

Powertech 



**integration** excellence



**SUMMARISED AUDITED CONSOLIDATED FINANCIAL STATEMENTS**

for the year ended 28 February 2010



ALLIED ELECTRONICS CORPORATION LIMITED  
(Incorporated in the Republic of South Africa)  
(Registration number 1947/024583/06)  
Share code: ATN ISIN: ZAE000029658  
Share code: ATNP ISIN: ZAE000029666

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[www.altron.com](http://www.altron.com)

## Summarised consolidated statement of comprehensive income

R millions	% change	2010 (Audited)	2009 (Audited)
<b>Revenue</b>	(10)	<b>22 336</b>	24 768
<b>Operating profit before capital items</b>	(18)	<b>1 477</b>	1 799
Capital items (Note 1)		<b>(105)</b>	(21)
<b>Result from operating activities</b>		<b>1 372</b>	1 778
Finance income		<b>87</b>	184
Finance expense		<b>(163)</b>	(292)
Share of profit from associates		<b>2</b>	3
<b>Profit before taxation</b>		<b>1 298</b>	1 673
Taxation		<b>(457)</b>	(524)
<b>Profit for the year</b>	(27)	<b>841</b>	1 149
<b>Other comprehensive income</b>			
Foreign currency translation differences for foreign operations		<b>(432)</b>	38
Fair value adjustment of joint venture on step acquisition		<b>-</b>	54
Effective portion of changes in fair value of cash flow hedges		<b>10</b>	(21)
Release of foreign currency translation surplus on disposal		<b>(3)</b>	-
Fair value adjustment on available-for-sale investments		<b>(2)</b>	(21)
Income tax on other comprehensive income		<b>(2)</b>	9
<b>Other comprehensive income for the year, net of income tax</b>		<b>(429)</b>	59
<b>Total comprehensive income for the year</b>		<b>412</b>	1 208
<b>Profit attributable to:</b>			
Minority interest		<b>298</b>	314
Altron equity holders		<b>543</b>	835
<b>Profit for the year</b>		<b>841</b>	1 149
<b>Total comprehensive income attributable to:</b>			
Minority interest		<b>137</b>	318
Altron equity holders		<b>275</b>	890
<b>Total comprehensive income for the year</b>		<b>412</b>	1 208
<b>Basic earnings per share (cents)</b>	(35)	<b>172</b>	266
<b>Diluted basic earnings per share (cents)</b>	(32)	<b>169</b>	248
<b>Dividends per share paid (cents)</b>		<b>119</b>	156
<b>Dividends per share declared (cents)</b>		<b>90</b>	119
<b>Headline earnings per share (cents)</b>	(28)	<b>198</b>	275
<b>Diluted headline earnings per share (cents)</b>	(24)	<b>196</b>	257

## Notes

### Basis of preparation

The summarised consolidated financial statements have been prepared in accordance with the recognition and measurement criteria of International Financial Reporting Standards (IFRS), its interpretations adopted by the International Accounting Standards Board (IASB), the presentation and disclosure requirements of IAS 34, Interim Financial Reporting and in compliance with the Listings Requirements of the JSE Limited and the requirements of the South African Companies Act.

The accounting policies followed are consistent with those used in the prior year.

### Report of the independent auditors

The unmodified audit reports of KPMG Inc., the independent auditors, on the annual financial statements and the summarised financial statements contained herein for the year ended 28 February 2010, dated 3 May 2010, are available for inspection at the registered office of the company.

R millions	% change	2010 (Audited)	2009 (Audited)
<b>Headline earnings per share (cents)</b>	(28)	<b>198</b>	275
<b>Diluted headline earnings per share (cents)</b>	(24)	<b>196</b>	257
<b>Adjusted headline earnings per share (cents)</b>	(25)	<b>220</b>	295
<b>Adjusted diluted headline earnings per share (cents)</b>	(22)	<b>217</b>	277

R millions	2010 (Audited)	2009 (Audited)
<b>1. Capital items</b>		
Net gain on disposal of property, plant and equipment	12	23
Gain on disposal of intangibles	23	–
Impairment of property, plant and equipment	–	(12)
Impairment of goodwill	(75)	(90)
Impairment of intangibles	(66)	–
Net (loss)/gain on disposal of businesses and investments	(2)	58
Foreign currency translation reserve released on disposal	3	–
	<b>(105)</b>	<b>(21)</b>
<b>2. Reconciliation between attributable earnings and headline earnings</b>		
Attributable to Altron equity holders	543	835
Capital items – gross	105	21
Tax effect of capital items	(18)	8
Minority interest in capital items	(5)	(3)
Headline earnings	<b>625</b>	<b>861</b>
<b>3. Reconciliation between attributable earnings and diluted earnings</b>		
Attributable to Altron equity holders	543	835
Dilutive earnings attributable to BBBEE minorities in subsidiaries	(5)	(44)
Dilutive earnings attributable to dilutive options at subsidiary level	(8)	(17)
Minority interest in adjustments	3	8
Diluted earnings	<b>533</b>	<b>782</b>
<b>4. Reconciliation between headline earnings and diluted headline earnings</b>		
Headline earnings	625	861
Dilutive earnings attributable to BBBEE minorities in subsidiaries	(3)	(41)
Dilutive earnings attributable to dilutive options at subsidiary level	(8)	(17)
Minority interest in adjustments	3	8
Diluted headline earnings	<b>617</b>	<b>811</b>
<b>5. Reconciliation between headline earnings and adjusted headline earnings</b>		
Adjusted headline earnings have been presented to demonstrate the impact of accounting charges on the headline earnings of the group. Headline earnings are reconciled to adjusted headline earnings as follows:		
Headline earnings	625	861
Amortisation of intangibles arising on business combinations	111	104
Tax effect of adjustments	(26)	(29)
Minority interest in adjustments	(17)	(12)
	<b>693</b>	<b>924</b>
<b>6. Reconciliation between diluted headline earnings and adjusted diluted headline earnings</b>		
Diluted headline earnings	617	811
Amortisation of intangibles arising on business combinations	111	104
Tax effect of adjustments	(26)	(29)
Minority interest in adjustments	(17)	(12)
	<b>685</b>	<b>874</b>

Fully diluted earnings, diluted headline earnings and adjusted diluted headline earnings have been calculated in accordance with IAS 33 – Earnings per share on the basis that:

- The recognition of the deferred sale of a 30% interest in Aberdare Cables to the Izingwe Consortium based on the assumption that the outstanding purchase price will be settled in cash for R82 million (comprising the empowerment funding obligation net of excess cash deposits of R19 million), adjusted for the dilutive effect of the option price at the Aberdare level and after taking into account the 10% investment in the Izingwe Consortium by Power Technologies (Pty) Limited.
- The earnings effect of dilutive options at Allied Technologies Limited level.

## 7. Acquisitions of subsidiaries

During the year the Altech group acquired a number of operations, namely 1 March 2009 – Fleetcall – the largest trunk two-way radio operator in South Africa, 1 March 2009 – Lateral Technology Concepts – an established internet technology services business and corporate internet service provider, 1 June 2009 – 50% of NuPay – a transaction service provider and switching company and 100% of the Altech Netstar franchisees in Nelspruit and Polokwane for an aggregate consideration of R192 million, of which R54 million is deferred.

The acquired businesses contributed revenue of R167 million and net profit after tax of R26 million to the group for the period ended 28 February 2010.

If the acquisitions had occurred on 1 March 2009, group revenue and net profit after tax before allocations would have increased by a further R25 million and R2 million respectively. These amounts have been calculated using the group's accounting policies and where purchase price allocations have been completed, by adjusting the results of the subsidiaries to reflect amortisation on the fair value adjustments to intangible assets from 1 March 2009, together with the consequential tax effects.

	Recognised values	Fair value adjustments	Carrying amount
Non-current assets	37	62	99
Current assets	27	–	27
Non-current liabilities	(11)	(10)	(21)
Current liabilities	(21)	–	(21)
<b>Net identifiable assets and liabilities</b>	<b>32</b>	<b>52</b>	<b>84</b>
Attributable to minorities	–	–	(1)
<b>Net attributable assets and liabilities</b>	<b>32</b>	<b>52</b>	<b>83</b>
Goodwill arising on acquisition			109
<b>Total consideration</b>			<b>192</b>

## 8. Disposal of NamiTech South Africa, a division of Altech Information Technologies (Proprietary) Limited

On 1 April 2009 the Altech group disposed of the net assets of its NamiTech South Africa division for R82,2 million to Gemalto.

The net assets were shown as held for sale at 28 February 2009.

## 9. Post balance sheet events

The Altech group has signed agreements to sell 25% plus 1 share of its' interest in the Altech Netstar group to Thebe Investment Corporation (Proprietary) Limited and Identity Capital Partners (Proprietary) Limited, effective 1 March 2010.

## Summarised balance sheet

R millions	2010 (Audited)	2009 (Audited)
<b>Assets</b>		
<b>Non-current assets</b>	<b>5 839</b>	5 239
Property, plant and equipment	2 436	2 221
Intangible assets including goodwill	2 754	2 437
Associates	10	11
Other investments	265	267
Rental finance advances	44	73
Loans receivable	130	–
Deferred taxation	200	230
<b>Current assets</b>	<b>6 688</b>	8 342
Inventories	1 998	2 364
Trade and other receivables	3 435	3 763
Assets classified as held-for-sale	–	107
Cash and cash equivalents	1 255	2 108
<b>Total assets</b>	<b>12 527</b>	13 581
<b>Equity and liabilities</b>		
<b>Total equity</b>	<b>6 355</b>	6 300
<b>Non-current liabilities</b>	<b>994</b>	1 346
Loans	600	1 056
Empowerment funding obligation	89	101
Provisions	34	25
Deferred income	96	–
Deferred taxation	175	164
<b>Current liabilities</b>	<b>5 178</b>	5 935
Loans	937	404
Empowerment funding obligation	12	11
Bank overdraft	81	928
Trade and other payables	3 808	4 138
Provisions	166	160
Liabilities classified as held-for-sale	–	28
Taxation payable	174	266
<b>Total equity and liabilities</b>	<b>12 527</b>	13 581
<b>Net asset value per share (cents)</b>	<b>1 504</b>	1 550

## Summarised consolidated statement of cash flows

R millions	2010 (Audited)	2009 (Audited)
<b>Cash flows from operating activities</b>	<b>1 290</b>	646
Cash generated by operations	2 033	2 278
Net finance expense	(67)	(89)
Changes in working capital	384	(232)
Taxation paid	(522)	(666)
<b>Cash available from operating activities</b>	<b>1 828</b>	1 291
Dividends paid, including to minority shareholders	(538)	(645)
<b>Cash flows applied in investing activities</b>	<b>(1 239)</b>	(1 904)
<b>Cash flows from financing activities</b>	<b>(18)</b>	345
<b>Net increase/(decrease) in cash and cash equivalents</b>	<b>33</b>	(913)
<b>Net cash and cash equivalents at the beginning of year</b>	<b>1 180</b>	2 083
<b>Effect of exchange rate fluctuations on cash held</b>	<b>(39)</b>	10
<b>Net cash and cash equivalents at the end of year</b>	<b>1 174</b>	1 180

## Operational contribution

R millions	% Change	2010 (Audited)	%	2009 (Audited)	%		
<b>Revenue</b>							
Altech	–	9 200	41	9 164	37		
Bytes	(1)	5 952	27	6 038	24		
Powertech	(25)	7 233	32	9 593	39		
Corporate, financial services and eliminations		(49)	–	(27)	–		
	(10)	22 336	100	24 768	100		
<b>Operating profit*</b>							
Altech	7	932	64	874	49		
Bytes	(19)	285	19	351	19		
Powertech	(55)	255	17	570	32		
Corporate, financial services and eliminations		5	–	4	–		
	(18)	1 477	100	1 799	100		
<b>Attributable headline earnings:</b>							
	<b>% held at 28 February 2010</b>	<b>% held at 28 February 2009</b>					
Altech	61,5	62,0	342	55	342	40	
Bytes	100,0	100,0	157	25	207	24	
Powertech	100,0	100,0	97	16	266	31	
Corporate, financial services and eliminations	100,0	100,0	29	4	46	5	
			(27)	625	100	861	100

\* Operating profit is stated before capital items and after amortisation of intangibles arising on business combinations.

## Summarised statement of changes in equity

R millions	Attributable to Altron equity holders						
	Share capital and premium	Treasury shares	Reserves	Retained earnings	Total	Minority interest	Total equity
<b>Balance at 29 February 2008 (audited)</b>	2 210	(299)	(1 076)	3 634	<b>4 469</b>	877	<b>5 346</b>
<b>Total comprehensive income for the year</b>							
Profit for the year	–	–	–	835	<b>835</b>	314	<b>1 149</b>
<b>Other comprehensive income</b>							
Foreign currency translation differences for foreign operations	–	–	33	–	<b>33</b>	5	<b>38</b>
Effective portion of changes in fair value of cash flow hedges	–	–	(14)	–	<b>(14)</b>	(1)	<b>(15)</b>
Fair value adjustment of joint venture on step acquisition	–	–	54	–	<b>54</b>	–	<b>54</b>
Statutory reserves of foreign subsidiaries	–	–	59	(59)	–	–	–
Fair value adjustment on available-for-sale investments	–	–	(18)	–	<b>(18)</b>	–	<b>(18)</b>
Total other comprehensive income	–	–	114	(59)	<b>55</b>	4	<b>59</b>
Total comprehensive income for the year	–	–	114	776	<b>890</b>	318	<b>1 208</b>
<b>Transactions with owners, recorded directly in equity</b>							
<b>Contributions by and distributions to owners</b>							
Dividends to equity holders	–	–	–	(490)	<b>(490)</b>	(155)	<b>(645)</b>
Issue of share capital	18	–	–	–	<b>18</b>	1	<b>19</b>
Share-based payment transactions	–	–	14	–	<b>14</b>	3	<b>17</b>
Total contributions by and distributions to owners	18	–	14	(490)	<b>(458)</b>	(151)	<b>(609)</b>
<b>Changes in ownership interests in subsidiaries</b>							
Net subscription for 22% minority interest in Bytes SA	–	–	(16)	–	<b>(16)</b>	168	<b>152</b>
Subscription by minority shareholders on acquisition of subsidiary	–	–	–	–	–	79	<b>79</b>
Minority interest on acquisition of subsidiaries	–	–	–	–	–	142	<b>142</b>
Change in shareholding of subsidiaries	–	–	(12)	–	<b>(12)</b>	(6)	<b>(18)</b>
Total changes in ownership interests in subsidiaries	–	–	(28)	–	<b>(28)</b>	383	<b>355</b>
Total transactions with owners	18	–	(14)	(490)	<b>(486)</b>	232	<b>(254)</b>
<b>Balance at 28 February 2009 (audited)</b>	<b>2 228</b>	<b>(299)</b>	<b>(976)</b>	<b>3 920</b>	<b>4 873</b>	<b>1 427</b>	<b>6 300</b>

R millions

Attributable to Altron equity holders

	Share capital and premium	Treasury shares	Reserves	Retained earnings	Total	Minority interest	Total equity
<b>Balance at 28 February 2009 (audited)</b>	<b>2 228</b>	<b>(299)</b>	<b>(976)</b>	<b>3 920</b>	<b>4 873</b>	<b>1 427</b>	<b>6 300</b>
<b>Total comprehensive income for the year</b>							
Profit for the year	–	–	–	543	543	298	841
<b>Other comprehensive income</b>							
Foreign currency translation differences for foreign operations	–	–	(271)	–	(271)	(161)	(432)
Effective portion of changes in fair value of cash flow hedges	–	–	8	–	8	–	8
Release of foreign currency translation surplus on disposal	–	–	(3)	–	(3)	–	(3)
Statutory reserves of foreign subsidiaries	–	–	24	(24)	–	–	–
Fair value adjustment on available-for-sale investments	–	–	(2)	–	(2)	–	(2)
Total other comprehensive income	–	–	(244)	(24)	(268)	(161)	(429)
Total comprehensive income for the year	–	–	(244)	519	275	137	412
<b>Transactions with owners, recorded directly in equity</b>							
<b>Contributions by and distributions to owners</b>							
Issue of share capital	8	–	12	–	20	26	46
Dividends to equity holders	–	–	–	(372)	(372)	(166)	(538)
Share-based payment transactions	–	–	20	–	20	3	23
Total contributions by and distributions to owners	8	–	32	(372)	(332)	(137)	(469)
<b>Changes in ownership interests in subsidiaries</b>							
Change in ownership following subscription for additional share capital and dilutions	–	–	(67)	–	(67)	185	118
Acquisition of minority interests	–	–	(4)	–	(4)	(2)	(6)
Minority interest disposed	–	–	–	–	–	(1)	(1)
Minority interest on acquisition of subsidiaries	–	–	–	–	–	1	1
Total changes in ownership interests in subsidiaries	–	–	(71)	–	(71)	183	112
Total transactions with owners	8	–	(39)	(372)	(403)	46	(357)
<b>Balance at 28 February 2010 (audited)</b>	<b>2 236</b>	<b>(299)</b>	<b>(1 259)</b>	<b>4 067</b>	<b>4 745</b>	<b>1 610</b>	<b>6 355</b>

## Supplementary information

R millions	2010 (Audited)	2009 (Audited)
<b>Borrowings</b>	<b>1 638</b>	1 572
– interest bearing	1 174	1 434
– non-interest bearing	363	26
– BBBEE funding obligation	101	112
<b>Depreciation</b>	<b>346</b>	298
<b>Amortisation</b>	<b>164</b>	140
<b>Net foreign exchange losses/(gains)</b>	<b>91</b>	(53)
<b>Capital expenditure</b>	<b>1 106</b>	1 008
<b>Capital commitments</b>	<b>330</b>	515
<b>Lease commitments</b>	<b>783</b>	609
Payable within the next 12 months:	190	171
– property	131	123
– plant, equipment and vehicles	59	48
Payable thereafter:	593	438
– property	511	380
– plant, equipment and vehicles	82	58
<b>Unlisted investments (including associates)</b>		
– Carrying amount	275	278
– Directors' valuation	276	279
<b>Weighted average number of shares (millions)</b>	<b>315</b>	314
– Ordinary shares	102	102
– Participating preference shares	213	212
<b>Diluted average number of shares (millions)</b>	<b>316</b>	316
<b>Shares in issue at end of year (millions)</b>	<b>315</b>	314
– ordinary shares	102	102
– participating preference shares	213	212
EBITA (Rm)	1 641	1 939
EBITDA (Rm)	1 987	2 237
<b>Ratios</b>		
EBITDA margin %	8,9	9,0
ROCE %	18,5	22,9
ROE %	13,0	18,3
ROA %	13,8	16,6
RONA %	18,3	23,0
Borrowings ratio %	25,8	25,0
Current ratio	1,3:1	1,4:1
Acid test ratio	0,9:1	1:1

## Segment analysis

The segment information has been prepared in accordance with IFRS 8 – Operating Segments (IFRS 8) which defines the requirements for the disclosure of financial information of an entity's operating segments.

IFRS 8 replaces IAS14 – Segment Reporting. The standard requires segmentation based on the group's internal organisation and reporting of revenue and operating profit based upon internal accounting presentation.

The segment revenues and operating profit generated by each of the Group's reportable segments are summarised as follows:

R millions	Revenue			Operating profit		
	2010	2009	Growth Cur/Pyr	2010	2009	Growth Cur/Pyr
Powertech Cables Group	<b>3 546</b>	5 692	(38)	<b>54</b>	290	(81)
Powertech Transformers Group	<b>1 779</b>	1 736	2	<b>131</b>	166	(21)
Other Powertech Segments	<b>1 908</b>	2 165	(12)	<b>114</b>	162	(30)
<b>Powertech Group</b>	<b>7 233</b>	9 593	(25)	<b>299</b>	618	(52)
Bytes Technology Group						
UK Software	<b>1 645</b>	1 780	(8)	<b>46</b>	55	(17)
Bytes Document Solutions Group	<b>2 065</b>	2 160	(4)	<b>155</b>	197	(21)
Other Bytes Segments	<b>2 242</b>	2 098	7	<b>110</b>	129	(15)
<b>Bytes Group</b>	<b>5 952</b>	6 038	(1)	<b>311</b>	381	(18)
Altech Autopage Cellular	<b>5 597</b>	5 264	6	<b>296</b>	296	–
Altech UEC Group	<b>1 079</b>	1 324	(19)	<b>5</b>	33	(85)
Altech Netstar	<b>880</b>	829	6	<b>269</b>	251	7
Kenya Networks Data	<b>401</b>	334	20	<b>158</b>	158	–
Other Altech Segments	<b>1 243</b>	1 413	(12)	<b>245</b>	162	51
<b>Altech Group</b>	<b>9 200</b>	9 164	–	<b>973</b>	900	8
Corporate and financial services	<b>36</b>	21		<b>5</b>	4	
Inter segment revenue	<b>(85)</b>	(48)				
Altron Group	<b>22 336</b>	24 768	(10)	<b>1 588</b>	1 903	(17)
	<b>12 months to 28 February 2010</b>	12 months to 28 February 2009				
Segment operating profit can be reconciled to group operating profit before capital items as follows:						
<b>Segment operating profit</b>	<b>1 588</b>	1 903				
Reconciling items:						
Amortisation of intangibles raised on acquisitions	<b>(111)</b>	(104)				
<b>Group operating profit before capital items</b>	<b>1 477</b>	1 799				

## Message to shareholders

The Altron financial results for the year ended 28 February 2010 closely reflect the board's expected financial performance as outlined in its trading statement issued in February this year.

In reviewing the performance of the past year, the benefits of a diversified portfolio of operations were realised with the strength of the Altech annuity businesses partially shielding the group's results from the challenges faced by Powertech, and to a lesser extent, Bytes. As previously indicated, the year under review required stringent focus by management on cost controls, scaling our businesses appropriately for the new environment, managing working capital and extracting value from recent acquisitions. We are pleased to be able to report that significant progress has been made on each of these elements and while this will remain important, our primary focus will now shift towards growth opportunities.

Overall, our group results reflect a pleasing performance by Altech, maintaining its revenue and enhancing its profitability. Bytes also managed to achieve revenue at prior year levels, but experienced margin pressure with some operational issues reducing its profitability. Powertech continued to face challenging market conditions and weak demand. The combination of these broad drivers resulted in Altron's revenue declining by 10% from R24.8 billion to R22.3 billion and EBITDA reducing by 11% from R2.2 billion to R2.0 billion. After taking into account the additional depreciation charges on recent capital expenditure, a net interest paid position and dilution from our BBBEE minorities, Altron reported a 22% reduction in adjusted diluted headline earnings per share. The adjustment to earnings excludes the effect of the amortisation of intangibles arising from recent acquisitions, since management considers this to be the measure most representative of the group's operational performance. The group broadly maintained its dividend cover at 2.5 times based on adjusted headline earnings per share, declaring a dividend of 90 cents per share.

### Business environment

The much speculated economic recovery, which only really started to materialise in the fourth quarter of 2009 has been slow with fairly muted growth driven by commodity price increases and has been restricted to certain sectors of the economy. The signs of 'green shoots' at the half year were premature as the second half proved to be just as challenging as the first half. However, in the first couple of months of 2010 we have seen some positive signs of growth which appear to be more sustainable. The strengthening of the rand and its ability to hold these gains has had a pronounced negative effect on the group in terms of the competitiveness of our exports and foreign imports in the local market.

The impact of the interest rate cycle, which has had a longer than usual lag effect, is reflected in subdued property prices, a significantly lower level of residential and commercial building plans being passed and reduced consumer demand.

The recent increase in the copper price provided some assistance to an otherwise depressed market and despite a marked slowdown in orders in the power infrastructure businesses, the market is expected to remain robust over the medium term. The significant reduction in demand from the mining industry also continued to affect our power cables and industrial battery businesses while increased import competition in certain key areas of the market further challenged market conditions.

Focus on the development of broadband technologies and the adoption thereof by consumers, will open up new opportunities for the group. The continued expansion in the mobile arena, particularly in Africa, provides growth opportunities for Altech as well as Powertech's mobile infrastructure focused companies.

The information technology market continues to operate in an environment where there is strong competition and pressure on margins. During the review period several large corporate customers delayed IT projects, but this practice is unsustainable in the long term and we are starting to see companies re-initiate these projects.

### Financial overview

The Altron group's results for the year ended 28 February 2010 reflect a decrease in revenue of 10% from R24.8 billion to R22.3 billion. EBITDA declined by 11% from R2.2 billion to R2.0 billion with the EBITDA margin declining from 9.0% in the prior year to 8.9%. The three principal subsidiaries within the Altron group reflected divergent trading performances dependent on their sectoral exposure and level of recurring income. Altech continued its positive performance in a tough environment, maintaining revenue at prior year levels. Pleasingly, EBITDA grew by 9.4% and the EBITDA margin improved to 12.7% from 11.6%. This was achieved as a result of the increased contribution from the data infrastructure businesses and the strong contribution from recent acquisitions. Bytes saw a marginal decrease in revenue of 1% on the prior year, but EBITDA fell 8% on declining margins in a tough trading environment and as a result of non-recurring charges in our Retail ATM business. Powertech endured a difficult period with revenue down 25% and EBITDA down 43% while EBITDA margins reduced from 7.7% to 5.9%. The weakness has largely been in the energy cables business, where volumes have remained subdued and there has been considerable pricing pressure in some of its key products.

The group's investment in working capital decreased by R384 million, as a result of good working capital management and lower activity levels. Overall net working capital days improved from 21 days to 18 days. The group's cash position improved in the second half to R1.2 billion, broadly in line with prior year levels despite the R1.2 billion invested into the future growth of the group through acquisitions and capital expenditure. Group balance sheet ratios declined somewhat as a result of lower profitability, with return on equity at 13% and return on capital employed at 18.5%.

### Subsidiary review

**Altech** delivered pleasing results for the financial year ended 28 February 2010, with adjusted headline earnings per share growing by 2% to 605 cents per share. Revenue at R9.2 billion was consistent with the prior year level. EBITDA improved by 9.4% to R1 165 million from R1 065 million with an improved EBITDA margin of 12.7%. The return on shareholders' equity remained strong at 26.1%. A dividend of 339 cents per share was declared, representing an increase of 5%.

Altech Autopage Cellular saw revenue increase by 6% as a result of the growth in their subscriber base, while operating profits were at the same levels as the prior year. The subscriber base has continued to grow, although at a slower rate and there has been some decline in ARPU. The business was restructured in November 2009 in order to reduce costs to mitigate the potential impact flowing from the reduction in interconnect rates. The full benefit of the 25% headcount reduction with significant savings should be realised in the next financial year.

Altech Netstar Stolen Vehicle Recovery performed well in growing revenue by 7% and maintaining its margins despite the depressed level of new car sales. Altech Netstar Fleet Management saw revenue growth and an excellent improvement in margins as business efficiencies were achieved.

Altech UEC had a disappointing year, due primarily to a lack of orders from India. This has been offset to some extent by certain significant successes in other export markets. Locally, Multichoice sales continue to be strong. Various delays and reworks, as well as the strength of the rand have eroded margins. A new chief executive officer, with considerable international experience, has recently been appointed. It is anticipated that he will restore this business to acceptable levels of profitability.

Altech's East African operations are performing broadly in line with expectations. Significant investment has enabled Altech to continue with the expansion of its network as well as providing value-added services, such as a state-of-the-art data centre. The business has been enhanced by the purchase of a significant amount of bandwidth on the Seacom undersea cable, which has replaced expensive international satellite connectivity. This combined with the 10% stake in the TEAMS undersea cable provide the East African businesses with significant international bandwidth with which to benefit from this growing market.

Altech IT posted exceptionally pleasing results in the year under review and Altech's acquisitions during the year of Fleetcall, Technology Concepts and NuPay are operating profitably. They are either matching or exceeding initial expectations and together have made a significant contribution towards Altech's operating profit and its enhanced profitability.

Despite tough trading conditions and heightened competition, **Bytes** saw its revenue hold up well, but reported a disappointing performance in terms of profitability. Revenue was down 1% at just under R6 billion and EBITDA reduced 8% to R393 million. The South African operations grew revenue 4% in challenging conditions. However, local EBITDA margins declined from 10.2% to 8.9% as a result of margin pressure, particularly in the Document Solutions business and problems experienced in our Retail ATM business within Bytes Specialised Solutions (BSS). The latter business came under pressure and required significant restructuring and management changes. After a comprehensive review of the business model and appropriate remedial action we believe that this business is now well placed to show a strong recovery.

Bytes Document Solutions (BDS) in South Africa has performed well in difficult market conditions marked by a decline in paper and equipment prices over the past year. However, industry research indicates that the business has gained further market share during the year, confirming the strength of their service offering. The paper side of the business continues to perform well, notwithstanding a decline in margins.

Both Bytes Systems Integration and Intellica reported good results, significantly turning around their performances from the prior year. Bytes Managed Services (BMS), Bytes Outsource Services (BOS) and Bytes Healthcare Solutions (BHS) all produced excellent results with the latter, in particular, producing real growth in a mature market.

The international operations saw a contraction in revenue of 11%, primarily on the back of a stronger rand. EBITDA margins declined as a result of a poor performance from the Bytes UK Document Solutions businesses. Significant restructuring as well as a change in senior management has occurred and the business is now well placed to take advantage of improving conditions in that economy. These results were partially offset by another good year from the software business in the UK, producing its best ever results in local currency terms. However, its contribution to the group's results reduced as a result of the 16% appreciation of the rand against sterling.

Following the retirement of David Redshaw as chief executive officer of Bytes, Rob Abraham, previously managing director (MD) of BDS, was appointed to this position on 1 March 2010 which resulted in further restructuring and streamlining of Bytes SA. Hennie du Plessis, previously MD of BHS, now heads up BDS and Douglas Romaphosa, previously MD of BSS, took over the reins at BHS. BSS and BMS were merged under Deidre Le Hanie, who was previously responsible for BMS. Bytes Communication Systems, BOS and Intellica were merged into one entity under Andrew Holden.

**Powertech** experienced a difficult year, facing significant challenges in a number of its businesses and this is reflected in its results. Revenue fell by nearly 25%, from R9.6 billion to R7.2 billion as volumes remained subdued and pricing pressures were experienced as a result of surplus capacity in the market. This in turn led to a substantial drop in EBITDA of 43% from R741 million to R424 million, reflecting the pronounced impact lower volumes have had on a business with high fixed costs. The last year has seen a focus on changing the cost structure of the various businesses to suit the new demand levels and we have had to reduce overall headcount by over 20%. This has clearly involved various once-off costs, the benefits of which are expected to be fully realised in the coming year.

Aberdare Cables has endured one of its most challenging years, but much has been achieved. Sales volumes were broadly in line with our expectations, but down some 30% to 40% from the peak seen 24 months ago. Results have been primarily impacted by severe pricing pressures experienced in some of our key product areas that have eroded gross margins.

Consistent with previous communications, the current year has seen a significant reduction in both the cost base and the working capital invested in Aberdare Cables. Manufacturing efficiencies have been enhanced through rationalisation – an ongoing project – which will stand the business in good stead going forward. The 70% rise in the rand copper price over the year has assisted results, but the benefits have been fairly muted as a result of a substantial reduction in inventory levels where stock turns have virtually doubled.

There has been an improvement in pricing in the market in the last quarter of the year, which we expect to be sustained into the following financial year. The international cable operations in Iberia have performed above expectations and delivered a commendable set of results after achieving significant project wins in the Spanish high speed train roll-out.

Powertech Transformers experienced contrasting conditions in each of its power and distribution divisions. The power division continues to build on its strong performance of recent years, growing revenue and improving its operating margin. The distribution business has, however, experienced a dramatic drop in demand in the second half of the year, reflecting the state of the local building and construction industry as well as significant international competition. As a result, the business is undergoing down-sizing involving the closure of one facility and a reduction in headcount.

Powertech Batteries also experienced divergent conditions in its areas of operation. The automotive side of the business performed very well, growing revenue and margins on increased market share and realising the benefits of automating the production lines. However, the industrial side of the business saw a significant decline in volumes as a number of industries, but particularly mining, cut back on expenditure in this area. As a result, the industrial battery manufacturing facility has also had to be scaled down with commensurate headcount reductions. Battery Technologies also experienced difficult trading conditions as mobile operators reduced capital expenditure plans.

Powertech IST has performed adequately given the continued constraints on large capital expenditure projects. IST saw a slight decline in profitability, but saw an improved performance out of the Telecoms business. It is well positioned for when capital expenditure picks up again, having the largest project pipeline in its history. The Powertech Industrial group performed relatively well in a difficult environment based on extensive cost reduction initiatives and a good performance from Strike Technologies.

#### **Corporate activity**

The following significant transactions and corporate developments took place during the year under review:

- the acquisition by Altech of Fleetcall effective 1 March 2009, for a maximum purchase price of R75 million of which R35 million is held in escrow to be released to the vendors on Fleetcall achieving certain profit warranties, with a reduced payout if these warranties are not met;
- the acquisition by Altech of a further 9.8% of KDN as a result of Altech funding the majority of the capital expenditure in that business in the current year and through acquiring an additional 1.8% of equity from a KDN minority for US\$3.3 million;
- the disposal by Altech of Altech NamTech's South African operations to Gemalto for approximately R82 million, effective 1 April 2009;
- the acquisition by Altech of Technology Concepts, effective 1 March 2009, for a maximum total consideration of R45 million of which R7.5 million was paid upfront and R37.5 million is held in escrow to be released to the vendors on achieving certain profit warranties, with a reduced payout if these warranties are not met;
- the acquisition by Altech of a 50% plus 1 share interest in NuPay for R53.5 million, effective 1 June 2009;
- the acquisition by Altech, through its subsidiary KDN, of an 8.5% stake in The East Africa Marine System Limited (TEAMS) cable for an amount of US\$11 million. This investment gives KDN a 10% voting right in TEAMS;
- Power Matla's 25% holding in the Desta Power Matla distribution transformer business was converted, together with a capital contribution of R25 million, into a 20% holding in the combined Powertech Transformers and Desta Power Matla operations, effective 1 March 2009; and
- Altech entered into a strategic alliance with Seacom, for the acquisition of bandwidth capacity on each other's cable systems in East Africa.

#### **Outlook**

The South African economy is clearly in the early stages of recovery, though much of the growth recorded to date has only occurred in certain sectors and we have yet to see any meaningful recovery in the mining and building and construction sectors. A successful World Cup will boost the nation's confidence which should enhance consumer confidence, but it is unclear what effect it will have on industry both during and after the event. Certain key customers have announced technology freezes for the duration of the World Cup so as to minimize the risk of disruption of key services.

It is the board's view that the recovery should continue through the year and a sustained period of low interest rates is expected to filter through into the sectors of the economy that we service. Following rationalising actions during the past year in terms of restructuring and right-sizing of operations, the board believes the group is well positioned to capitalise on what is likely to be a gradual recovery and enters the new financial year with positive expectations of performance in the years ahead.

#### **Acknowledgements**

The board would like to express its appreciation to all of its customers, staff, business partners, shareholders and other stakeholders for their support during an extremely difficult period and for their continued belief in the future sustainability of the group and its strong underlying businesses.

#### **Integrated reporting as per King III**

On 1 March 2010, the 2009 King Report on Governance for South Africa (King III) came into force and effect, guiding the board in further maturing its approach to the governance of Altron. King III requires that long-term social, environmental and economic interests are balanced with the primary need to maximise the profits of the company. The integrated annual report for the current financial year will therefore be integrating all issues that affect or contribute to the sustainable development of Altron, by applying the G3 guidelines of the Global Reporting Initiative (GRI), as recommended by King III.

## Directorate

Shareholders are referred to the SENS announcement published by Altron on 26 February 2010 advising that with effect from 1 March 2010, Mr David Redshaw would be retiring from the Bytes group as chief executive officer, but would remain on the Altron board as a non-executive director. We would like to thank David for his significant contribution to the Altron group over the past 22 years and particularly for his contribution in building Bytes into the leading technology company it is today.

## Dividend

The following dividends are hereby declared for the year ended 28 February 2010:

- ordinary dividend No. 62 of 90 cents per share (2009: 119 cents); and
- participating preference dividend No. 16 of 90 cents per share (2009: 119 cents).

The above dividends are payable as follows:

Last day of trading to qualify for and participate in the dividend (cum dividend)	Friday, 25 June 2010
Trading ex dividend commences	Monday, 28 June 2010
Record date	Friday, 2 July 2010
Dividend payment date (electronic and certificated)	Monday, 5 July 2010

Dividend cheques in payment of these dividends to certificated shareholders will be posted to shareholders on or about Monday, 5 July 2010. Electronic payment to certificated shareholders will be undertaken simultaneously.

Shareholders who have dematerialised their share certificates will have their accounts at their central securities depository participant or broker credited on Monday, 5 July 2010.

In the case of certificated shareholders, notice of any change of address of shareholders must reach the transfer secretaries, Computershare Investor Services (Pty) Limited, on or before Friday, 25 June 2010. Share certificates may not be dematerialised or rematerialised from Monday, 28 June 2010 to Friday, 2 July 2010, both days inclusive.

## Annual general meeting

Altron's 64th annual general meeting will be held in the Altron Boardroom, 5 Winchester Road, Parktown, Johannesburg on Wednesday, 14 July 2010 at 09:30. Further details on the company's annual general meeting will be contained in Altron's integrated annual report to be posted to shareholders on or about 31 May 2010.

On behalf of the board

**Dr Bill Venter**

Chairman

3 May 2010

**Robert Venter**

Chief Executive

**Alex Smith**

Chief Financial Officer

## Board of directors

**Independent non-executive:** Mr NJ Adami, Mr MJ Leeming (lead independent director), Dr PM Maduna, Ms BJM Masekela  
Ms DNM Mokhobo, Mr JRD Modise, Mr PL Wilmot

**Non-executive:** Dr WP Venter (Chairman), Mr MC Berzack, Mr PD Redshaw\*

**Executive:** Mr RE Venter (Chief Executive), Mr N Claussen, Mr PMO Curle\*, Mr AMR Smith\*, Mr CG Venter \* British

**Secretaries:** Altron Management Services (Pty) Limited – AG Johnston (Group Company Secretary)

**Sponsor:** Investec Bank



The preliminary financial results are also available on the internet at [www.altron.com](http://www.altron.com)





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