2012 historical financial information.

The impact of the amendment is not material.

2010 Annual Improvements Project: Amendments to IAS 1 (AC 101) 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 has adopted the amendment for the first time in the 2012 historical financial information.

The impact of the amendment is not material.

2.2 Standards and interpretations not yet effective

The company has chosen not to early adopt the following standards and interpretations, which have been published and are mandatory for the company's accounting periods beginning on or after 01 September 2012 or later periods:

IFRS 9 (AC 146) Financial Instruments

This new standard is the first phase of a three phase project to replace IAS 39 Financial Instruments: Recognition and Measurement. To date, the standard includes chapters for classification, measurement and derecognition of financial assets and liabilities. The following are main changes from 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 financial assets at fair value through profit or loss are to be subsequently measured at fair value.
- Under certain circumstances, financial assets may be designated at fair value.
- For hybrid contracts, where the host contract is an asset 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.

2. New Standards and Interpretations (continued)

- Financial liabilities shall not be reclassified.
- 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.
- The classification categories for financial liabilities remains unchanged. However, where a financial liability is designated as at fair value through profit or loss, the change in fair value attributable to changes in the liabilities credit risk shall be presented in other comprehensive income. This excludes situations where such presentation will create or enlarge an accounting mismatch, in which case, the full fair value adjustment shall be recognised in profit or loss.

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

The company does not envisage the adoption of the standard until such time as it becomes applicable to the company's operations.

It is unlikely that the standard will have a material impact on the company's historical financial information.

IFRS 10 (AC147) Consolidated Financial Statements

Standard replaces the consolidation sections of IAS 27 Consolidated and Separate Financial Statements and SIC 12 Consolidation – Special Purpose Entities. The standard sets out a new definition of control, which exists only when an entity is exposed to, or has rights to, variable returns from its involvement with the entity, and has the ability to effect those returns through power over the investee.

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

The company does not envisage the adoption of the standard until such time as it becomes applicable to the company's operations.

It is unlikely that the standard will have a material impact on the company's historical financial information.

IAS 27 (AC 132) Separate Financial Statements

Consequential amendment as a result of IFRS 10. The amended Standard now only deals with separate financial statements.

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

The company does not envisage the adoption of the amendment until such time as it becomes applicable to the company's operations.

It is unlikely that the amendment will have a material impact on the company's historical financial information.

2. New Standards and Interpretations (continued)

IFRS 13 (AC 150) Fair Value Measurement

New standard setting out guidance on the measurement and disclosure of items measured at fair value or required to be disclosed at fair value in terms of other IFRS's.

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

The company does not envisage the adoption of the standard until such time as it becomes applicable to the company's operations.

It is unlikely that the standard will have a material impact on the company's historical financial information.

IAS 1 (AC101) Presentation of Financial Statements

The amendment now requires items of other comprehensive income to be presented as:

- Those which will be reclassified to profit or loss
- Those which will not be reclassified to profit or loss.

The related tax disclosures are also required to follow the presentation allocation.

In addition, the amendment changed the name of the statement of comprehensive income to the statement of profit or loss and other comprehensive income.

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

The company does not envisage the adoption of the amendment until such time as it becomes applicable to the company's operations.

It is unlikely that the amendment will have a material impact on the company's historical financial information.

IAS 12 (AC 102) 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 does not envisage the adoption of the amendment until such time as it becomes applicable to the company's operations.

It is unlikely that the amendment will have a material impact on the company's historical financial information.

Amendment to IAS 1 Presentation of financial statements

The amendment clarifies the disclosure requirements for comparative information when an entity provides a third balance sheet either: as required by IAS 8, 'Accounting policies, changes in accounting estimates and errors'; or voluntarily.

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

2. New Standards and Interpretations (continued)

The company does not envisage the adoption of the standard until such time as it becomes applicable to the company's operations.

It is unlikely that the amendment will have a material impact on the company's historical financial information.

Amendment to IAS 32 Financial instruments: Presentation

The amendment clarifies the treatment of income tax relating to distributions and transaction costs. The amendment clarifies that the treatment is in accordance with IAS 12. So, income tax related to distributions is recognised in the income statement, and income tax related to the costs of equity transactions is recognised in equity.

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

The company does not envisage the adoption of the standard until such time as it becomes applicable to the company's operations.

It is unlikely that the amendment will have a material impact on the company's historical financial information.

The aggregate impact of the initial application of the statements and interpretations on the company's historical financial information is expected to be as follows:

3. Risk management

Capital risk management

The company's objectives when managing capital are to safeguard the company's ability to continue as a going concern in order to provide returns for shareholders and benefits for other stakeholders and to maintain an optimal capital structure to reduce the cost of capital.

The capital structure of the company consists of cash and cash equivalents disclosed in note 12, and equity as disclosed in the statement of financial position.

In order to maintain or adjust the capital structure, the company may adjust the amount of dividends paid to shareholders, return capital to shareholders, issue new shares or sell assets to reduce debt.

There are no externally imposed capital requirements.

There have been no changes to what the entity manages as capital, the strategy for capital maintenance or externally imposed capital requirements from the previous year.

Financial risk management

The company’s activities expose it to a variety of financial risks: market risk (including currency risk, fair value interest rate risk, cash flow interest rate risk and price risk), credit risk and liquidity risk.

3. Risk management (continued)

The company's overall risk management program focuses on the unpredictability of financial markets and seeks to minimise potential adverse effects on the company's financial performance. The company uses derivative financial instruments to hedge certain risk exposures. Risk management is carried out by company treasury under policies approved by the board. Company treasury identifies, evaluates and hedges financial risks in close co-operation with the company's operating units.

Liquidity risk

Company finance monitors rolling forecasts of the company's liquidity requirements to ensure it has sufficient cash to meet operational needs.

Company treasury invests surplus cash in interest bearing current accounts, time deposits, money market deposits and marketable securities, choosing instruments with appropriate maturities or sufficient liquidity to provide sufficient head-room as determined by the above-mentioned forecasts.

The table below analyses the company's non-derivative financial liabilities and net-settled derivative financial liabilities into relevant maturity groupings based on the remaining period at the balance sheet date to the contractual maturity date. Derivative financial liabilities are included in the analysis if their contractual maturities are essential for an understanding of the timing of the cash flows. The amounts disclosed in the table are the contractual undiscounted cash flows.

Comparative information has been restated as permitted by the amendments to IFRS 7 for the liquidity risk disclosures.

At 31 August 2012	Less than 1 year	Between 2 and 5 years
Operating lease accrual	554,737	1,249,088
Trade and other payables	52,536,526	-
Finance lease liability	140,435	125,891

At 31 August 2011	Less than 1 year	Between 2 and 5 years
Operating lease accrual	-	1,727,334
Trade and other payables	35,324,757	-
Finance lease liability	125,891	266,371

Interest rate risk

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

	2012 R	2011 R

3. Risk management (continued)

Credit risk

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.

Quality of outstanding debtors is assessed on an ongoing basis by evaluating the recoverability of long outstanding debt. A provision for impairment of debtors is raised on debts that are not deemed recoverable of such evaluations. The current remaining balance of trade receivables is net of such impairment 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 R	2011 R
Trade receivables	50,908,820	57,147,658
Cash and cash equivalents	34,362,984	10,983,058

Foreign exchange risk

The company undertakes certain purchase transactions denominated in foreign currencies, hence exposures to exchange rate fluctuations arise. To manage its foreign exchange risk arising from future commercial transactions, the company uses forward exchage contracts against confirmed orders.

At 31 August 2012, if the currency had weakend/strengthend against the US dollar or Euro with all other variables held constant, post tax profit for the year would have been only marginally effected mainly as a result of foreign exchange gains/losses on translation of US dollar or Euro denominated trade payables being offset against foreign exchage gains/losses on translation of US dollar or Euro forward exchange contracts.

Foreign currency exposure at the end of the reporting period

	2012 R	2011 R
Current assets		
Trade debtors, USD 229,458 (2011 : Nil)	1,932,036	-
Liabilities		
Trade payables, USD 1,437,690 (2011 : USD 513,808)	(12,105,350)	(3,586,380)
Trade payables, EUR 240,553 (2011 : EUR 755,636)	(2,554,460)	(7,601,698)
Exchange rates used for conversion of foreign items were:		
USD	8.42	6.98
EUR	10.62	10.06

	2012	2011
	R	R

4. Property, plant and equipment

	2012			2011		
	Cost / Valuation	Accumulated depreciation	Carrying value	Cost / Valuation	Accumulated depreciation	Carrying value
Plant and machinery	4,298,135	(2,794,986)	1,503,149	3,731,317	(2,624,386)	1,106,931
Furniture and fixtures	1,064,677	(601,107)	463,570	1,074,625	(544,422)	530,203
Motor vehicles	1,391,254	(912,949)	478,305	1,391,254	(836,697)	554,557
Office equipment	195,556	(161,200)	34,356	195,556	(126,623)	68,933
IT equipment	892,200	(494,904)	397,296	729,121	(466,311)	262,810
Computer software	396,731	(197,067)	199,664	380,415	(65,730)	314,685
Demo stock fixture	576,170	(112,650)	463,520	357,171	(28,360)	328,811
Total	**8,814,723**	**(5,274,863)**	**3,539,860**	**7,859,459**	**(4,692,529)**	**3,166,930**

Reconciliation of property, plant and equipment - 2012

	Opening balance	Additions	Disposals	Depreciation	Total
Plant and machinery	1,106,931	566,818	-	(170,600)	1,503,149
Furniture and fixtures	530,203	17,869	(3,408)	(81,094)	463,570
Motor vehicles	554,557	-	-	(76,252)	478,305
Office equipment	68,933	-	-	(34,577)	34,356
IT equipment	262,810	163,079	-	(28,593)	397,296
Computer software	314,685	16,315	-	(131,336)	199,664
Demo stock fixture	328,811	218,999	-	(84,290)	463,520
	3,166,930	**983,080**	**(3,408)**	**(606,742)**	**3,539,860**

Reconciliation of property, plant and equipment - 2011

	Opening balance	Additions	Depreciation	Total
Plant and machinery	1,445,823	33,823	(372,715)	1,106,931
Furniture and fixtures	500,573	117,697	(88,067)	530,203
Motor vehicles	695,120	-	(140,563)	554,557
Office equipment	76,631	28,475	(36,173)	68,933
IT equipment	152,933	171,057	(61,180)	262,810
Computer software	65,778	306,415	(57,508)	314,685
Property, plant and equipment 1	-	357,171	(28,360)	328,811
	2,936,858	**1,014,638**	**(784,566)**	**3,166,930**

Assets subject to finance lease (Net carrying amount)

	2012	2011
Motor vehicles	251,997	278,175

Notes to the Historical Financial Information

	2012 R	2011 R

5. Loans to group companies

Holding company

Chrystalpine Investment 9 Proprietary Limited	241,927	196,613
ConvergeNet Holdings Limited	5,000	-
ConvergeNet SA Proprietary Limited	603,738	-
	850,665	**196,613**

The loans are unsecured, interest free and are payable on demand.

6. Financial assets at fair value through profit or loss

At fair value through profit or loss - designated		
ConvergeNet Limited	2,066,327	3,785,714

The above represents a shareholding of 6,887,756 (2011: 15,142,851) shares in ConvergeNet Limited. These shares are held for the purpose of the share based payment scheme entered into with Andrews Kit Proprietary Limited's employees. Under the Forfeitable Share Plan the employees are granted the voting rights, and the rights to dividends on these shares from date of grant. However the shares vest in Andrews Kit Proprietary Limited until the vesting conditions of the Forfeitable Share Plan have been met. The employees do not have the right to sell the shares until the vesting conditions are met. Refer to note 14.

At fair value through profit or loss - held for trading		
Foreign exchange contracts	367,108	324,613
Total other financial assets	**2,433,435**	**4,110,327**
Non-current assets		
At fair value through profit or loss - designated	2,066,327	3,785,714
Current assets		
At fair value through profit or loss - held for trading	367,108	324,613
	2,433,435	**4,110,327**

	2012 R	2011 R

7. Financial assets by category

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

2012

	Loans and receivables	Fair value through profit or loss - designated	Total
Loans to group companies	850,665	-	850,665
Investments	-	2,066,327	2,066,327
Trade and other receivables	50,994,502	-	50,994,502
Cash and cash equivalents	34,362,984	-	34,362,984
	86,208,151	**2,066,327**	**88,274,478**

2011

	Loans and receivables	Fair value through profit or loss - designated	Total
Loans to group companies	196,613	-	196,613
Investments	-	3,785,714	3,785,714
Trade and other receivables	57,424,833	-	57,424,833
Cash and cash equivalents	10,983,058	-	10,983,058
	68,604,504	**3,785,714**	**72,390,218**

8. Deferred income tax

Deferred tax asset

	2012 R	2011 R
FEC Liability	(102,790)	(90,892)
Straight lining of lease liability	509,083	483,653
Share based payment scheme	745,829	1,113,681
Provisions	594,220	465,989
	1,746,342	**1,972,431**

Notes to the Historical Financial Information

	2012 R	2011 R

8. Deferred income tax (continued)

Reconciliation of deferred tax asset (liability)

At beginning of the year	1,972,431	1,916,649
Movement in straight lining of lease liability	25,430	182,093
Movement in provisions	128,231	188,745
Movement in share based payment scheme	(367,852)	(108,788)
Movement in FEC liability	(11,898)	(206,268)
	1,746,342	**1,972,431**

9. Operating lease liability

Balance at year end	1,803,825	1,727,334

10. Inventories

Work in progress	1,899,689	584,738
Finished goods	36,023,395	42,965,901
Goods in transit	11,518,108	3,923,291
Demo inventories	1,087,586	581,391
	50,528,778	48,055,321
Provision for stock obsolescence	(4,428,740)	(1,950,394)
	46,100,038	**46,104,927**

11. Trade and other receivables

Trade receivables	51,599,999	57,673,705
Impairment on trade receivables	(691,178)	(526,048)
	50,908,821	57,147,657
Prepayments	1,761,522	737,586
Deposits	122,706	107,706
Other receivable	85,682	277,174
	52,878,731	**58,270,123**

Trade and other receivables pledged as security

Trade and other receivables of R51,599,998 (2011: R57,673,706) were pledged as security for the factoring facility of the company. At year end the factoring facility amounted to R7,537 (2011: R30,658).

Notes to the Historical Financial Information

	2012 R	2011 R

11. Trade and other receivables (continued)

Trade and other receivables past due but not impaired

Trade and other receivables which are less than 1 month past due are not considered to be impaired. At 31 August 2012, R 11,996,616 (2011: R 23,027,170) were past due but not impaired.

The ageing of amounts past due but not impaired is as follows:

	2012 R	2011 R
1 month past due	6,945,889	8,348,220
2 months past due	2,061,988	3,784,480
3 months or more past due	2,988,739	10,894,470
	11,996,616	**23,027,170**

Trade and other receivables impaired

As of 31 August 2012, trade and other receivables of R 691,178 (2011: R 526,058) were impaired and provided for.

The amount of the provision was R 691,178 as of 31 August 2012 (2011: R 526,048).

The ageing of these trade debtors is as follows:

	2012 R	2011 R
Over 6 months	691,178	526,048

Reconciliation of provision for impairment of trade and other receivables

	2012 R	2011 R
Opening balance	526,048	227,700
Provision for impairment	165,130	298,348
	691,178	**526,048**

The company has a factoring facility in place which bears interest at the prime interest rate when the facility is utilised up to a threshold of R 9,500,000, thereafter the facility bears interest at a rate of prime + 0.8%. The facility was not utilised at year end.

12. Cash and cash equivalents

Cash and cash equivalents consist of (excludes bank overdrafts):

	2012 R	2011 R
Cash on hand	13,736	10,480
Bank balances	34,349,248	10,972,578
	34,362,984	**10,983,058**

Notes to the Historical Financial Information

	2012 R	2011 R

13. Capital

Authorised		
1,000 Ordinary shares of R1 each	1,000	1,000

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.

Issued		
100 Ordinary shares of R1 each	100	100
Capital contribution	11,900,000	11,900,000
	11,900,100	**11,900,100**

Capital contribution relates to a capital investment made by the ultimate holding company, ConvergeNet Holdings Limited, during the 2009 financial year.

14. Share based payments

Outstanding at the beginning of the year	11,255,101	-
Vested during the year	(8,255,101)	-
Outstanding at the end of the year	3,000,000	-

Weighted average share price was 24 cents (2011: 24 cents).

Closing share price for the year was 20 cents (2011: 25 cents).

The share based payment scheme was entered into with Andrews Kit Proprietary Limited's employees. Under the Forfeitable Share Plan the employees were granted the voting rights, and the rights to dividends on the shares of the holding company, ConvergeNet Holdings Limited, from date of grant. However the shares vested in Andrews Kit Proprietary Limited until the vesting conditions of the Forfeitable Share Plan were met. The employees did not have the right to sell the shares until the vesting conditions were met. The share based payment scheme ended on the 31 March 2013 when the remaining shares vested to the employees. The remaning shares related to shares which were forfeited by employees who resigned before the vesting conditions were met.

Fair value of goods and services received

The expense recognised in the statement of comprehensive income in the current year equals R 643,963 (2011: R 264,047)

Liability arising from share based payments

Amount recognised	(750,000)	(2,094,813)

	2012 R	2011 R

15. Finance lease obligation

Minimum lease payments due		
- no later than one year	156,670	157,427
- later than one year and no later than five years	130,559	288,616
	287,229	446,043
less: future finance charges	(20,903)	(50,970)
Present value of minimum lease payments	**266,326**	**395,073**
Present value of minimum lease payments due		
- no later than one year	140,435	128,702
- later than one year and no later than five years	125,891	266,371
	266,326	**395,073**
Non-current liabilities	154,616	266,371
Current liabilities	111,710	128,702
	266,326	**395,073**

Interest rates are linked to prime at the contract date. All leases have fixed repayments and no arrangements have been entered into for contingent rent.

The company's obligations under finance leases are secured by the lessor's charge over the leased assets. Refer note 4.

16. Trade and other payables

Trade payables	44,964,406	33,186,893
Value Added Taxation	919,089	893,693
Sundry creditors	2,776,553	742,017
Employee share based liability	750,000	2,094,813
Payroll accruals	2,791,719	2,288,420
Other accrued expenses	1,253,850	799,678
	53,455,617	**40,005,514**

17. Other income

Sundry income	254,523	318,490
Gain on foreign exchange	-	357,226
	254,523	**675,716**

Notes to the Historical Financial Information

	2012 R	2011 R

18. Expenses by nature

Changes in inventories of finished goods and work in progress	(5,680,508)	6,423,711
Consulting and professional fees	1,478,366	1,683,357
Research and development	725,692	1,172,135
Commission	2,357,278	-
Employee costs	38,862,120	31,497,097
Loss on sale of assets	759	-
Auditors remuneration	478,635	492,788
Depreciation and amortisation	606,742	784,566
Levies	905,796	395,776
Utilities	836,371	637,464
Travel - local	574,477	625,976
Insurance	763,829	1,041,690
Motor vehicle expenses	985,664	829,026
Freight and packing	1,458,898	817,460
Repairs and maintenance	735,917	463,501
Raw material and consumables used	148,820,287	118,050,723
Lease rentals on operating lease	6,565,631	6,560,644
Management fee	2,856,000	2,640,000
Other expenses	5,419,564	3,380,142
Total cost of sales, distribution costs and administrative expenses	**208,751,518**	**177,496,056**

19. Investment income

Interest income		
Bank	10,962	259,156
Trade and other receivables	246,812	-
South African Revenue Services	51,817	-
	309,591	**259,156**

Total interest income, calculated using the effective interest rate, on financial instruments not at fair value through profit or loss amounted to R 123,406 (2011: R -).

20. Fair value adjustments

Fair value through profit or loss	269,388	(171,429)

The fair value adjustments on other financial assets relates to the movement in fair value through profit or loss of an equity investment in the holding company as part of a group share-based payment scheme (described in note 6 and 14).

21. Finance costs

Financial institution	(799,406)	(922,900)

Notes to the Historical Financial Information

	2012 R	2011 R

22. Income tax expense

Major components of the income tax expense

	2012 R	2011 R
Current		
Local income tax - current period	435,446	3,295,048
Local income tax - recognised in current tax for prior periods	148,555	-
	584,001	**3,295,048**
Deferred		
Originating and reversing temporary differences	241,242	(55,782)
Arising from prior period adjustments	(15,154)	-
	226,088	**(55,782)**
	810,089	**3,239,266**

Reconciliation of the income tax expense

Reconciliation between applicable tax rate and average effective tax rate.

	2012	2011
Applicable tax rate	28.00 %	28.00 %
Permanent differences	(5.47)%	(1.61)%
Current income tax - prior period underprovision	5.03 %	- %
Deferred tax - prior period underprovision	(0.51)%	- %
	27.05 %	**26.39 %**

23. Auditors' remuneration

	2012 R	2011 R
Fees	478,635	492,788

Notes to the Historical Financial Information

	2012 R	2011 R

24. Cash generated from operations

Profit before taxation	2,994,683	12,273,875
Adjustments for:		
Depreciation and amortisation	606,742	784,566
Loss on sale of assets	759	-
Loss on foreign exchange	601,465	(681,840)
Interest received	(309,591)	(259,156)
Finance costs	799,406	922,900
Fair value adjustments	(269,388)	171,429
Movements in operating lease assets and accruals	76,491	650,334
Changes in working capital:		
Inventories	4,889	6,432,919
Trade and other receivables	5,391,394	(19,087,386)
Trade and other payables	14,794,917	(8,966,084)
	24,691,767	**(7,758,443)**

25. Commitments

Operating leases – as lessee (expense)

Minimum lease payments due		
- within one year	6,943,507	6,312,279
- in second to fifth year inclusive	7,637,858	14,581,366
	14,581,365	**20,893,645**

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

	2012 R	2011 R

26. Related parties

Relationships	
Ultimate holding company	ConvergeNet Limited
Holding company	Chrystalpine Investments 9 Proprietary Limited
Fellow subsidiaries	Navix Distribution Proprietary Limited
	SCS Proprietary Limited
	Sizwe Africa IT Group Proprietary Limited
	ConvergeNet Management Services Proprietary Limited
	ConvergeNet SA Proprietary Limited
	Northbound Communication Solutions Proprietary Limited
Common directors/shareholders/members	Eric Andrews Properties CC
	Moonstone Investments 85 Proprietary Limited

Related party balances

	2012 R	2011 R
Loan accounts - Owing by related parties		
Chrystalpine Investments 9 Proprietary Limited	241,927	196,163
ConvergeNet Holdings Limited	5,000	-
ConvergeNet SA Proprietary Limited	603,738	-
	850,665	**196,163**

Related party transactions

	2012 R	2011 R
Purchases from (sales to) related parties		
Navix Distribution Proprietary Limited	1,099,219	350,019
Sizwe Africa IT Group Proprietary Limited	19,668	-
	1,118,887	**350,019**
Rent paid to (received from) related parties		
Moonstone Investments 85 Proprietary Limited	4,545,885	4,545,885
Eric Andrews Properties CC	1,842,885	1,842,885
	6,388,770	**6,388,770**
Management fees paid to (received from) related parties		
ConvergeNet Management Services Proprietary Limited	2,856,000	2,640,000
Revenue (returns) with related parties		
Sizwe Africa IT Group Proprietary Limited	(6,917)	1,978,382
Navix Distribution Proprietary Limited	8,925	112,714
Northbound Communication Solutions Proprietary Limited	15,491	-
	17,499	**2,091,096**

	2012 R	2011 R

27. Directors' emoluments

Company

2012

	Salary, Bonuses and allowances	Pension and other contributions	Total
For services rendered	3,527,420	194,933	3,722,353

2011

	Salary, Bonuses and allowances	Pension and other contributions	Total
For services rendered	3,000,340	168,248	3,168,588

28. Change in estimate

Property, plant and equipment

The useful lives of certain categories of property, plant and equipment was revised by management in the current year.

Heading	**Original estimated useful life**	**Revised estimated useful life**
Plant and Machinery	6 years	6 - 9 years
Motor Vehicles	6 years	6 - 8 years
IT Equipment	6 years	6 - 9 years
	-	-

The effect of this revision has decreased the depreciation charges for the current period by R355,159.

29. Reclassification adjustments

Reclassification adjustments were performed on salary expense items in the comparitive historical financial information and year ended 31 August 2011.

Direct salaries were reclassified from operating expenses to cost of sales.

The reclassification adjustments have the following effect on the historical financial information:

	2012 R	2011 R
Statement of Financial Position		
Opening retained earnings	-	-

Notes to the Historical Financial Information

	2012 R	2011 R

29. Reclassification adjustments (continued)

Profit or Loss		
Operating expenses	-	(8,207,861)
Cost of sales	-	8,207,861

30. Going concern

The directors believe that the company has adequate financial resources to continue in operation for the foreseeable future and accordingly the historical financial information has been prepared on a going concern basis.

The directors are not aware of any new material changes that may adversely impact the company. The directors are not aware of any material non-compliance with statutory or regulatory requirements. The directors are not aware of any pending changes in litigation that may affect the company.

31. Events after the reporting period

ConvergeNet Holdings Limited is in the process of disposing of its entire interest in the holding company, Chrystalpine Investments 9 Proprietary Limited, to Tellumat Proprietary Limited for R95,119,000, pending shareholder approval.

This will result in a controlling interest shareholding by Tellumat Proprietary Limited in Chrystalpine Investments 9 Proprietary Limited and therefore a controlling interest in Andrews Kit Proprietary Limited.

Andrews Kit Proprietary Limited
(Registration number 2001/000793/07)
Trading as Contract Kitting
Historical Financial Information for the year ended 31 August 2012

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	2,184,594	9,034,609
Basic (loss)/earnings for the period	2,184,594	9,034,609
Earnings per share		
Diluted basic (loss)/earnings per share (cents)		
From continuing operations	2,184,594	9,034,609
Diluted basic (loss)/earnings for the period	2,184,594	9,034,609
Headline (loss)/earnings per share (cents)		
From continuing operations	2,183,835	9,034,609
Headline (loss)/earnings for the period	2,183,835	9,034,609
Diluted headline (loss)/earnings per share (cents)		
From continuing operations	2,183,835	9,034,609
Headline (loss)/earnings for the period	2,183,835	9,034,609
Net asset value per share (cents)	87,377,146	85,195,552
Net tangible asset value per share (cents)	87,377,146	85,195,552