

### CONDENSED CONSOLIDATED STATEMENT OF COMPREHENSIVE INCOME

	Unaudited six months ended		Audited year ended
	29 Feb 2012 R'000	28 Feb 2011 R'000	31 Aug 2011 R'000
Revenue	416 522	496 572	1 029 363
Other operating income	3 343	1 238	1 749
<b>Income</b>	<b>419 865</b>	<b>497 810</b>	<b>1 031 112</b>
(Loss)/earnings before interest, tax, depreciation and amortisation charges (EBITDA)	(16 818)	25 550	40 583
Depreciation and amortisation charges	(7 884)	(6 358)	(13 340)
<b>Operating (loss)/profit</b>	<b>(24 702)</b>	<b>19 192</b>	<b>27 243</b>
Investment income	1 321	1 745	4 293
Share of profit of associates	2 982	3 511	9 360
Profit on disposal of portion of investment in associate	16 363	–	–
Fair value adjustment of investment	(5 140)	–	–
Finance costs	(899)	(1 265)	(2 284)
<b>(Loss)/profit before taxation</b>	<b>(10 075)</b>	<b>23 183</b>	<b>38 612</b>
Taxation	3 738	(5 450)	(7 720)
<b>Total comprehensive (loss)/income for the period</b>	<b>(6 337)</b>	<b>17 733</b>	<b>30 892</b>
<b>Attributable to:</b>			
Equity holders of the parent	(1 449)	11 897	23 557
Non-controlling interests	(4 888)	5 836	7 335
	(6 337)	17 733	30 892
Basic (loss)/earnings per ordinary share (cents)	(0.16)	1.34	2.66
Diluted basic (loss)/earning per ordinary share (cents)	(0.16)	1.33	2.65
Weighted average number of shares	890 644 784	890 568 322	885 225 634
Fully diluted weighted average number of shares	896 148 185	896 865 941	889 353 185
Total number of shares in issue	921 285 941	915 115 941	915 115 941
Headline (loss)/earnings per share	(1.84)	1.35	2.70
Diluted headline (loss)/earnings per share (cents)	(1.82)	1.34	2.68
<b>Reconciliation between basic and headline (loss)/earnings</b>			
Basic (loss)/earnings attributable to equity holders of parent	(1 449)	11 897	23 557
Loss on disposal of assets	86	130	528
(Profit)/loss on disposal of subsidiaries and associates	(16 363)	–	74
Impairment of goodwill	–	–	77
Tax effect of profit on disposal of subsidiaries	1 374	–	–
Portion of adjustments attributable to non-controlling interests	–	–	(363)
<b>Headline (loss)/earnings</b>	<b>(16 352)</b>	<b>12 027</b>	<b>23 873</b>
Net asset value per share (cents)	50.9	51.6	52.7
Net tangible asset value per share (cents)	29.6	29.4	30.9

### CONDENSED CONSOLIDATED STATEMENT OF CHANGES IN EQUITY

	Unaudited six months ended		Audited year ended
	29 Feb 2012 R'000	28 Feb 2011 R'000	31 Aug 2011 R'000
Balance beginning of the period	546 394	513 065	513 065
Total comprehensive (loss)/income for the period	(6 337)	17 733	30 892
Dividends	(13 516)	–	–
Issue of treasury shares in terms of forfeitable share plan	1 798	4 884	3 905
Shares forfeited in terms of forfeitable share plan	–	–	3 810
Transactions with non-controlling shareholders	(242)	(968)	(968)
Own shares acquired by subsidiaries, held as treasury shares	–	–	(4 310)
<b>Balance at end of period</b>	<b>528 097</b>	<b>534 714</b>	<b>546 394</b>

### CONDENSED SEGMENTAL INFORMATION

	IT Infrastructure Technology Solutions		Telecom Infrastructure Technology Solutions		Corporate, Consolidation and Other		Total	
	Feb 2012 R'000	Feb 2011 R'000	Feb 2012 R'000	Feb 2011 R'000	Feb 2012 R'000	Feb 2011 R'000	Feb 2012 R'000	Feb 2011 R'000
	Revenue	323 634	400 639	92 888	95 933	–	–	416 522
(Loss)/profit from operations	(11 459)	19 750	(5 024)	7 433	(8 219)	(7 991)	(24 702)	19 192
Investment income	747	284	32	228	542	1 233	1 321	1 745
Share of profits of associates	629	146	2 353	–	–	3 365	2 982	3 511
Profit on disposal of portion of investment in associate	–	–	–	–	16 363	–	16 363	–
Fair value adjustment of investment	–	–	–	–	(5 140)	–	(5 140)	–
Finance costs	(263)	(640)	(636)	(527)	–	(98)	(899)	(1 265)
<b>(Loss)/profit before tax</b>	<b>(10 346)</b>	<b>19 540</b>	<b>(3 275)</b>	<b>7 134</b>	<b>3 546</b>	<b>(3 491)</b>	<b>(10 075)</b>	<b>23 183</b>
Income tax benefit/(expense)	3 475	(6 303)	517	(2 452)	(254)	3 305	3 738	(5 450)
<b>(Loss)/profit for the period</b>	<b>(6 871)</b>	<b>13 237</b>	<b>(2 758)</b>	<b>4 682</b>	<b>3 292</b>	<b>(186)</b>	<b>(6 337)</b>	<b>17 733</b>

### CONDENSED CONSOLIDATED STATEMENT OF FINANCIAL POSITION

	Unaudited as at		Audited as at
	29 Feb 2012 R'000	28 Feb 2011 R'000	31 Aug 2011 R'000
<b>ASSETS</b>			
<b>Non-current assets</b>	<b>340 315</b>	<b>328 425</b>	<b>339 249</b>
Property, plant and equipment	46 317	32 111	35 424
Goodwill	184 816	184 893	184 816
Intangible assets	10 884	18 074	14 467
Investments in associates	5 590	28 038	36 155
Other financial assets	58 610	37 917	42 385
Deferred taxation	34 098	27 392	26 002
<b>Current assets</b>	<b>416 909</b>	<b>399 958</b>	<b>415 418</b>
Inventories	94 824	92 022	85 981
Loans to group companies	332	–	332
Other financial assets	8 263	9 309	6 168
Current tax receivable	1 187	1 861	3 410
Trade and other receivables	275 545	251 640	252 566
Cash and cash equivalents	36 758	45 126	66 961
<b>TOTAL ASSETS</b>	<b>757 224</b>	<b>728 383</b>	<b>754 667</b>
<b>EQUITY AND LIABILITIES</b>			
<b>Total equity</b>	<b>528 097</b>	<b>534 714</b>	<b>546 394</b>
Shareholders' equity	468 832	471 891	482 238
Non-controlling interest	59 265	62 823	64 156
<b>Liabilities</b>			
<b>Non-current liabilities</b>	<b>38 002</b>	<b>29 088</b>	<b>30 066</b>
Other financial liabilities	20 878	17 296	21 124
Finance lease obligation	10 617	1 644	1 039
Operating lease liability	1 734	1 219	1 738
Deferred taxation	4 773	8 929	6 165
<b>Current liabilities</b>	<b>191 125</b>	<b>164 581</b>	<b>178 207</b>
Vendors for acquisition	–	2 407	–
Other financial liabilities	1 639	1 866	1 652
Current tax payable	9 666	7 637	4 794
Finance lease obligation	776	568	841
Provisions	10 219	6 450	6 677
Trade and other payables	157 381	129 467	163 803
Bank overdraft	11 444	16 186	440
<b>Total liabilities</b>	<b>229 127</b>	<b>193 669</b>	<b>208 273</b>
<b>TOTAL EQUITY AND LIABILITIES</b>	<b>757 224</b>	<b>728 383</b>	<b>754 667</b>

### CONDENSED CONSOLIDATED STATEMENT OF CASH FLOWS

	Unaudited six months ended		Audited year ended
	29 Feb 2012 R'000	28 Feb 2011 R'000	31 Aug 2011 R'000
<b>Operating activities</b>			
Cash (used in)/generated from operations	(49 636)	(27 414)	25 277
Finance income	1 321	(571)	4 968
Finance costs	(899)	98	(2 186)
Tax received/(paid)	1 345	(5 668)	(13 704)
Dividends paid	(13 516)	–	–
<b>Net cash (used in)/generated from operating activities</b>	<b>(61 385)</b>	<b>(33 555)</b>	<b>14 355</b>
<b>Net cash generated from/(used in) investing activities</b>	<b>10 942</b>	<b>3 513</b>	<b>(2 829)</b>
<b>Net cash generated from/(used in) financing activities</b>	<b>9 236</b>	<b>(3 707)</b>	<b>(7 694)</b>
<b>Net (decrease)/increase in cash and cash equivalents</b>	<b>(41 207)</b>	<b>(33 749)</b>	<b>3 832</b>
Cash at the beginning of the period	66 521	62 689	62 689
<b>Total cash at end of the period</b>	<b>25 314</b>	<b>28 940</b>	<b>66 521</b>

### COMMENTARY

- Statement of compliance**  
The condensed consolidated financial information has been prepared in accordance with IAS 34 – Interim financial reporting and is a summary of the unaudited financial statements of the Group for the six months ended 29 February 2012, which have been prepared in accordance with International Financial Reporting Standard ("IFRS"), the Listings Requirements of the JSE Limited, and the Companies Act of South Africa.
- Accounting policies**  
The unaudited results for the six months ended 29 February 2012 have been prepared in accordance with the Group's accounting policies which comply with IFRS. The accounting policies adopted are consistent with those applied in the previous financial year except for the adoption of all new, revised or amended standard and interpretations which were effective for the Group from 1 September 2011.
- Corporate governance**  
The directors of ConvergeNet endorse the Code of Corporate Practices and Conduct as embodied in the King III Report on Corporate Governance and recognise their responsibility to conduct the affairs of ConvergeNet with integrity and accountability in accordance with generally accepted corporate practices. This includes timely, relevant and meaningful reporting to its shareholders and other stakeholders, providing a proper and objective perspective of ConvergeNet.
- Change in board of directors**  
Messrs Lester Peteni, Ben Kekana and Ross Macdonald resigned from the board with effect from 21 January 2012. Pursuant to Mr Peteni's resignation, Mr Sandile Swana has been appointed as interim chairman of the board. Mr Mpho Scott resigned subsequent to the end of the reporting period on 2 April 2012. As shareholders are aware, the company is busy with a change in control and mandatory offer, and the board of directors will be restructured in due course.
- Operating results**  
Revenue decreased by 16% compared to the corresponding period primarily as a result of the delays in awarding and implementation of some major contracts. Most of these contracts have been awarded and the recent implementation of a major contract has commenced in February 2012, which will lead to improved results in the second half of the financial year.  
As a result hereof coupled with the fact that some of the subsidiaries have incurred substantial expenses to gear up for the contracts, the Group has suffered an operating loss of R24.702 million compared to an operating profit of R19.192 million in the corresponding period.  
Despite the profit recognised on the sale of a portion of the investment in an associate and the subsequent change in accounting recognition pursuant to the sale (see also note 6 below), the Group made a loss for the period of R6.337 million compared to a profit of R17.773 million in the corresponding period, reflecting (loss)/earnings per share of (0.16) cents compared to 1.34 cents in the prior six month period.  
The balance sheet of the group remains sound with very little gearing carried on the balance sheet. This leaves the company well positioned in difficult times and for future opportunities.
- Corporate activities**  
Effective 1 September 2011, ConvergeNet acquired the remaining 10% interest in Structured Connectivity Solutions (Pty) Ltd ("SCS") for a purchase consideration of R239 520 paid in cash. Following the above, ConvergeNet now has a 100% interest in SCS. The SCS business has shown a positive turnaround over the past six months compared to the prior six month period and has a solid pipeline of new projects.  
Effective 1 December 2011, ConvergeNet sold 5% of its 20% shareholding in FutureCell, an associate company, for an amount of R11.812 million paid in cash. ConvergeNet has lost significant influence and its remaining 15% interest has been classified as an investment in financial instruments at Fair Value through profit and loss. Profit on disposal has been calculated in terms of IAS 28. The remaining 15% shareholding is valued at R41.662 million at 29 February 2012 and shareholders are reminded that the company has entered into a put and call option agreement in relation to the shareholding, which is exercisable over the next three years.

- Dividend**  
The declaration of cash dividends will continue to be considered by the board in conjunction with an evaluation of current and future funding requirements and will be adjusted to levels considered appropriate at the time of declaration.  
ConvergeNet's continued commitment to optimal cash utilisation will mean that cash generated by the operations will be used to fund growth. As a result hereof no dividend has been proposed for the period under review.  
A cash dividend of 1.5 cents per share was paid to shareholders on 28 December 2011.
- Industry and group outlook**  
There continues to be a demand for the Group's products, solutions and services. Whilst many opportunities were delayed as a result of the current economic situation, these needs will be fulfilled in the short to medium term. We therefore expect the market conditions to improve in the next 6 months and beyond. The pipeline of business in most of the underlying subsidiaries is large with solid prospects.  
The directors of ConvergeNet are satisfied that the fundamentals of the businesses remain sound and the Group will continue to cautiously invest in previous identified strategic growth areas.
- Post balance sheet events**  
There have been no significant events subsequent to the end of the reporting period up until the date of this report that requires adjustments or disclosure.
- Conclusion**  
ConvergeNet thanks all our stakeholders. We are grateful for the continued commitment and support of our customers, employees, suppliers and shareholders.

For and on behalf of the board

**S Swana** **PWJ Bouwer**  
Chairman Chief Executive Officer

Prepared by: **DF Bisschoff CA(SA)**

Pretoria  
30 April 2012

### CORPORATE INFORMATION

**Directors:** S Swana \*(Chairman), PWJ Bouwer (CEO), DF Bisschoff (FD), G Edwards, MJ Krastanov\*, T Modise, DD Tabata\*, H van Dyk, L Mangope\*\*  
(\*Non-executive directors ^ Independent)  
**Company secretary and registered office:** Arcay Client Support (Pty) Limited, Arcay House II, 3 Anerley Road, Parktown, 2193  
**Business address:** Block D, 272 West Avenue, Lakefield Office Park, Centurion, 0157  
**Postal address:** PO Box 10789, Centurion, 0046  
**Transfer secretaries:** Computershare Investor Services (Pty) Limited, 70 Marshall Street, Johannesburg, 2001  
**Sponsor:** Arcay Moela Sponsors (Pty) Limited, Arcay House II, 3 Anerley Road, Parktown, 2193  
**E-mail:** info@convergenet.co.za