ANDREWS KIT (PTY) LTD

(Registration number 2001/000793/07)

Trading as Contract Kitting

Historical Financial Information

for the year ended 31 August 2013

Index

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 2013. 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 2013 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 123,491 (2012: R 2,184,594 profit), after taxation of R (1,413,532) (2012: R (810,089)).

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 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 (Pty) Ltd

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Statement of Financial Position as at 31 August 2013

Figures in Rand	Note(s)	2013	2012	2011
Assets				
Non-Current Assets				
Property, plant and equipment	4	3,330,869	3,539,860	3,166,930
Other financial assets	6	388,776	2,066,327	3,785,714
Deferred tax	8	1,281,100	1,746,342	1,972,431
		5,000,745	**7,352,529**	**8,925,075**
Current Assets				
Inventories	10	57,248,418	46,100,038	46,104,924
Loans to group companies	5	1,296,793	850,665	196,613
Other financial assets	6	131,256	367,108	324,613
Current tax receivable		882,569	990,859	2,516,064
Trade and other receivables	11	66,674,639	52,878,731	58,270,127
Cash and cash equivalents	12	10,444,482	34,362,984	10,983,058
		136,678,157	**135,550,385**	**118,395,399**
Total Assets		**141,678,902**	**142,902,914**	**127,320,474**
Equity and Liabilities				
Equity				
Capital	13	11,900,100	11,900,100	11,900,100
Reserves		250,000	250,000	250,000
Retained income		68,350,537	75,227,046	73,042,452
		80,500,637	**87,377,146**	**85,192,552**
Liabilities				
Non-Current Liabilities				
Finance lease obligation	15	-	125,891	266,371
Operating lease liability	9	1,249,088	1,803,825	1,727,334
		1,249,088	**1,929,716**	**1,993,705**
Current Liabilities				
Finance lease obligation	15	125,891	140,435	128,702
Trade and other payables	16	44,742,380	53,455,617	40,005,515
Bank overdraft	12	15,060,906	-	-
		59,929,177	**53,596,052**	**40,134,217**
Total Liabilities		**61,178,265**	**55,525,768**	**42,127,922**
Total Equity and Liabilities		**141,678,902**	**142,902,914**	**127,320,474**

Statement of Comprehensive Income

Figures in Rand	Note(s)	2013	2012
Revenue	18	245,279,971	211,712,105
Cost of sales		(183,649,412)	(156,627,555)
Gross profit		**61,630,559**	**55,084,550**
Other income		66,345	254,523
Operating expenses		(59,417,919)	(52,123,963)
Operating profit	19	**2,278,985**	**3,215,110**
Investment income	20	365,235	309,591
Fair value adjustments	21	(832,551)	269,388
Finance costs	22	(274,646)	(799,406)
Profit before taxation		**1,537,023**	**2,994,683**
Taxation	23	(1,413,532)	(810,089)
Profit for the year		**123,491**	**2,184,594**
Other comprehensive income		-	-
Total comprehensive income for the year		**123,491**	**2,184,594**

Statement of Changes in Equity

Figures in Rand	Share capital	Capital contribution	Total capital	Other NDR	Retained income	Total equity
Balance at 01 September 2011	**100**	**11,900,000**	**11,900,100**	**250,000**	**73,042,452**	**85,192,552**
Profit for the year	-	-	-	-	2,184,594	2,184,594
Other comprehensive income	-	-	-	-	-	-
Total comprehensive income for the year	**-**	**-**	**-**	**-**	**2,184,594**	**2,184,594**
Balance at 01 September 2012	**100**	**11,900,000**	**11,900,100**	**250,000**	**75,227,046**	**87,377,146**
Profit for the year	-	-	-	-	123,491	123,491
Other comprehensive income	-	-	-	-	-	-
Total comprehensive income for the year	**-**	**-**	**-**	**-**	**123,491**	**123,491**
Dividends	-	-	-	-	(7,000,000)	(7,000,000)
Total contributions by and distributions to owners of company recognised directly in equity	**-**	**-**	**-**	**-**	**(7,000,000)**	**(7,000,000)**
Balance at 31 August 2013	**100**	**11,900,000**	**11,900,100**	**250,000**	**68,350,537**	**80,500,637**
Note(s)	13	13	13			

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Statement of Cash Flows

Figures in Rand	Note(s)	2013	2012
Cash flows from operating activities			
Cash (utilised in)/generated from operations	25	(29,941,332)	24,691,767
Interest income	20	365,235	309,591
Finance costs	22	(274,646)	(799,406)
Tax paid	26	(840,000)	941,204
Net cash (utilised in)/generated from operating activities		**(30,690,743)**	**25,143,156**
Cash flows from investing activities			
Additions to property, plant and equipment	4	(694,975)	(983,080)
Proceeds on disposal of property, plant and equipment	4	(7,127)	2,649
Loans advanced to group companies		(446,128)	(654,052)
Net cash from investing activities		**(1,148,230)**	**(1,634,483)**
Cash flows from financing activities			
Finance lease raised/(repaid)		(140,435)	(128,747)
Dividends paid		(7,000,000)	-
Net cash from financing activities		**(7,140,435)**	**(128,747)**
Total cash movement for the period		**(38,979,408)**	**23,379,926**
Cash at the beginning of the period		34,362,984	10,983,058
Total cash at end of the period	12	**(4,616,424)**	**34,362,984**

Accounting Policies

1. Basis of preparation

The historical financial information has been prepared in accordance with International Financial Reporting Standards, as issued by the International Accounting Standards Board ('IFRS'), and the Companies Act 71 of 2008.

IFRS 1, First-time Adoption of International Financial Reporting Standards (‘IFRS 1’), has been applied in preparing these financial statements. These financial statements are the Company’s first financial statements to be prepared in accordance with IFRS.

The policies set out below have been consistently applied to all the years presented. The historical financial information of the Company until 31 August 2012 had been prepared in accordance with Generally Accepted Accounting Principles in South Africa (‘SA GAAP’). SA GAAP differs in certain respects from IFRS. When preparing the historical financial information, management have not amended any of the accounting or valuation methods applied in the SA GAAP historical financial information as they did not differ from IFRS. As a result the comparative figures in respect of the historical financial information at 31 August 2012 and 1 September 2012 were not restated.

Going concern

The company's forecasts and projections, taking account of reasonably possible changes in trading performance, show that the company should be able to operate within their current funding levels.

The directors have a reasonable expectation that the company has adequate resources to continue in operational existence for the foreseeable future. The company therefore continues to adopt the going concern basis in preparing the historical financial information.

1.1 Critical accounting estimates and judgement

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 on-going 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.

The following are the key assumptions concerning the future, and other key areas of estimation included in the company’s historical financial information, that have a significant risk of causing a material adjustment to the carrying amount of assets and liabilities within the next financial year:

- Estimates in determining the probability of future taxable income thereby justifying the recognition of deferred tax assets included in the statement of financial position. Judgement is required in determining the provision of income taxes;
- 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;
- 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; and
- 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.

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 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 impairment losses.

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.

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

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

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

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 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.

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.

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; and
- the expenditure attributable to the asset during its development can be measured reliably.

Accounting Policies

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;
- loans and receivables;
- financial liabilities measured at amortised cost; and
- financial liabilities at fair value through profit or loss.

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 at fair value through profit or loss, which shall not be classified out of the fair value through profit or loss category.

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

Fair value estimation

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.

Financial assets

Financial assets at fair value through profit or loss

This category has two sub-categories: financial assets held-for-trading, and those designated at fair value through profit or loss at inception. A financial asset is classified in this category if acquired principally for the purpose of selling in the short term or if so designated by management. Derivatives are also categorised as held-for-trading unless they are designated as hedges.

Assets in this category are classified as current assets if they are either held-for- trading or are expected to be realised within 12 months of the statement of financial position date.

Financial assets at fair value through profit or loss are initially recognised at fair value. Transaction costs are expensed in the statement of comprehensive income. These assets are subsequently measured at fair value. All related realised and unrealised gains and losses arising from changes in fair value are recognised in the statement of comprehensive income.

Loans and receivables

Loans and receivables are non-derivative financial assets with fixed or determinable payments that are not quoted in an active market. This category does not include those loans and receivables that the company intends to sell in the short term or that it has designated as at fair value through profit or loss or available-for-sale. These assets are included in current assets, except for maturities greater than 12 months after the statement of financial position date, which are classified as non-current assets.

Financial assets classified as loans and receivables are initially recognised at fair value plus transaction costs. Subsequent to initial recognition, loans and receivables are carried at amortised cost using the effective interest rate method, less any provision for impairment.

Loans and receivables comprise loans receivable and trade and other receivables (excluding prepayments and VAT), cash and cash equivalents, loans to subsidiaries, associates and other related parties.

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.

Accounting Policies

1.4 Financial instruments (continued)

Trade and other receivables

Trade receivables and other receivables are measured at initial recognition at fair value and subsequently measured at amortised cost using the effective interest rate method, less provision for impairment. If collection is expected in one year or less, they are classified as current assets. If not, they are presented as non-current assets. 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 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 original effective interest rate computed at initial recognition. The carrying amount of trade receivables is reduced through the use of a provision for impairment and the amount of the loss is recognised in profit or loss. When a trade receivable is uncollectable it is written off against a provision account for trade receivables.

Financial liabilities

Bank overdraft and borrowings

Bank overdrafts and borrowings, which include loans from subsidiaries, associates and other related parties 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.

Bank overdrafts and borrowings are classified as current liabilities unless the company has an unconditional right to defer settlement of the liability for at least 12 months after the statement of financial position date.

Trade and other payables

Trade and other payables are initially measured at fair value and are subsequently measured at amortised cost using the effective interest method. Payables are classified as current liabilities if payment is due within a year or less. If not, they are presented as non-current liabilities.

Financial liabilities at fair value through profit or loss

Financial liabilities at fair value through profit or loss comprises of derivatives and is initially recognised at fair value on the date a derivative contract is entered into and is subsequently re-measured at its fair value through profit or loss. Transaction costs on financial instruments at fair value through profit or loss are recognised in profit or loss.

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. The company derecognises financial liabilities when and only when the company’s obligations are discharged, cancelled or they expire.

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. Impairment losses are recognised in profit or loss. The amount of the provision is the difference between the carrying amount and the recoverable amount of the assets being the present value of expected cash flows discounted at the original effective interest rate. The amount of the provision is recognised as a charge to profit or loss.

Impairment losses are reversed when an increase in the financial asset'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 financial asset at the date that the impairment is reversed shall not exceed what the carrying amount would have been had the impairment not been recognised. Reversals of impairment losses are recognised in profit or loss.

1.4 Financial instruments (continued)

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:

- 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 Taxation

Current taxation

The current income tax charge is calculated on the basis of the tax laws enacted or substantively enacted at the statement of financial position date in the countries where the Company and its subsidiaries operate and generate taxable income. 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.

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 taxation

Deferred taxation is provided using the balance sheet method based on temporary differences. Temporary differences are differences between carrying amounts of assets and liabilities for financial reporting purposes and their tax base. The amount of deferred taxation provided is based on the expected manner of realisation or settlement of the carrying amount of assets and liabilities using tax rates enacted or substantively enacted at the reporting date.

A deferred tax asset is recognised 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 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 not 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 deferred tax liabilities are not discounted.

Accounting Policies

1.5 Taxation (continued)

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.

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.

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 by 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.

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. 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. Depreciation relating to assets subject to finance leases is 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 measured on the weighted average basis.

Accounting Policies

1.7 Inventories (continued)

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 non-financial 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 which is the higher of it fair value less costs to sell and its value in use.

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.

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 and is recognised immediately in profit or loss. An impairment loss is recognised for cash generating unit if the recoverable amount of the unit is less than the carrying amount of the unit. 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, including any directly attributable incremental costs (net of income taxes) 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
- 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.

Accounting Policies

1.10 Provisions and contingencies (continued)

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.

1.11 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 relating to goods that are sold subject to the installation and inspection is recognised when the buyer accepts delivery and the installation and inspection are complete.

Revenue is measured at the fair value of the consideration received or receivable and represents the amounts receivable for goods 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.

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 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.

Accounting Policies

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.

1.14 Foreign currency transactions

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.

1.15 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 Adoption of new and revised standards and interpretations

During the current financial year, the company has adopted all the new, revised or amended accounting standards and interpretations as issued by the IASB, that are relevant to its operations, which were effective for the company from 1 September 2012.

The adoption of the new and revised accounting standards and interpretations which had no material impact on the results of the company, are as follows:

Standard/ Interpretation:	**Effective date: Years beginning on or after**
• IAS 1 Presentation of Financial Statements	01 July 2012
• IAS 12 Income Taxes: Amendment: Deferred Tax: Recovery of Underlying Assets	01 January 2012

Notes to the Historical Financial Information

2. New Standards and Interpretations (continued)

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 2013 or later periods:

Standard/ Interpretation:	**Effective date: Years beginning on or after**	**Expected impact:**
• IFRS 9 Financial Instruments	01 January 2015	Not material
• IFRS 13 Fair Value Measurement	01 January 2013	Not material
• Disclosures – Offsetting Financial Assets and Financial Liabilities (Amendments to IFRS 7)	01 January 2013	Not material
• Offsetting Financial Assets and Financial Liabilities (Amendments to IAS 32)	01 January 2014	Not material
• IFRS 1 – Annual Improvements for 2009 – 2011 cycle	01 January 2013	Not material
• IAS 1 – Annual Improvements for 2009 – 2011 cycle	01 January 2013	Not material
• IAS 16 – Annual Improvements for 2009 – 2011 cycle	01 January 2013	Not material
• IAS 32 – Annual Improvements for 2009 – 2011 cycle	01 January 2013	Not material

3. Transition to IFRS

IFRS 1 requires full retrospective application of IFRS. However, the standard allows for exceptions and exemptions from full retrospective application of IFRS. The mandatory exceptions from full retrospective application of IFRS are not applicable, other than the estimates exception in respect of which no adjustments were made. The company has not elected any of the exemptions from full retrospective application of IFRS.

Reconciliations between IFRS and SA GAAP

The conversion of the financial results of the Company from SA GAAP to IFRS did not result in any adjustments to the Company's previously reported financial position, financial performance or cash flows. As such no reconciliations are presented.

4. Property, plant and equipment

	2013			2012		
	Cost	Accumulated depreciation	Carrying value	Cost	Accumulated depreciation	Carrying value
Plant and machinery	4,468,076	(2,789,411)	1,678,665	4,298,135	(2,794,986)	1,503,149
Furniture and fixtures	1,009,891	(529,326)	480,565	1,064,677	(601,107)	463,570
Motor vehicles	1,391,254	(1,052,269)	338,985	1,391,254	(912,949)	478,305
Office equipment	40,550	(22,940)	17,610	195,556	(161,200)	34,356
IT equipment	813,751	(451,032)	362,719	892,200	(494,904)	397,296
Computer software	396,731	(328,405)	68,326	396,731	(197,067)	199,664
Demo stock fixture	593,713	(209,714)	383,999	576,170	(112,650)	463,520
Total	**8,713,966**	**(5,383,097)**	**3,330,869**	**8,814,723**	**(5,274,863)**	**3,539,860**

	2011		
	Cost	Accumulated depreciation	Carrying value
Plant and machinery	3,731,317	(2,624,386)	1,106,931
Furniture and fixtures	1,074,625	(544,422)	530,203
Motor vehicles	1,391,254	(836,697)	554,557
Office equipment	195,565	(126,632)	68,933
IT equipment	729,121	(466,311)	262,810
Computer software	380,415	(65,730)	314,685
Demo stock fixture	357,171	(28,360)	328,811
Total	**7,859,468**	**(4,692,538)**	**3,166,930**

Reconciliation of property, plant and equipment - 2013

	Opening balance	Additions	Disposals	Depreciation	Total
Plant and machinery	1,503,149	408,877	(26,857)	(206,504)	1,678,665
Furniture and fixtures	463,570	111,036	(7,997)	(86,044)	480,565
Motor vehicles	478,305	-	(31,517)	(107,803)	338,985
Office equipment	34,356	-	-	(16,746)	17,610
IT equipment	397,296	157,519	(62,835)	(129,261)	362,719
Computer software	199,664	-	-	(131,338)	68,326
Demo stock fixture	463,520	17,543	-	(97,064)	383,999
	3,539,860	**694,975**	**(129,206)**	**(774,760)**	**3,330,869**

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**

Notes to the Historical Financial Information

Figures in Rand	2013	2012	2011

4. Property, plant and equipment (continued)

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
Demo stock fixture	-	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)

	2013	2012	2011
Motor vehicles	220,480	251,997	278,175

5. Loans to group companies

Holding company

	2013	2012	2011
Convergenet Holdings Limited	-	5,000	-
Chrystalpine Investments 9 (Pty) Ltd	693,055	241,927	196,613
	693,055	**246,927**	**196,613**

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

Fellow subsidiaries

	2013	2012	2011
ConvergeNet SA (Pty) Ltd	603,738	603,738	-

This loan is unsecured, interest free and payable on demand.

	2013	2012	2011
Current assets	1,296,793	850,665	196,613

Notes to the Historical Financial Information

Figures in Rand	2013	2012	2011

6. Other financial assets

	2013	2012	2011
At fair value through profit or loss - designated			
Listed shares	388,776	2,066,327	3,785,714
The above represents a shareholding of 3 887 756 (2012: 6 887 756) shares in ConvergeNet Holdings Limited. These shares were 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 were granted the voting rights, and the rights to dividends on these shares 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 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. Refer to note 14.			
At fair value through profit or loss - held for trading			
Foreign exchange contract	131,256	367,108	324,613
Total other financial assets	**520,032**	**2,433,435**	**4,110,327**
Non-current assets			
At fair value through profit or loss - designated	388,776	2,066,327	3,785,714
Current assets			
At fair value through profit or loss - held for trading	131,256	367,108	324,613
	520,032	**2,433,435**	**4,110,327**

7. Financial assets by category

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

2013

	Loans and receivables	Fair value through profit or loss - held for trading	Fair value through profit or loss - designated	Total
Loans to group companies	1,296,793	-	-	1,296,793
Other financial assets	-	131,256	388,776	520,032
Trade and other receivables	65,876,000	-	-	65,876,000
Cash and cash equivalents	10,444,482	-	-	10,444,482
	77,617,275	**131,256**	**388,776**	**78,137,307**

Notes to the Historical Financial Information

Figures in Rand	2013	2012	2011

7. Financial assets by category (continued)

2012

	Loans and receivables	Fair value through profit or loss - held for trading	Fair value through profit or loss - designated	Total
Loans to group companies	850,665	-	-	850,665
Other financial assets	-	367,108	2,066,327	2,433,435
Trade and other receivables	50,994,503	-	-	50,994,503
Cash and cash equivalents	34,362,984	-	-	34,362,984
	86,208,152	**367,108**	**2,066,327**	**88,641,587**

2011

	Loans and receivables	Fair value through profit or loss - held for trading	Fair value through profit or loss - designated	Total
Loans to group companies	196,613	-	-	196,613
Other financial assets	-	324,613	3,785,714	4,110,327
Trade and other receivables	57,424,835	-	-	57,424,835
Cash and cash equivalents	10,983,058	-	-	10,983,058
	68,604,506	**324,613**	**3,785,714**	**72,714,833**

8. Deferred tax

Deferred tax asset

	2013	2012	2011
FEC liability	(36,752)	(102,790)	(90,891)
Provisions	968,107	594,220	465,989
Straight lining of lease liability	349,745	509,083	483,653
Share based payment scheme	-	745,829	1,113,680
	1,281,100	**1,746,342**	**1,972,431**

Reconciliation of deferred tax asset

	2013	2012	2011
At beginning of the year	1,746,342	1,972,431	1,916,649
Movement in straight lining of lease liability	(159,338)	25,429	182,094
Movement in provision	373,886	128,231	188,745
Movement in share based payment scheme	(745,829)	(367,852)	(108,788)
Movement in FEC liability	66,039	(11,897)	(206,269)
	1,281,100	**1,746,342**	**1,972,431**

The company did not recognise deferred income tax assets of R 195 876 (2012: R Nil: 2011: R Nil) relating to the shares held in ConvergeNet Limited (refer to note 6).

Notes to the Historical Financial Information

Figures in Rand	2013	2012	2011

9. Operating lease liability

Balance at year end	(1,249,088)	(1,803,825)	(1,727,334)

10. Inventories

Work in progress	4,015,430	1,899,689	584,737
Finished goods	46,109,570	36,023,395	42,965,899
Goods in transit	10,131,740	11,518,108	3,923,291
Demo inventories	1,816,752	1,087,586	581,391
	62,073,492	50,528,778	48,055,318
Provision for stock obsolescence	(4,825,074)	(4,428,740)	(1,950,394)
	57,248,418	**46,100,038**	**46,104,924**

11. Trade and other receivables

Trade receivables	66,190,205	51,599,999	57,673,708
Impairment on trade receivables	(1,477,000)	(691,178)	(526,048)
	64,713,205	50,908,821	57,147,660
Prepayments	608,433	1,761,522	737,586
Deposits	190,206	122,706	107,706
Other receivable	1,162,795	85,682	277,175
	66,674,639	**52,878,731**	**58,270,127**

Trade and other receivables pledged as security

Trade and other receivables were pledged as security for overdraft facilities of R 66,190,205 (2012: R 51,599,999 ; 2011: R 57,673,708) of the company. At year end the overdraft amounted to R 15,060,906 (2012: R Nil ; 2011: R Nil).

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 2013, R 13,170,305 (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:

1 month past due	404,551	6,945,889	8,348,220
2 months past due	582,074	2,061,988	3,784,480
3 months or more past due	12,183,680	2,988,739	10,894,470
	13,170,305	**11,996,616**	**23,027,170**

Trade and other receivables impairment

As of 31 August 2013, trade and other receivables of R 1,477,000 (2012: R 691,178 ; 2011: R 526,048) were impaired and provided for.

The amount of the provision was R 1,477,000 as of 31 August 2013 (2012: R 691,178 ; 2011: R 526,048).

The ageing of these trade debtors is as follows:

Over 6 months	1,477,000	691,178	526,048

Notes to the Historical Financial Information

Figures in Rand	2013	2012	2011

11. Trade and other receivables (continued)

Reconciliation of provision for impairment of trade and other receivables

Opening balance	691,178	526,048	227,700
Utilised	(290,182)	(5,591)	-
Provision for impairment	1,076,004	170,721	298,348
	1,477,000	**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:

Cash on hand	17,246	13,736	10,480
Bank balances	10,427,236	34,349,248	10,972,578
Bank overdraft	(15,060,906)	-	-
	(4,616,424)	**34,362,984**	**10,983,058**

Current assets	10,444,482	34,362,984	10,983,058
Current liabilities	(15,060,906)	-	-
	(4,616,424)	**34,362,984**	**10,983,058**

Refer to note 11 for trade debtors pledged as security for the overdraft facility.

13. Capital

Authorised

1,000 Ordinary shares of R 1 each.	1,000	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	100
Capital contribution	11,900,000	11,900,000	11,900,000
	11,900,100	**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.

Notes to the Historical Financial Information

Figures in Rand	2013	2012	2011

14. Share based payments

Forfeitable share plan	Number of shares	Number of shares	Number of shares
Outstanding at the beginning of the year	3,000,000	11,255,101	11,255,101
Vested during the year	(3,000,000)	(8,255,101)	-
Outstanding at the end of the year	-	3,000,000	11,255,101

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 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.

The closing share price at vesting date was R 0.22.

Fair value of goods and services received

The expense recognised in the statement of comprehensive income in the current year equals R 95 000 (2012: R 643 963).

Liability arising from share based payments

Amount recognised	-	(750,000)	-

15. Finance lease obligation

Minimum lease payments due			
- within one year	130,559	156,670	157,427
- in second to fifth year inclusive	-	130,559	288,616
	130,559	287,229	446,043
less: future finance charges	(4,668)	(20,903)	(50,970)
Present value of minimum lease payments	**125,891**	**266,326**	**395,073**
Present value of minimum lease payments due			
- within one year	125,891	140,435	128,702
- in second to fifth year inclusive	-	125,891	266,371
	125,891	**266,326**	**395,073**
Non-current liabilities	-	125,891	266,371
Current liabilities	125,891	140,435	128,702
	125,891	**266,326**	**395,073**

Interest rates are linked to prime at the contract date. All leases have fixed repayments.

Notes to the Historical Financial Information

16. Trade and other payables

Figures in Rand	2013	2012	2011
Trade payables*	37,893,499	44,964,406	33,186,894
VAT **	1,135,697	919,089	893,693
Sundry Creditors*	531,581	2,776,554	283,242
Employee share based liability**	-	750,000	2,094,813
Payroll accruals*	5,135,917	2,791,719	2,288,420
Other accrued expenses*	45,686	1,253,849	1,258,453
	44,742,380	**53,455,617**	**40,005,515**

* Financial instruments classified as financial liabilities at amortised cost
** Non-financial instruments

Notes to the Historical Financial Information

Figures in Rand	2013	2012	2011

17. Financial liabilities by category

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

2013

	Financial liabilities at amortised cost	Total
Trade and other payables	43,606,683	43,606,683
Bank overdraft	15,060,906	15,060,906
Finance lease obligation	125,891	125,891
	58,793,480	**58,793,480**

2012

	Financial liabilities at amortised cost	Total
Trade and other payables	51,786,528	51,786,528
Finance lease obligation	266,326	266,326
	52,052,854	**52,052,854**

2011

	Financial liabilities at amortised cost	Total
Trade and other payables	35,475,314	35,475,314
Finance lease obligation	395,073	395,073
	35,870,387	**35,870,387**

Notes to the Historical Financial Information

Figures in Rand	2013	2012

18. Revenue

Sale of goods	245,279,971	211,712,105

19. Expenses by nature

Changes in inventories of finished goods and work in progress	12,201,916	(5,680,508)
Raw materials and consumables used	167,498,681	148,820,287
Consulting fees	2,087,079	1,478,366
Employee cost	42,341,358	38,862,119
Commissions	695,264	2,357,278
Utilities	973,554	836,371
Levies	123,454	905,796
Communication expense	527,039	581,574
Travel	514,838	574,477
Audit fees	501,243	478,635
Repairs and maintenance	736,487	735,917
Research and development	1,016,570	725,692
Loss on disposal of fixed assets	136,333	759
Depreciation	774,760	606,742
Insurance	494,464	763,829
Motor vehicle expenses	1,411,337	985,664
Freight and packing	3,948,814	1,458,897
Lease rentals on operating lease	6,642,069	6,565,631
Management fee	218,567	2,856,000
Other expenses	223,504	4,837,992
	243,067,331	**208,751,518**

20. Investment income

Interest income		
Bank	365,235	134,368
Interest charged on trade and other receivables	-	123,406
South African Revenue Services	-	51,817
	365,235	**309,591**

21. Fair value adjustments

Other financial assets	(832,551)	269,388

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).

22. Finance costs

Bank	201,925	721,518
Interest on factoring facility	72,721	77,888
	274,646	**799,406**

Notes to the Historical Financial Information

Figures in Rand	2013	2012

23. Taxation

Major components of the tax expense

Current		
Local income tax - current period	1,000,311	435,446
Local income tax - prior period (over)/under provision	(52,021)	148,555
	948,290	**584,001**
Deferred		
Originating and reversing temporary differences	465,242	241,242
Arising from prior period adjustments	-	(15,154)
	465,242	**226,088**
	1,413,532	**810,089**

Reconciliation of the tax expense

Reconciliation between applicable tax rate and average effective tax rate.

Applicable tax rate	28.00 %	28.00 %
Permanent differences	67.35 %	(5.47)%
Current income tax - prior period underprovision	(3.38)%	5.03 %
Deferred tax - prior period underprovision	- %	(0.51)%
	91.97 %	**27.05 %**

24. Auditors' remuneration

Fees	501,243	478,635

25. Cash generated from/(used in) operations

Profit before taxation	1,537,023	2,994,683
Adjustments for:		
Depreciation and amortisation	774,760	606,742
Loss on sale of assets	136,333	759
Loss on foreign exchange	1,212,109	601,465
Interest received	(365,235)	(309,591)
Finance costs	274,646	799,406
Fair value adjustments	832,551	(269,388)
Movements in operating lease assets and accruals	(554,737)	76,491
Other non-cash items	-	2
Changes in working capital:		
Inventories	(11,148,380)	4,886
Trade and other receivables	(12,791,468)	5,391,395
Trade and other payables	(9,848,934)	14,794,917
	(29,941,332)	**24,691,767**

Notes to the Historical Financial Information

Figures in Rand	2013	2012

26. Tax paid

Balance at beginning of the period	990,859	2,516,064
Current tax for the period recognised in profit or loss	(948,290)	(584,001)
Balance at end of the period	(882,569)	(990,859)
	(840,000)	**941,204**

27. Commitments

Operating leases – as lessee (expense)

Minimum lease payments due		
- within one year	7,637,856	6,943,507
- in second to fifth year inclusive	-	7,637,858
	7,637,856	**14,581,365**

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

28. Related parties

Relationships	
Ultimate holding company	Convergenet Holdings Ltd
Holding company	Chrystalpine Investments 9 (Pty) Ltd
Common directors/shareholders/members	Eric Andrews Properties CC
	Moonstone Investments 85 (Pty) Ltd
Group companies	ConvergeNet SA (Pty) Ltd t/a ConvergeNet Projects
	Structured Connectivity Solutions (Pty) Ltd
	Sizwe Africa IT Group (Pty) Ltd
	Navix Distribution (Pty) Ltd
	Northbound Communication Solutions (Pty) Ltd

Related party balances

Loan accounts - Owing (to)/by related parties		
Convergenet Holdings Ltd	-	5,000
Crystalpine Investments 9 (Pty) Ltd	693,055	241,927
ConvergeNet SA (Pty) Ltd	603,738	603,738
Amounts included in trade receivables/(trade payables) regarding related parties		
Sizwe Africa IT Group (Pty) Ltd	11,412,489	16,781
Structured Connectivity Services (Pty) Ltd	381,808	-

Notes to the Historical Financial Information

Figures in Rand	2013	2012

28. Related parties (continued)

Related party transactions

	2013	2012
Dividends paid to/(received from) related parties		
Chrystalpine Investments 9 (Pty) Ltd	7,000,000	-
Purchases from/(sales to) related parties		
Navix Distribution (Pty) Ltd	2,973,087	1,099,219
Sizwe Africa IT Group (Pty) Ltd	19,668	19,668
Rent paid to/(received from) related parties		
Eric Andrews Properties CC	974,457	1,842,885
Moonstone Investments 85 (Pty) Ltd	2,403,714	4,545,885
Mangement fees paid to/(received from) related parties		
ConvergeNet Holdings Ltd	5,995,000	5,995,000
ConvergeNet Management Services (Pty) Ltd	3,000,000	2,856,000
Revenue/(Returns) with related parties		
Navix Distribution (Pty) Ltd	440	8,925
Northbound Communication Solutions (Pty) Ltd	3,478	15,491
Sizwe Africa IT Group (Pty) Ltd	-	(6,917)
Sizwe Africa IT Group (Pty) Ltd	10,664,065	-
Structured Connectivity Services (Pty) Ltd	1,957,906	-

29. Directors' emoluments

Executive

2013

	Salary, bonuses and allowances	Pension and other contributions	Total
For services rendered	3,647,418	194,929	3,842,347

2012

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

Notes to the Historical Financial Information

30. Change in estimate

Property, plant and equipment

During the 2012 financial year the useful lives of certain categories of property, plant and equipment were revised by management.

	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 the revision decreased the depreciation charge in the prior period by R355 159.

31. 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.

Financial risk management

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

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 board of directors provides principles for overall risk management.

Notes to the Historical Financial Information

Figures in Rand	2013	2012

31. Risk management (continued)

Liquidity risk

Liquidity risk is the risk that the company will not be able to meet its financial obligations as they fall due. The company’s approach to managing liquidity is to ensure, as far as possible, that it will always have sufficient liquidity to meet its liabilities when due, under both normal and stressed conditions, without incurring unacceptable losses or risking damage to the company’s reputation.

The company ensures it has sufficient cash on demand or access to facilities to meet expected operational expenses, by maintaining adequate reserves, banking facilities and reserve borrowing facilities; this excludes the potential impact of extreme circumstances that cannot reasonably be predicted, such as natural disasters.

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

The amounts disclosed in the table below are the contractual undiscounted cash flows:

At 31 August 2013	**Less than 1 year**
Trade and other payables	44,742,381
Finance lease liability	130,559

At 31 August 2012	**Less than 1 year**	**Between 2 and 5 years**
Trade and other payables	52,536,526	-
Finance lease liability	156,670	130,559

At 31 August 2011	**Less than 1 year**	**Between 2 and 5 years**
Trade and other payables	35,324,757	-
Finance lease liability	157,427	288,616

Notes to the Historical Financial Information

Figures in Rand	2013	2012

31. Risk management (continued)

Credit risk

Credit risk is the risk of financial loss to the company if a customer or counterparty to a financial instrument fails to meet its contractual obligations, and arises principally from the company's receivables from customers, cash and cash equivalents, loans and receivables and derivative financial instruments from continuing operations.

The company has a general credit policy of only dealing with creditworthy counterparties that includes credit policies under which new customers are analysed for creditworthiness before the operation's standard payment and delivery terms and conditions are offered and setting of credit limits for individual customers based on their references and credit ratings. Operational management is also held responsible for monitoring the operations' credit exposure.

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.

Carrying amount of financial assets recorded in the statement of financial position which is net of impairment losses represents the maximum exposure to credit risk:

Financial instrument	**2013**	**2012**	**2011**
Trade receivables	64,713,208	50,908,820	57,147,658
Cash and cash equivalents	10,427,236	34,362,984	10,983,058
	75,140,444	85,271,804	68,130,716

Market risk

The company is not exposed to market risk.

Notes to the Historical Financial Information

Figures in Rand	2013	2012

31. Risk management (continued)

Currency 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 exchange contracts against confirmed orders.

At 31 August 2013, 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

Current assets	**ZAR - 2013**	**ZAR - 2012**	**ZAR - 2011**
Trade debtors, USD 670 953 (2012: USD 229 458; 2011 USD Nil)	6,894,250	1,932,036	-
Liabilities			
Trade payables, USD 297 630 (2012: USD 1 437 690; 2011: USD 513 808)	(3,058,241)	(12,105,350)	(3,586,380)
Trade payables, EUR 548 372 (2012: EUR 240 553; 2011: EUR 755 636)	(7,433,014)	(2,554,460)	(7,601,698)
Trade payables, AUD 8 087 (2012: AUD Nil; 2011: AUD Nil)	(73,856)	-	-

Exchange rates used for conversion of foreign items were:

USD	10.28	8.42	6.98
EUR	13.55	10.62	10.06
AUD	9.13	-	-

Cash flow and fair value interest rate risk

The company's cash flow interest rate risk arises from borrowings carrying interest at variable rates. The company is not exposed to fair value interest rate risk as the company does not have significant fixed interest-bearing instruments carried at fair value. The company is not exposed to significant levels of price risk.

Loans and receivables

The company assesses the credit worthiness of any party that a loan or advance is granted to and where considered appropriate, or where necessary an impairment allowance is made against the loan receivable. Collateral security is obtained for these loans where deemed necessary.

Trade receivables and other receivables

Trade receivables consist primarily of invoiced amounts from normal trading activities. The company's customer base is conisdered to be widely dispersed. Policies are in place to ensure sales are made to customers with an appropriate credit history and payment history. Individual credit limits are set for each customer and the utilisation of these credit limits is monitored regularly by operational management. Operational management regularly reviews the debtors age analysis and follows up on long outstanding debtors. Where necessary, a provision for impairment is made.

Cash and cash equivalents

The company only deposits cash with major banks with high quality credit standing and limits exposure to any one counter-party.

Notes to the Historical Financial Information

Figures in Rand	2013	2012

32. 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.

33. 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.

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:

	2013	2012
Earnings per share		
Basic (loss)/earnings per share (cents)		
From continuing operations	123,491	2,184,594
Basic (loss)/earnings for the period	123,491	2,184,594
Earnings per share		
Diluted basic (loss)/earnings per share (cents)		
From continuing operations	123,491	2,184,594
Diluted basic (loss)/earnings for the period	123,491	2,184,594
Headline (loss)/earnings per share (cents)		
From continuing operations	(12,842)	2,183,835
Headline (loss)/earnings for the period	(12,842)	2,183,835
Diluted headline (loss)/earnings per share (cents)		
From continuing operations	(12,842)	2,183,835
Headline (loss)/earnings for the period	(12,842)	2,183,835
Net asset value per share (cents)	80,500,637	87,377,146
Net tangible asset value per share (cents)	80,500,637	87,377,146