Model Annual Financial Statements
(Registration number 99/88776/54)
Financial Statements for the year ended 29 February 2012

Index

The reports and statements set out below comprise the financial statements presented to the shareholder:

Statement of Financial Position

Figures in Rand	Note(s)	2012	2011
Assets			
Non-Current Assets			
Biological assets	2	256 500	66 500
Investment property	3	175 000	150 000
Property, plant and equipment	4	587 404	526 091
Intangible assets	5	106 500	80 000
Investment in joint ventures and associates	6	72 000	75 000
Loans to joint ventures and associates	7	2 682 837	-
Other financial assets	9	48 000	35 000
Deferred tax	10	372 245	-
Operating lease asset	11	360 000	-
		4 660 486	**932 591**
Current Assets			
Inventories	13	3 076 695	2 011 771
Loans to joint ventures and associates	7	555 134	-
Loans to shareholders	8	572 000	550 000
Loans to directors, managers and employees	14	15 000	20 000
Other financial assets	9	12 000	10 000
Current tax receivable		80 571	328 571
Construction contracts and receivables	15	150 000	-
Operating lease asset	11	36 000	-
Trade and other receivables	16	2 705 307	4 396 065
Cash and cash equivalents	17	700	700
		7 203 407	**7 317 107**
Non-current assets held for sale and assets of disposal groups	18	590 000	-
Total Assets		**12 453 893**	**8 249 698**

Statement of Financial Position

Figures in Rand	Note(s)	2012	2011
Equity and Liabilities			
Equity			
Share capital	19	10 000	100
Retained income		694 557	1 132 531
		704 557	**1 132 631**
Liabilities			
Non-Current Liabilities			
Loans from joint ventures and associates	7	5 243 813	615 578
Loans from shareholders	8	442 079	402 404
Other financial liabilities	20	1 701 000	1 701 000
Finance lease obligation	21	231 070	276 677
Operating lease liability	11	7 000	-
Deferred income	22	185 000	-
Provisions	23	168 000	188 000
		7 977 962	**3 183 659**
Current Liabilities			
Loans from joint ventures and associates	7	350 965	625 769
Other financial liabilities	20	215 000	219 000
Finance lease obligation	21	45 607	57 501
Operating lease liability	11	25 029	21 859
Trade and other payables	24	2 325 529	2 421 529
Deferred income	22	75 000	-
Provisions	23	202 000	188 000
Bank overdraft	17	317 244	399 750
		3 556 374	**3 933 408**
Liabilities of disposal groups	18	215 000	-
Total Liabilities		**11 749 336**	**7 117 067**
Total Equity and Liabilities		**12 453 893**	**8 249 698**

Statement of Income and Retained Earnings

Figures in Rand	Note(s)	2012	2011
Continuing operations			
Revenue	25	19 966 416	18 587 988
Cost of sales	26	(15 633 867)	(14 538 095)
Gross profit		**4 332 549**	**4 049 893**
Other income		708 828	1 116 415
Operating expenses		(5 187 546)	(5 429 884)
Operating loss	27	**(146 169)**	**(263 576)**
Investment revenue	28	651 536	281 532
Fair value adjustments	29	33 000	-
Finance costs	31	(838 586)	(393 395)
Loss before taxation		**(300 219)**	**(375 439)**
Taxation	32	95 245	-
Loss for the year from continuing operations		**(204 974)**	**(375 439)**
Discontinued operations			
Loss from discontinued operations	18	(233 000)	-
Loss for the year		**(437 974)**	**(375 439)**
Retained income at the beginning of the year		1 132 534	1 507 970
Retained income at the end of the year		**694 560**	**1 132 531**

Statement of Cash Flows

Figures in Rand	Note(s)	2012	2011
Cash flows from operating activities			
Cash used in operations	34	(696 706)	(3 067 553)
Interest income		576 536	281 532
Dividends received		75 000	-
Finance costs		(805 321)	(380 449)
Tax paid	35	(29 000)	(548 474)
Cash flows of held for sale / discontinued operations	36	18 000	-
Net cash from operating activities		**(861 491)**	**(3 714 944)**
Cash flows from investing activities			
Purchase of property, plant and equipment	4	(218 119)	(377 153)
Sale of property, plant and equipment	4	94 847	117 233
Purchase of investment property	3	(25 000)	(150 000)
Sale of investment property	3	22 000	-
Purchase of other intangible assets	5	(50 000)	(80 000)
Sale of other intangible assets	5	28 000	-
Acquisition of joint venture	37	-	(75 000)
Sale of non-current assets held for sale	38	375 000	-
Loans to group companies repaid		(156 150)	(2 422 263)
Loans advanced to group companies		1 226 610	4 574 178
Purchase of financial assets		(66 542)	(190 087)
Sale of financial assets		33 542	145 087
Purchase of biological assets	2	(240 000)	(70 000)
Sale of biological assets	2	20 000	-
Net cash flows of discontinued operations		(233 100)	-
Net cash from investing activities		**811 088**	**1 471 995**
Cash flows from financing activities			
Proceeds on share issue	19	10 000	-
Repayment of other financial liabilities		11 000	1 920 000
Movement in loans to directors, managers and employees		5 000	(20 000)
Proceeds from shareholders loan		25 000	127 312
Repayment of shareholders loan		(27 325)	(274 908)
Finance lease payments		109 234	321 232
Net cash from financing activities		**132 909**	**2 073 636**
Total cash movement for the year		**82 506**	**(169 313)**
Cash at the beginning of the year		(399 050)	(229 737)
Total cash at end of the year	17	**(316 544)**	**(399 050)**

Accounting Policies

1. Presentation of Financial Statements

The financial statements of the company have been prepared in accordance with the International Financial Reporting Standard for Small and Medium-sized Entities, and the Companies Act 71 of 2008. The financial statements have been prepared incorporating the principal accounting policies set out below. The company manufactures chemicals used for inputs into the paint industry and operates as a lessor of its investment properties. The company is incorporated in South Africa and operates from 1 Rivonia Drive, Sandton, its registered office. The finacnial statements are presented in South African Rands.

1.1 Significant judgements and sources of estimation uncertainty

In preparing the financial statements, management is required to make estimates and assumptions that affect the amounts represented in the financial statements 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 financial statements. Significant judgements include:

Financial assets measured at cost and amortised cost

The company assesses its financial assets measured at cost and amortised cost for impairment at each reporting period date. In determining whether an impairment loss should be recorded in the statement of income and retained earnings, 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.

The impairment for financial assets measured at cost and amortised cost is calculated on a portfolio basis, based on historical loss ratios, adjusted for national and industry-specific economic conditions and other indicators present at the reporting period that correlate with defaults on the portfolio. These annual loss ratios are applied to loan balances in the portfolio and scaled to the estimated loss emergence period.

Allowance for slow moving, damaged and obsolete inventory

An allowance for inventory to write inventory 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.

Impairment testing

The recoverable amounts of cash-generating units and individual assets have been determined based on the higher of value-in-use calculations and fair values. These calculations require the use of estimates and assumptions. It is reasonably possible that the [name a key assumption] assumption may change which may then impact our estimations and may then require a material adjustment to the carrying value of goodwill and tangible assets.

The company reviews and tests the carrying value of assets when events or changes in circumstances suggest that the carrying amount may not be recoverable. In addition, goodwill is only tested for impairment when there is an indicator of impairment. Assets are grouped at the lowest level for which identifiable cash flows are largely independent of cash flows of other assets and liabilities. If there are indications that impairment may have occurred, estimates are prepared of expected future cash flows for each group of assets. Expected future cash flows used to determine the value in use of goodwill and tangible assets are inherently uncertain and could materially change over time. They are significantly affected by a number of factors including [list entity specific variables, i.e. production estimates, supply demand], together with economic factors such as [list economic factors such as exchange rates inflation interest].

Provisions

Provisions were raised and management determined an estimate based on the information available. Additional disclosure of these estimates of provisions are included in note 23 - Provisions.

Expected manner of realisation for deferred tax

Deferred tax is provided for on the fair value adjustments of investment properties based on the expected manner of recovery, i.e. sale or use. This manner of recovery affects the rate used to determine the deferred tax liability. Refer note 10 – Deferred tax.

Accounting Policies

1.1 Significant judgements and sources of estimation uncertainty (continued)

Taxation

Judgement is required in determining the provision for income taxes due to the complexity of legislation. There are many transactions and calculations for which the ultimate tax determination is uncertain during the ordinary course of business. The company recognises liabilities for anticipated tax audit issues based on estimates of whether additional taxes will be due. Where the final tax outcome of these matters is different from the amounts that were initially recorded, such differences will impact the income tax and deferred tax provisions in the period in which such determination is made.

The company recognises the net future tax benefit related to deferred income tax assets to the extent that it is probable that the deductible temporary differences will reverse in the foreseeable future. Assessing the recoverability of deferred income tax assets requires the company to make significant estimates related to expectations of future taxable income. Estimates of future taxable income are based on forecast cash flows from operations and the application of existing tax laws in each jurisdiction. To the extent that future cash flows and taxable income differ significantly from estimates, the ability of the company to realise the net deferred tax assets recorded at the end of the reporting period could be impacted.

1.2 Biological assets

Biological assets are measured at cost less any accumulated depreciation and any accumulated impairment losses.

Depreciation is provided on a straight line basis (or other method as appropriate) on biological assets to write down the cost, less residual value, by equal instalments over their useful lives as follows:

Item	Useful life
Mares	15 years
Vines	10 years

1.3 Investment property

Investment property is property held to earn rentals or for capital appreciation or both, rather than for use in the production or supply of goods or services or for administrative purposes; or sale in the ordinary course of business.

The cost of purchased and self-constructed investment property comprises its purchase price and any directly attributable expenditure incurred. If payment is deferred beyond normal credit terms, the cost is the present value of all future payments.

Investment property is initially recognised at cost.

Costs include costs incurred initially to acquire or construct an investment property 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 investment property, the carrying amount of the replaced item is derecognised. Costs also includes amounts incurred to bring the asset to the location and condition necessary for it to be capable of operating in the manner intended by management.

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 investment property.

After initial recognition, investment property whose fair value can be measured reliably without undue cost or effort shall be measured at fair value at each reporting period with changes in fair value recognised in profit or loss. The company accounts for all other investment property as property, plant and equipment using the cost - depreciation - impairment model. If the fair value cannot be determined without undue cost and effort, the investment property is classified to property, plant and equipment.

Accounting Policies

1.4 Property, plant and equipment

Property, plant and equipment are tangible items that:
- are held for use in the production or supply of goods or services, for rental to others or for administrative purposes; and
- are expected to be used during more than one period.

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.

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.

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

Depreciation is provided using the straight-line basis (or other method as appropriate) to write down the cost, less estimated residual value over the useful life of the property, plant and equipment, which is as follows:

Item	**Average useful life**
Land	Indefinite
Buildings	25 years
Plant and machinery	5 years
Furniture and fixtures	6 years
Motor vehicles	4 years
Office equipment	5 years
IT equipment	3 years

The residual value, depreciation method and the useful life of each asset are reviewed at each annual reporting period if there are indicators present that there is a change from the previous 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 and have significantly different patterns of consumption of economic benefits is depreciated separately over its useful life.

Gains and losses on disposals are determined by comparing the proceeds with the carrying amount and are recognised in profit or loss in the period.

1.5 Intangible assets

An intangible asset is an identifiable non-monetary asset without physical substance.

Intangible assets are initially recognised at cost.

All research and development costs are recognised as an expense in profit and loss.

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

If the company is unable to make a reliable estimate of the useful life of an intangible assets, the life will be presumed to be 10 years.

The useful life, residual value and the amortisation method for intangible assets are reviewed at each reporting period date if there are indicators present that there is a change from the previous estimate.

Amortisation is provided to write down the intangible assets, on a straight line basis (or other method as appropriate), to their residual values as follows:

Item	**Useful life**
Patents	10
Computer software	2
Other intangible assets	5

Accounting Policies

1.6 Investment in joint ventures and associates

Jointly controlled entities

Investments in jointly controlled entities are initially recorded at cost and subsequently measured at cost less accumulated impairment.

Jointly controlled operations

In respect of its interest in jointly controlled operations, the company recognises in its financial statements:

- the assets that it controls and the liabilities that it incurs, and
- the expenses that it incurs and its share of the income that it earns from the sale of goods or services by the joint venture.

Jointly controlled assets

In respect of its interests in jointly controlled assets, the company recognises in its financial statements:

- its share of the jointly controlled assets, classified according to the nature of the assets;
- any liabilities that it has incurred;
- its share of any liabilities incurred jointly with the other venturers in relation to the joint venture;
- any income from the sale or use of its share of the output of the joint venture, together with its share of any expenses incurred by the joint venture; and
- any expenses that it has incurred in respect of its interest in the joint venture.

Associates

An investment in associate is initially recorded at cost and subsequently recorded at cost less accumulated impairment.

1.7 Financial instruments

Financial instruments at amortised cost

Financial instruments may be designated to be measured at amortised cost less any impairment using the effective interest method. These include trade and other receivables, loans and trade and other payables. At the end of each reporting period date, the carrying amounts of assets held in this category are reviewed to determine whether there is any objective evidence of impairment. If so, an impairment loss is recognised.

Financial instruments at cost

Equity instruments that are not publicly traded and whose fair value cannot otherwise be measured reliably are measured at cost less impairment. This includes equity instruments held in unlisted investments.

All financial assets whose fair value cannot otherwise be measured reliably, and which do not meet the criteria to be designated as an instruments measured at amortised cost, are measured at cost less impairment.

Financial instruments at fair value

All other financial instruments are measured at fair value through profit and loss.

Accounting Policies

1.8 Tax

Current tax assets and liabilities

Current 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 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 reporting period date.

The tax liability reflects the affect of the possible outcomes of a review by the tax authorities.

Deferred tax assets and liabilities

Deferred tax liabilities and assets are recognised for all taxable temporary differences.

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 reporting period date.

A tax valuation allowance is recognised against deferred tax assets so that the net carrying amount equals the highest amount that is more likely than not to be recovered based on current and future taxable profit.

Tax expenses

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 to equity.

1.9 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 - lessor

The company recognises finance lease receivables of an amount equal to the net investment in the lease in the statement of financial position.

Finance income is recognised based on a pattern reflecting a constant periodic rate of return on the company’s net investment in the finance lease.

The net investment in a lease is the company's gross investment in the lease discounted at the interest rate implicit to the lease.

Finance leases – lessee

Finance leases are recognised as assets and liabilities 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 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.

Operating leases - lessor

Operating lease income is recognised as an income on a straight-line basis over the lease term. The difference between amounts recognised as income at the contractual rental amounts are recognised as a operating lease asset.

Any contingent rents are recognised as income in the period they accrue.

Accounting Policies

1.9 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 liability. This liability is not discounted.

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

1.10 Inventories

Inventories are measured at the lower of cost and selling price less costs to complete and sell, on the first-in, first-out (FIFO) basis.

1.11 Construction contracts and receivables

Where the outcome of a construction contract can be estimated reliably, contract revenue and costs are recognised by reference to the stage of completion of the contract activity at the end of the reporting period, as measured by the proportion that contract costs incurred for work performed to date bear to the estimated total contract costs (or another basis as appropriate).

Variations in contract work, claims and incentive payments are included to the extent that they have been agreed with the customer.

When the outcome of a construction contract cannot be estimated reliably, contract revenue is recognised to the extent that contract costs incurred are recoverable. Contract costs are recognised as an expense in the period in which they are incurred.

When it is probable that total contract costs will exceed total contract revenue, the expected loss is recognised as an expense immediately.

1.12 Non-current assets held for sale (and) (disposal groups)

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

Non-current assets held for sale (or disposal group) are measured at the lower of its carrying amount and fair value less costs to sell.

A non-current asset is not depreciated (or amortised) while it is classified as held for sale, or while it is part of a disposal group classified as held for sale.

1.13 Impairment of assets

The company assesses at each reporting period date 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 goodwill, 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.

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.

Accounting Policies

1.13 Impairment of assets (continued)

An impairment loss relating to goodwill cannot be reveresed, if an impairment loss rtelating to anything other than goodwil subsequently reverses, the carrying amount of the asset (or group of related assets) is increased to the revised estimate of its recoverable amount (selling price less costs to complete and sell, in the case of inventories), but not in excess of the amount that would have been determined had no impairment loss been recognised for the asset (or group of assets) in prior years. A reversal of impairment is recognised immediately in profit or loss.

1.14 Share capital and equity

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

If the company reacquires its own equity instruments, those instruments are deducted from equity. No gain or loss is recognised in profit or loss on the purchase, sale, issue or cancellation of the company's own equity instruments. Consideration paid or received shall be recognised directly in equity.

1.15 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.

Defined contribution plans

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

Termination benefits

Termination benefits are recognised as an expense with its resulting liability when the entity is demonstrably committed either:
- to terminate the employment of an employee or group of employees before the normal retirement date; or
- to provide termination benefits as a result of an offer made in order to encourage voluntary redundancy.

The termination benefits are measured at the best estimate of the expenditure that would be required to settle the obligation at the reporting period date.

1.16 Provisions and contingencies

Provisions are recognised when:
- the company has an obligation at the reporting period date as a result of a past event;
- it is probable that the company will be required to transfer economic benefits in settlement; and
- the amount of the obligation can be estimated reliably.

Contingent assets and contingent liabilities are not recognised.

Provisions are not recognised for future operating losses.

Provisions are measured at the present value of the amount expected to be required to settle the obligation using a pre-tax rate that reflects current market assessments of the time value of money and the risks specific to the obligation. The increase in the provision due to the passage of time is recognised as interest expense.

Accounting Policies

1.17 Government grants

Government grants are recognised when there is reasonable assurance that:
- the company will comply with the conditions attaching to them; and
- the grants will be received.

Government grants are recognised as income over the periods necessary to match them with the related costs that they are intended to compensate.

A government grant that becomes receivable as compensation for expenses or losses already incurred or for the purpose of giving immediate financial support to the entity with no future related costs is recognised as income of the period in which it becomes receivable.

1.18 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.

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

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

Service revenue is recognised by reference to the stage of completion of the transaction at the end of the reporting period. Stage of completion is determined by the proportion of costs incurred to date bear to the total estimated costs of the transaction.

When the outcome of a construction contract can be estimated reliably, the contract revenue and contract cost associated with the construction contract is recognised be reference to the stage completion of the contract activity at the end of the reporting period.

Stage completion is determined by the proportion that actual costs incurred to date, bear to the total estimated costs of the transaction or another basis as appropriate).

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.

When the inflow of cash and cash equivalents is deferred, the fair value of the consideration receivable is the present value of all future receipts using the imputed rate of interest.

The imputed rate of interest is the more clearly determinable of either:
- the prevailing rate for a similar instrument of an issuer with a similar credit rating; or
- a ratio of interest that discounts the nominal amount of the instrument to the cash sales price of the goods and or services.

The difference between the present value of the future receipts on the nominal amount of the consideration is recognised as interest revenue.

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

Accounting Policies

1.18 Revenue (continued)

Royalties are recognised on the accrual basis in accordance with the substance of the relevant agreements.

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.

1.19 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 each 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 financial statements 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 in other comprehensive income or directly in equity, any exchange component of that gain or loss is recognised in other comprehensive income or directly 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.

Investments in joint ventures and associates

The results and financial position of a foreign operation are translated into the functional currency using the following procedures:
- assets and liabilities for each statement of financial position presented are translated at the closing rate at the date of that statement of financial position;
- income and expenses for each statement of income and retained earnings item are translated at exchange rates at the dates of the transactions; and
- all resulting exchange differences are recognised in other comprehensive income.

Exchange differences arising on non-monetary items that form part of a net investment in a foreign operation are recognised in profit or loss in the separate financial statements of the reporting entity or in the individual financial statements of the foreign operation.

Notes to the Financial Statements

Figures in Rand	2012	2011

2. Biological assets

	2012			2011		
	Cost	**Accumulated depreciation**	**Carrying value**	**Cost**	**Accumulated depreciation**	**Carrying value**
Mares	135 000	(26 500)	108 500	30 000	(1 500)	28 500
Vines	165 000	(17 000)	148 000	40 000	(2 000)	38 000
Total	**300 000**	**(43 500)**	**256 500**	**70 000**	**(3 500)**	**66 500**

Reconciliation of biological assets - 2012

	Opening balance	Additions	Decreases due to harvest / sales	Other changes	Depreciation	Total
Mares	28 500	120 000	(20 000)	5 000	(26 500)	108 500
Vines	38 000	120 000	-	5 000	(17 000)	148 000
	66 500	**240 000**	**(20 000)**	**10 000**	**(43 500)**	**256 500**

Non–financial information

Quantities of each biological asset

	2012	2011
Mares	4 950	3 000
Vines	25 000	15 000
	29 950	**18 000**

3. Investment property

Reconciliation of investment property - 2012

	Opening balance	Additions	Additions resulting from capitalised subsequent expenditure	Transfers	Fair value adjustments	Total
Investment property	150 000	20 000	5 000	(29 000)	29 000	175 000

Pledged as security

Carrying value of assets pledged as security by way of a mortgage bond (refer Note 20) is:

	2012	2011
Investment property	175 000	150 000

Details of property

Highveld Property

	2012	2011
- Purchase price: 1 December 2005	150 000	135 000
- Additions since purchase or valuation	20 000	-
- Fair value movements	29 000	15 000
- Capitalised expenditure	5 000	-
- Transfers	(29 000)	-
	175 000	**150 000**

3. Investment property (continued)

A register containing the information required by Regulation 25(3) of the Companies Regulations, 2011 is available for inspection at the registered office of the company.

Details of valuation

The effective date of the valuations was 28 February 2012. Valuations were performed by an independent valuer, Mr Botha a member of the SA Institute of Valuers, of Messrs Botha and Rudd. Botha and Rudd are not connected to the company and have recent experience in location and category of the investment property being valued.

The valuation was based on open market value for existing use.

For investment property, totalling R 15 000 (2011: R 15 000), where there was a lack of comparable market data, the valuation was based on discounted cash flows. The following assumptionsbased on current market conditions were used:
Discount rate : 8.5%
Growth rate : 7.9%

4. Property, plant and equipment

	2012			2011		
	Cost	**Accumulated depreciation**	**Carrying value**	**Cost**	**Accumulated depreciation**	**Carrying value**
Land	73 558	-	73 558	67 558	-	67 558
Buildings	70 000	-	70 000	50 000	-	50 000
Plant and machinery	2 721 741	(2 595 840)	125 901	2 721 741	(2 550 494)	171 247
Furniture and fixtures	90 140	(90 140)	-	90 140	(90 140)	-
Motor vehicles	256 865	(119 241)	137 624	338 264	(179 521)	158 743
Office equipment	120 000	(1 000)	119 000	-	-	-
IT equipment	158 291	(96 970)	61 321	190 050	(111 507)	78 543
Total	**3 490 595**	**(2 903 191)**	**587 404**	**3 457 753**	**(2 931 662)**	**526 091**

Reconciliation of property, plant and equipment - 2012

	Opening balance	**Additions**	**Disposals**	**Classified as held for sale**	**Transfers**	**Foreign exchange movements**	**Other movements**	**Depreciation**	**Total**
Land	67 558	6 000	-	-	-	-	-	-	73 558
Buildings	50 000	20 000	-	-	5 000	-	-	(5 000)	70 000
Plant and machinery	171 247	35 000	(63 248)	(20 000)	20 000	5 000	-	(22 098)	125 901
Motor vehicles	158 743	21 119	(22 000)	-	-	-	(2 238)	(18 000)	137 624
Office equipment	-	100 000	-	-	-	-	34 000	(15 000)	119 000
IT equipment	78 543	36 000	-	-	-	-	(41 000)	(12 222)	61 321
	526 091	**218 119**	**(85 248)**	**(20 000)**	**25 000**	**5 000**	**(9 238)**	**(72 320)**	**587 404**

Pledged as security

Carrying value of assets pledged as security (refer 20) is reflected below:

Land and buildings	143 558	117 558

Notes to the Financial Statements

Figures in Rand	2012	2011

4. Property, plant and equipment (continued)

Assets subject to finance lease (Net carrying amount)

Motor vehicles	137 624	158 755

Details of properties

Lowveld Property		
Terms and conditions		
- Purchase price: 1 December 2005	117 558	117 558
- Additions since purchase or valuation	26 000	-
	143 558	**117 558**

A register containing the information required by Regulation 25(3) of the Companies Regulations, 2011 is available for inspection at the registered office of the company.

Notes to the Financial Statements

Figures in Rand

5. Intangible assets

	2012			2011		
	Cost / Valuation	**Accumulated amortisation**	**Carrying value**	**Cost / Valuation**	**Accumulated amortisation**	**Carrying value**
Patents	65 000	(5 000)	60 000	20 000	-	20 000
Computer software	45 000	(10 000)	35 000	45 000	-	45 000
Other intangible assets	15 000	(3 500)	11 500	15 000	-	15 000
Total	**125 000**	**(18 500)**	**106 500**	**80 000**	**-**	**80 000**

Reconciliation of intangible assets - 2012

	Opening balance	**Additions**	**Disposals**	**Classified as held for sale**	**Transfers**	**Foreign exchange movements**	**Other changes, movements**	**Amortisation**	**Total**
Patents	20 000	50 000	(5 000)	(10 000)	15 000	(4 800)	(200)	(5 000)	60 000
Computer software	45 000	-	-	-	-	-	-	(10 000)	35 000
Other intangible assets	15 000	-	-	-	-	-	-	(3 500)	11 500
	80 000	**50 000**	**(5 000)**	**(10 000)**	**15 000**	**(4 800)**	**(200)**	**(18 500)**	**106 500**

6. Investment in joint ventures and associates

Name of company	% holding 2012	% holding 2011	Carrying amount 2012	Carrying amount 2011
Joint Venture	50,00 %	50,00 %	50 000	50 000
Associate (Pty) Ltd	25,00 %	25,00 %	25 000	25 000
			75 000	75 000
Impairment of investments in joint ventures			(3 000)	-
			72 000	75 000

All the entities, (with the exception of Associate (Pty) Ltd incorporated in the Republic of Qmaka), are incorporated in South Africa and share the year end of the company.

The carrying amounts of Joint ventures are shown gross of impairment losses.

Significant restrictions

Associate (Pty) Ltd is unable to declare any dividends or pay its loans to the company as it is incorporated in a country whose exchange controls prohibit any foreign currency transactions.

7. Loans to (from) joint ventures and associates

Joint ventures and associates

	2012	2011
Joint Venture The loan is unsecured, bears interest at 2% above the prime overdraft rate and is repayable in July 2015.	2 727 837	(615 578)
Associate (Pty) Ltd The loan is unsecured, interest free and repayable in annual instalments of R350 965 (2011: R13 954)	(5 402 778)	(355 732)
Associate (Pty) Ltd The loan is unsecured, interest free and has no fixed terms of repayment.	555 134	(270 037)
Joint Venture The loan is unsecured, interest free and has no fixed terms of repayment.	(192 000)	-
	(2 311 807)	(1 241 347)
Impairment of loans to joint ventures and associates	(45 000)	-
	(2 356 807)	**(1 241 347)**

	2012	2011
Non-current assets	2 682 837	-
Current assets	555 134	-
Non-current liabilities	(5 243 813)	(615 578)
Current liabilities	(350 965)	(625 769)
	(2 356 807)	**(1 241 347)**

Notes to the Financial Statements

Figures in Rand	2012	2011

8. Loans to (from) shareholders

Mr S Hareholder	594 000	550 000
The loan is unsecured, interest and has no fixed terms of repayment.		
Mrs S Hareholder	(442 079)	(402 404)
The loan is unsecured, bears interest at 1% above the prime overdraft rate and is repayble in May 2016.		
	151 921	147 596
Impairment of loans to shareholders	(22 000)	-
	129 921	**147 596**

Current assets	572 000	550 000
Non-current liabilities	(442 079)	(402 404)
	129 921	**147 596**

9. Other financial assets

At fair value		
Listed shares	12 000	10 000
Unit trusts	25 000	20 000
	37 000	**30 000**
Equity Instruments at cost		
Unlisted shares	28 000	15 000
	28 000	15 000
Impairment	(5 000)	-
	23 000	**15 000**
Total other financial assets	**60 000**	**45 000**

Non-current assets		
At fair value	25 000	20 000
Equity Instruments at cost	23 000	15 000
	48 000	**35 000**
Current assets		
At fair value	12 000	10 000
	60 000	**45 000**

Details of investments

Listed - at fair value		
One Limited 2% of Ordinary shares (long term investment)	12 000	10 000
12 000.3 units in S M E Ltd Growth Fund	25 000	20 000
Unlisted - at cost		
200 S Mall (Pty) Ltd shares - 10% of Ordinary shares	23 000	15 000
	60 000	**45 000**

Notes to the Financial Statements

Figures in Rand	2012	2011

10. Deferred tax

Deferred tax asset

Tax losses available for set off against future taxable income	372 245	-

Reconciliation of deferred tax asset (liability)

Reduction due to rate change	4 500	-
Increase (decrease) in tax losses available for set off against future taxable income	344 987	-
Originating temporary difference on tangible fixed assets	16 058	-
Originating temporary difference on investment property at fair value	6 700	-
	372 245	**-**

Use and sales rate

The deferred tax rate applied to the fair value adjustments of financial assets is determined by the expected manner of recovery. Where the expected recovery of the financial assets is through sale the capital gains tax rate of 14% (2011: 14%) is used. If the expected manner of recovery is through indefinite use the normal tax rate of 28% (2011: 28%) is applied.

If the manner of recovery is partly through use and partly through sale, a combination of capital gains rate and normal tax rate is used.

The deferred tax on the fair value adjustments on financial assets comprises of:
R 29 000 (2011: R -) at the capital gains tax rate
R 4 000 (2011: R -) at the normal tax rate.

11. Operating lease asset (accrual)

Non-current assets	360 000	-
Current assets	36 000	-
Non-current liabilities	(7 000)	-
Current liabilities	(25 029)	(21 859)
	363 971	**(21 859)**

The operating lease assets and liabilities arise as a result of the straight-lining of the operating rental income and expenses respectively.

12. Retirement benefits

Defined contribution plan

It is the policy of the company to provide retirement benefits to all its employees.

The company is under no obligation to cover any unfunded benefits.

The total group contribution to such schemes	45 000	38 000

Notes to the Financial Statements

Figures in Rand	2012	2011

13. Inventories

Raw materials, components	145 492	276 851
Work in progress	200 000	-
Finished goods	2 381 203	1 734 920
Agricultural produce	400 000	-
	3 126 695	2 011 771
Inventories (write-downs)	(50 000)	-
	3 076 695	**2 011 771**

Inventory pledged as security

Inventory pledged as security	200 000	200 000

Inventory was pledged as security for overdraft facilities of R 150 000 (2011: R 150 000) of the company. At year end the overdraft amounted to R 144 000 (2011: R 70 000).

14. Loans to directors, managers and employees

Loans to directors, managers and employees		
At beginning of the year	20 000	-
Advances	10 000	20 000
Repayments	(15 000)	-
	15 000	**20 000**

The loans to directors, managers and employees re unsecured, bear interest at 8% p.a, and are repayable over 2 years or in annual installments including interest and capital.

15. Construction contracts and receivables

Contracts in progress at the reporting period

Construction contracts and receivables	150 000	-

Advances received in excess of work completed are included in trade and other payables.

At 29 February 2012, contract debtors of R 450 000 (2011: R -) are due for settlement after more than 12 months.

Contract debtors were pledged as security for overdraft facilities of R 50 000 (2011: R -) of the company. At year end the overdraft amounted to R 150 000 (2011: R -).

16. Trade and other receivables

Trade receivables	2 341 673	3 787 037
Employee costs in advance	88 100	-
Prepayments	58 000	-
Deposits	17 190	17 190
VAT	137 878	-
Operating lease receivables (if immaterial)	20 000	-
Accrued income	35 000	-
Other receivables	7 466	591 838
	2 705 307	**4 396 065**

Trade and other receivables pledged as security

Trade and other receivables were pledged as security for overdraft facilities of R 500 000 (2011: R 450 000) of the company. At year end the overdraft amounted to R 317 244 (2011: R 399 750).

Figures in Rand	2012	2011

17. Cash and cash equivalents

Cash and cash equivalents consist of:

Cash on hand	700	700
Bank overdraft	(317 244)	(399 750)
	(316 544)	**(399 050)**
Current assets	700	700
Current liabilities	(317 244)	(399 750)
	(316 544)	**(399 050)**

Contract debtors were pledged as security for overdraft facilities of R 150 000 (2011: R -) of the company. At year end the overdraft amounted to R 317 244 (2011: R 399 050).

18. Discontinued operations or disposal groups or non-current assets held for sale

The company has decided to discontinue its manufacturing operations . The results from operations and the assets and liabilities of the disposal group are set out below.

The decision was made by the board to discontinue these operations due the lack of return on investment.

The non-current assets are to be sold piece-meal.

Profit and loss

Revenue	1 500 000	-
Expenses (incl cost of slaes)	(1 200 000)	-
Net profit before tax	300 000	-
Tax	(63 000)	-
Net profit after tax	237 000	-
Gain (loss) on measurement to fair value less cost to sell	(5 000)	-
Tax thereon	1 000	-
	233 000	**-**

Assets and liabilities

Assets of disposal groups		
Property, plant and equipment	25 000	-
Investment property	15 000	-
Inventories	400 000	-
Trade and other receivables	150 000	-
	590 000	**-**

Liabilities of disposal groups		
Other financial liabilities	15 000	-
Finance lease obligation	200 000	-
	215 000	**-**

Figures in Rand	2012	2011

19. Share capital

Authorised		
1 000 Ordinary shares	100 000	100 000
Reconciliation of number of shares issued:		
Reported as at 01 March 2011	100	100
Issue of shares – ordinary shares	9 000	-
Issue of shares to directors – ordinary shares	1 000	-
	10 100	**100**
Issued		
Ordinary	100	100
Share premium	10 000	-
Share issue costs written off against share premium	(100)	-
	10 000	**100**

Dividends of R 70 000 (R7 per share) (2011: R - (- per share)) were proposed before the financial statements were authorised for issue but have not been recognised as a distribution to shareholders during the period.

20. Other financial liabilities

At amortised cost		
Bank loan	1 639 000	1 643 000
Mortgage Bond over investment property and land and buildings in favour of B Ank Ltd. The bond bears interest at 1% above the prime overdraft rate and is repayble in annual instalments of R72 000 (2012 : R76 000). The loan was not in default nor re-negotiated during the period.		
Loans to directors, managers and employees	143 000	143 000
The loans to directors are unsecured, interest free and have no fixed terms of repayment.		
Other loans	134 000	134 000
The loan is unsecured, bears interest at the prime overdraft rate and is repayble in July 2020.		
	1 916 000	**1 920 000**
Non-current liabilities		
At amortised cost	1 701 000	1 701 000
Current liabilities		
At amortised cost	215 000	219 000
	1 916 000	**1 920 000**

Notes to the Financial Statements

Figures in Rand	2012	2011

21. Finance lease obligation

	2012	2011
Minimum lease payments due		
- within one year	45 607	57 501
- in second to fifth year inclusive	200 000	245 607
- later than five years	31 070	31 070
Present value of minimum lease payments	**276 677**	**334 178**

	2012	2011
Non-current liabilities	231 070	276 677
Current liabilities	45 607	57 501
	276 677	**334 178**

	2012	2011
The total future minimum sub-lease payment expected to be received under non-cancellable sub-leases	10 000	25 000

It is company policy to lease certain motor vehicles and equipment under finance leases.

The average lease term was 4-5 years and the average effective borrowing rate was 11% (2011: 10%).

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.

22. Deferred income

The company has received government funding to conduct training over the next three years.

	2012	2011
Non-current liabilities	185 000	-
Current liabilities	75 000	-
	260 000	**-**

The deferred income relates to government grants recognised in the financial statements and an indication of other forms of government assistance from which the entity has directly benefited. The income is deferred to the extent that unfulfilled conditions and other contingencies attaching to government assistance have not been met.

23. Provisions

Reconciliation of provisions - 2012

	Opening balance	**Additions**	**Utilised during the year**	**Reversed during the year**	**Total**
Legal proceedings	150 000	165 000	-	(150 000)	165 000
Onerous contract	38 000	-	(35 000)	-	3 000
Other provisions	188 000	202 000	-	(188 000)	202 000
	376 000	**367 000**	**(35 000)**	**(338 000)**	**370 000**

	2012	2011
Non-current liabilities	168 000	188 000
Current liabilities	202 000	188 000
	370 000	**376 000**

The company moved from its previous leased premises. The lease is non-cancellable and the lease continues for the next 2 years. The company cannot find a lessee to occupy the premises. The expected timing and uncertainties relating to the provisions is discussed in 40

Notes to the Financial Statements

Figures in Rand	2012	2011

24. Trade and other payables

Trade payables	1 978 776	2 127 720
VAT	-	146 378
Accrued leave pay	120 000	-
Accrued bonus	57 000	-
Accrued audit fees	45 000	-
Other accrued expenses	112 753	147 431
Deposits received	12 000	-
	2 325 529	**2 421 529**

25. Revenue

Sale of goods	19 303 608	18 587 988
Rendering of services	10 000	-
Construction contracts	150 000	-
Royalty income	25 000	-
Rental Income	396 000	-
Interest received (trading)	45 000	-
Dividends received (trading)	34 000	-
Government grants	2 808	-
	19 966 416	**18 587 988**

26. Cost of sales

Sale of goods		
Cost of goods sold	15 009 876	13 335 312
Write down of inventories to net realisable value	(75 000)	(32 000)
Reversal of write down of inventories to net realisable value	32 000	67 000
Distribution costs	1 059 589	975 508
	16 026 465	**14 345 820**
Rendering of services		
Cost of services	2 000	-
Construction contracts		
Construction costs	89 000	-
Costs that relate directly to the specific contract	16 771	-
Costs that are attributable to contract activity in general and can be allocated to the contract	4 314	-
Other costs specifically chargeable to the customer under the terms of the contract	9 915	-
	120 000	**-**
	16 148 465	**14 345 820**

27. Operating loss

Operating loss for the year is stated after accounting for the following:

Income from associates and joint ventures		
Dividends	24 000	-
Interest	35 000	-
Administration and management fees	2 000	2 000
Other	12 000	-
	73 000	**2 000**

Notes to the Financial Statements

Figures in Rand	2012	2011

27. Operating loss (continued)

Remuneration, other than to employees, for:		
Administrative services	1 432 000	1 312 000
Managerial services	87 000	76 000
Other	22 000	-
	1 541 000	**1 388 000**

Operating lease charges		
Premises		
• Lease expense	175 998	232 298
Equipment		
• Lease expense	25 735	24 144
	201 733	**256 442**

Profit on sale of property, plant and equipment	9 599	117 233
Profit on sale of investment property	22 000	-
Profit on sale of intangible assets	23 000	-
Profit on sale of joint ventures and associates	233 000	-
Loss on sale of other financial assets	(15 000)	-
Other impairments	3 000	-
Impairment on joint ventures and associates	45 000	-
Impairment on other financial assets	7 000	-
Write down of inventories	263 000	-
Amortisation on intangible assets	18 500	-
Depreciation on property, plant and equipment	90 561	111 981
Employee costs	2 612 481	2 700 277
Research and development	443 861	348 619
Foreign exchange (gains) and losses	299 333	(153 901)

28. Investment revenue

Dividend revenue		
Joint ventures - Local	24 000	-
Joint ventures - Local	23 000	-
Joint ventures - Foreign	7 000	-
Listed financial assets - Local	15 000	-
Listed financial assets - Foreign	4 000	-
Other financial asset - Local	2 000	-
	75 000	**-**

Interest revenue		
Joint ventures	35 000	-
Listed financial assets	1 000	-
Unlisted financial assets	1 500	-
Other financial asset	22 000	-
Loans	34 000	-
Bank	470 036	281 532
Interest charged on trade and other receivables	12 000	-
Loans to directors managers and employees	1 000	-
	576 536	**281 532**
	651 536	**281 532**

Figures in Rand	2012	2011

29. Fair value adjustments

Investment property (Fair value model)	29 000	-
Other financial assets	4 000	-
	33 000	**-**

30. Impairment of assets

Material impairment losses (recognised) reversed		
Property, plant and equipment	6 500	(3 000)
Investment in joint ventures	(45 000)	-
	(38 500)	**(3 000)**

[When an indicator of impairment is present, IFRS for SMEs requires that an impairment charge be recognised between the current carrying amount of an asset and the higher of its value in use and its fair value less cost to sell. The paragraphs below include the details of what will be taken into account in assessing the two models. The disclosure note provided in the financial statements should be drafted based on the model applied.

Value in use

Provide: A description of each key assumption on which management has based its cash flow projections for the period covered by the most recent budgets/forecasts. Key assumptions are those to which the unit's (group of units') recoverable amount is most sensitive.

A description of management's approach to determining the value(s) assigned to each key assumption, whether those value(s) reflect past experience or, if appropriate, are consistent with external sources of information, and, if not, how and why they differ from past experience or external sources of information.

The period over which management has projected cash flows based on financial budgets/forecasts approved by management and, when a period greater than five years is used for a cash-generating unit (group of units), an explanation of why that longer period is justified.

The growth rate used to extrapolate cash flow projections beyond the period covered by the most recent budgets/forecasts, and the justification for using any growth rate that exceeds the long-term average growth rate for the products, industries, or country or countries in which the entity operates, or for the market to which the unit (group of units) is dedicated.

The discount rate(s) applied to the cash flow projections was 10% (2011: 10%).

Fair value less cost to sell

Provide: A description of the methodology used to determine fair value less costs to sell. If fair value less costs to sell is not determined using an observable market price for the unit (group of units), the following information shall also be disclosed:

A description of each key assumption on which management has based its determination of fair value less costs to sell.

A description of management's approach to determining the value(s) assigned to each key assumption, whether those value(s) reflect past experience or, if appropriate, are consistent with external sources of information, and, if not, how and why they differ from past experience or external sources of information.

For the purposes of determining discounted cash flow projections, management have projected the cash flows over 15 years.

The growth rate used to extrapolate cash flow projections was 5%, and a discount rate of 5% was applied.]

Notes to the Financial Statements

Figures in Rand	2012	2011

31. Finance costs

Shareholders	146 082	18 340
Non-current borrowings	316 482	205 031
Loss on foreign currency borrowings	-	97 264
Trade and other payables	25 000	-
Finance leases	33 265	12 946
Bank	41 712	59 814
Current borrowings	244 789	-
Late payment of tax	31 256	-
	838 586	**393 395**

32. Taxation

Major components of the tax income

Current		
Local income tax - current period	244 000	-
Local income tax - recognised in current tax for prior periods	12 000	-
CGT	12 000	-
Foreign income tax or withholding tax - current period	7 000	-
Foreign income tax or withholding tax - recognised in current tax for prior periods	2 000	-
	277 000	**-**
Deferred		
Originating and reversing temporary differences	(12 000)	-
Changes in tax rates	500	-
Arising from previously unrecognised tax loss / tax credit / temporary difference	(4 579)	-
Benefit of unrecognised tax loss / tax credit / temporary difference used to reduce deferred tax expense	112 921	-
Derecognition of deferred tax asset that is no longer probable to be utilised	(12 400)	-
Change in valuation allowance	(35 000)	-
Other deferred tax	(417 109)	-
Arising from prior period adjustments	(4 578)	-
	(372 245)	**-**
	(95 245)	**-**

Figures in Rand	2012	2011

32. Taxation (continued)

Reconciliation of the tax expense

Reconciliation between accounting profit and tax expense.

	2012	2011
Accounting loss	(300 219)	(375 439)
Tax at the applicable tax rate of 28% (2011: 28%)	(84 061)	(105 123)
Tax effect of adjustments on taxable income		
Charitable donations income	15 000	25 000
Deferred tax effect income	16 700	3 000
Fines income	7 500	-
Other income	2 000	1 500
Tax losses carried forward	-	(371 000)
	(42 861)	**(446 623)**

'The income tax rate of 30% in 2011 was reduced to 28% in 2012.

	2012	2011
Deductible temporary differences, unused tax losses and unused tax credits for which no deferred tax asset has been recognised.	6 500	6 300
Temporary differences not recognised for investments in subsidiaries / branches / associates / joint ventures.	1 280 000	1 300 000

No provision has been made for 2012 tax as the company has no taxable income. The estimated tax loss available for set off against future taxable income is R 450 000 (2011: R 200 000).

33. Reviewers' remuneration

	2012	2011
Fees	98 000	50 000
Adjustment for previous year	(206)	(950)
Tax and secretarial services	15 000	-
Expenses	1 807	1 907
	114 601	**50 957**

34. Cash used in operations

	2012	2011
Loss before taxation	(300 219)	(375 439)
Adjustments for:		
Depreciation and amortisation	149 061	115 481
Profit on sale of assets	(272 599)	(117 233)
Dividends received	(75 000)	-
Interest received	(576 536)	(281 532)
Finance costs	838 586	393 395
Fair value adjustments	(33 000)	-
Impairment loss	338 000	-
Movements in operating lease assets and accruals	(385 830)	21 859
Movements in provisions	(6 000)	376 000
Changes in working capital:		
Inventories	(1 327 924)	109 657
Trade and other receivables	1 690 758	(4 121 745)
Construction contracts and receivables	(150 000)	-
Trade and other payables	(846 003)	812 004
Deferred income	260 000	-
	(696 706)	**(3 067 553)**

Notes to the Financial Statements

Figures in Rand	2012	2011

35. Tax paid

Balance at beginning of the year	328 571	(219 903)
Current tax for the year recognised in profit or loss	(277 000)	-
Balance at end of the year	(80 571)	(328 571)
	(29 000)	**(548 474)**

36. Cash flows of held for sale / discontinued operations

Trade and other payables	(200 000)	-
Provisions	(15 000)	-
Inventories	233 000	-
	18 000	**-**

37. Acquisition of businesses

Fair value of assets acquired		
Property, plant and equipment	-	75 000
Consideration paid		
Cash	-	(75 000)
Net cash outflow on acquisition		
Cash consideration paid	-	(75 000)

38. Sale of businesses

The company disposed of its tile manufacturing division as it was no longer profitable due to the increased competition in the market.

Carrying value of assets sold		
Property, plant and equipment	25 000	-
Investment property	15 000	-
Inventories	400 000	-
Trade and other receivables	150 000	-
Trade and other payables	(765 000)	-
Finance lease obligation	(200 000)	-
	(375 000)	**-**
Consideration received		
Cash	375 000	-
Net cash outflow on acquisition		
Cash consideration received	375 000	-

Notes to the Financial Statements

Figures in Rand	2012	2011

39. Commitments

Authorised capital expenditure

Already contracted for but not provided for		
• Property, plant and equipment	1 500 000	-
Not yet contracted for and authorised by director	100 000	55 000

This committed expenditure relates to propertybeing purchased to expand the manufacturing division and will be financed by available bank facilities and existing cash resources.

Operating leases – as lessee (expense)

Minimum lease payments due		
- within one year	60 000	60 000
- in second to fifth year inclusive	180 000	180 000
- later than five years	-	60 000
	240 000	**300 000**

The total future minimum sublease payment expected to be received under non-cancellable sublease	36 000	72 000

Operating lease payments represent rentals payable by the company for certain of its office properties. Leases are negotiated for an average term of seven years and rentals are fixed for an average of three years. No contingent rent is payable.

Operating leases – as lessor (income)

Minimum lease payments due		
- within one year	12 000	12 000
- in second to fifth year inclusive	36 000	36 000
- later than five years	-	12 000
	48 000	**60 000**

Dividends proposed, but not authorised for distribution	75 000	86 000

Notes to the Financial Statements

Figures in Rand	2012	2011

40. Contingencies

Litigation is in the process against the company relating to a dispute with a competitor who alleges that the company has infringed patents and is seeking damages of R 1 200 000. The company's lawyers and management consider the likelihood of the action against the company being successful, in excess of a claim of R165 000 which has been recognised as a provision, as unlikely, and the case should be resolved within the next two years.

Should the action be successful the company does have insurance cover to cover litigation costs and claims. The total cover extended by the current policy amounts to R 385 000.

The company has offered termination benefits to all of its employees to encourage early retirement. The company has finalised and agreed, with the trade unions, the terms and conditions of the plan. The plan has been implements and will continue for the next nine months. Management are uncertain about the number of employees who will accept the offer. If all employees take the offer the potential financial effect would approximately be R 1 200 000, however based on managements' expectations, only 10% of the employees will take the retrenchment package which amounts to R202 000 which has been recognised as a provision..

There is no reimbursement from any third parties for potential obligations of the company.

The company is severally liable for the liabilities of its associate. The associate is profitable and in currently able to meet all of it present obligations.

Unfulfilled conditions and other contingencies attaching to government grants related to agricultural activity.

41. First-time adoption of the International Financial Reporting Standards for Small and Medium-sized Entities.

The company has applied the International Financial Reporting Standard for Small and Medium-sized Entities, for the first time for the 2012 year end. On principle this standard has been applied retrospectively and the 2011 comparatives contained in these financial statements differ from those published in the financial statements published for the year ended 28 February 2011. The standard gives certain mandatory exemptions from this principle, and certain optional exemptions which have been detailed below. All adjustments were made to the opening comparative statement of financial position.

The date of transition was 01 March 2010 and the effect of the transition was as follows.

Reconciliation of equity at 01 March 2010 (Date of transition to the new standard)

	Note	As reported under previous GAAP	Effects of transition to IFRS for SME	IFRS for SME
Property, plant and equipment		450 091	76 000	526 091
Biological assets		125 000	(55 000)	70 000
Total non-current assets		**575 091**	**21 000**	**596 091**
Total assets less total liabilities		**575 091**	**21 000**	**596 091**
Retained earnings		(1 105 032)	(21 000)	(1 126 032)

Notes

The effect of the change from Sky GAAP to IFRS for SMEs resulted in the following changes:

Biological asstes are now measured on the cost basis where in terms of the previous GAAP the fair value model was applied.

Property, plant and equipment was measured by applying the cost model retrospectively and the increase in carrying amount results from consideration of residual values previously not taken into account.

Notes to the Financial Statements

Figures in Rand	2012	2011

41. First-time adoption of the International Financial Reporting Standards for Small and Medium-sized Entities. (continued)

Reconciliation of profit or loss for 2011

	Note	As reported under previous GAAP	Effects of transition to IFRS for SME	IFRS for SME
Depreciation of property plant and equipment		81 670	(9 350)	72 320
Fair value movement on biological assets		(12 000)	12 000	-
Depreciation on biological assets		-	3 500	3 500
Net profit before tax		69 670	6 150	75 820
Taxation		(20 901)	(1 845)	(22 746)
Net profit		**48 769**	**4 305**	**53 074**

42. Related parties

Relationships

Joint ventures	Refer to note 6
Associates	Refer to note 6
Close family member of key management	Ms D. Aughter

Related party balances and transactions with entities with control, joint control or significant influence over the company

Related party balances

he terms and conditions of related party loans including the balances are included in notes 7 and 8. The loans to Joint Venture and Mrs S Hareholder were made on terms equivalent to arm's length transaction.

	2012	2011
Amounts included in Trade receivable (Trade Payable) regarding related parties		
Joint Venture	10 000	14 995
Associate (Pty) Ltd	(13 000)	(27 003)
Related party transactions		
Interest paid to (received from) related parties		
Mr S Holder	146 082	18 340
Rent paid to (received from) related parties		
Associate (Pty) Ltd	(36 000)	(33 000)
Compensation to director and other key management		
Short-term employee benefits	1 062 063	1 289 677

Notes to the Financial Statements

Figures in Rand

43. Director's and prescribed officer's remuneration

Executive

2012

	Emoluments	Other benefits*	Pension paid or receivable	Compensation for loss of office	Gains on exercise of options	Director's fees	Committees fees	Director's fees for services as director's of subsidiaries	Total
Mr D Irector	900 000	200 000	(70 000)	35 000	30 000	7 500	4 000	23 451	1 129 951

Non-executive

2012

	Director's fees	Committees fees	Director's fees for services as director's of subsidiaries	Other fees (Consultancy fees to subsidiary)	Total
Mrs D Irector	450 000	4 000	14 000	230 000	698 000

Prescribed officers

2012

	Emoluments	Other benefits*	Pension paid or receivable	Compensation for loss of office	Gains on exercise of options	Fees for services as director's of subsidiaries	Total
G M Anager	750 000	72 000	(76 000)	230 000	12 000	2 000	990 000

Notes to the Financial Statements

Figures in Rand	2012	2011

44. Going concern

The financial statements have been prepared on the basis of accounting policies applicable to a going concern. This basis presumes that funds will be available to finance future operations and that the realisation of assets and settlement of liabilities, contingent obligations and commitments will occur in the ordinary course of business.

45. Events after the reporting period

The financial statements were authorised for issue on 31 May 2011 by the board of directors of the company.

The warehouse of the company was destroyed on 18 July 2012 in a fire. The replacement cost is expected to be R 1 million. A claim will be registered with the insurance company.