

# Financial Statements

- 60 Certificate from the Company Secretaries
- 60 Report of the Independent Auditors
- 61 Directors' Report
- 64 Principal Accounting Policies
- 70 Balance Sheet
- 71 Income Statement
- 72 Statement of Changes in Equity
- 74 Cash Flow Statement
- 75 Notes to the Financial Statements
- 96 Annexure 1 – Associates, Other Investments and Joint Ventures
- 98 Annexure 2 – Segment Information
- 100 Financial Reports for the Company
- 103 Annexure 3 – GRI



**ALTRON**

ALLIED ELECTRONICS  
CORPORATION LIMITED

## CERTIFICATE FROM THE COMPANY SECRETARIES

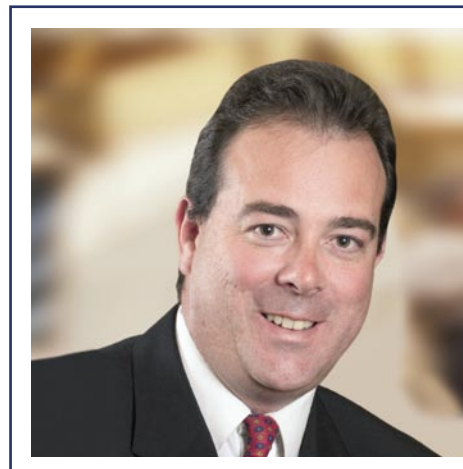
In terms of section 268G(d) of the Companies Act, 1973, as amended, we certify that, to the best of our knowledge and belief, the company has lodged with the Registrar of Companies for the financial year ended 28 February 2005, all such returns as are required of a public company in terms of the Companies Act, 1973, as amended, and that all such returns are true, correct and up to date.

**ALTRON MANAGEMENT SERVICES (PTY) LIMITED** – Secretaries



per: **ANDREW JOHNSTON** – Group Company Secretary

9 May 2005



## REPORT OF THE INDEPENDENT AUDITORS

### TO THE MEMBERS OF ALLIED ELECTRONICS CORPORATION LIMITED

We have audited the annual financial statements and group annual financial statements of Allied Electronics Corporation Limited set out on pages 61 to 102 for the year ended 28 February 2005. These financial statements are the responsibility of the company's directors. Our responsibility is to express an opinion on these financial statements based on our audit.

#### SCOPE

We conducted our audit in accordance with International Standards on Auditing. Those standards require that we plan and perform the audit to obtain reasonable assurance about whether the financial statements are free of material misstatement.

An audit includes:

- examining, on a test basis, evidence supporting the amounts and disclosures in the financial statements;
- assessing the accounting principles used and significant estimates made by management; and
- evaluating the overall financial statement presentation.

We believe that our audit provides a reasonable basis for our opinion.

#### AUDIT OPINION

In our opinion, the financial statements present fairly, in all material respects, the financial position of the company and the group at 28 February 2005 and the results of their operations and cash flow information for the year then ended in accordance with South African Statements of Generally Accepted Accounting Practice, and in the manner required by the Companies Act in South Africa.



**KPMG INC.** – Chartered Accountants (SA)  
Registered Accountants and Auditors

Johannesburg

9 May 2005

## DIRECTORS' REPORT

### TO THE MEMBERS OF ALLIED ELECTRONICS CORPORATION LIMITED

The directors have pleasure in submitting the annual financial statements of the group for the year ended 28 February 2005.

#### NATURE OF BUSINESS

Altron is an investment holding company. Its principal subsidiaries, Allied Technologies Limited, Power Technologies (Pty) Limited and Bytes Technology Group Limited, are invested in the power electronics, telecommunications, multi-media and information technology industries.

#### FINANCIAL RESULTS

Group attributable earnings for the year ended 28 February 2005 were R400 million (2004: R304 million), representing earnings per share of 145 cents (2004: 112 cents). Headline earnings per share were 161 cents (2004: 138 cents).

Full details of the financial position and results of the group are set out in these financial statements.

#### DIVIDENDS

The following dividends were declared in respect of the year ended 28 February 2005:

- ordinary dividend No. 57 of 63.0 cents per share (2004: 52.0 cents); and
- participating preference dividend No. 11 of 63.0 cents per share (2004: 52.0 cents).

It remains policy to declare dividends annually at the time of announcing the group's results in May of each year.

#### SUBSIDIARIES, ASSOCIATE COMPANIES AND OTHER INVESTMENTS

Particulars of the principal subsidiaries of the group are given on page 102 whilst particulars of the associate companies and other investments are provided in Annexure 1 on page 96.

The attributable interest of the companies in the income and losses of their subsidiaries for the year ended 28 February 2005 is:

	<b>2005</b> R million	2004 R million
Aggregate amount of income after taxation	<b>676</b>	548
Aggregate amount of losses after taxation	<b>172</b>	96

#### Black economic empowerment

On 1 March 2004, the following transactions were concluded:

- Powertech disposed of 30% of its interest in Aberdare Cables (Pty) Limited to the Izingwe Consortium for a consideration of R165 million;
- BTG disposed of 27% of its equity interest in Bytes Technology Group South Africa (Pty) Limited to Kagiso Strategic Investments, 5% of which was settled in cash and the remaining 22% to be settled on the exercise of options at a price of R198 million.

On 4 March 2004, Altech announced that it had entered into a binding heads of agreement with Pamodzi Investment Holdings (Pty) Limited ("Pamodzi") whereby Pamodzi would acquire a 25.01% shareholding in Altech Data (Pty) Limited, subject to the fulfilment of certain conditions precedent. These conditions precedent have been fulfilled.

For further information and details pertaining to Black Economic Empowerment transactions, please see note 11 of the annual financial statements.

#### NamITech

Following Competition Tribunal approval, the acquisition by Altech of a controlling interest in NamITech became effective from 1 March 2004. The consideration paid was R552 million. Simultaneously with the acquisition NamITech issued preferred ordinary shares to Pamodzi Investment Holdings (Pty) Limited. The preferred ordinary shares entitle Pamodzi Investment Holdings (Pty) Limited to 28% of the voting rights in respect of the total issued share capital of NamITech and to 28% of the earnings in excess of the predetermined base earnings of NamITech.

**DIRECTORS' REPORT - (CONTINUED)****AEW**

As previously announced, effective 1 December 2004, Altech acquired a 50% plus one share interest in the issued share capital of AEW, a telecommunications investment holding company established in Botswana. The other partner in joint control of AEW is Econet Wireless Ventures which holds 50% minus one share of the issued share capital of AEW. The consideration paid by Altech was R416 million.

**Purchase of 7.6% of Altech**

The company took advantage of an opportunity in June 2004 to purchase 7.6% of the issued share capital of Altech on the open market at a cost of R257 million. Subsequent thereto, Altech purchased these shares from the company and now holds them as treasury stock.

**CS Holdings**

On 17 November 2004, BTG acquired the entire issued share capital of CS Computer Services Holdings Limited, following the unconditional approval of the transaction by the Competition Commission. CS Holdings' shareholders received one BTG share for every 37 CS Holdings shares which they held.

**SHARE CAPITAL**

Full details of the authorised, issued and unissued capital of the company at 28 February 2005 are contained in note 9 to the financial statements.

**Share schemes**

Particulars relating to the Altron Share Incentive Scheme and The Allied Electronics Corporation Limited Share Trust are set out in note 9 to the financial statements.

At the date of this report, a total of 4 847 855 ordinary shares and 29 607 755 participating preference shares remain reserved for the purposes of the company's employee share schemes.

The remaining unissued ordinary shares and participating preference shares are the subject of a general authority granted to the directors in terms of section 221 of the Companies Act, 1973, as amended, and which authority remains valid only until the next annual general meeting which will be held on Friday,

15 July 2005. At that meeting, shareholders will be asked to place 10% of the unissued ordinary and participating preference shares under the control of the directors. Shareholders will also be asked to waive their pre-emptive rights in favour of the directors to allot and issue ordinary and/or participating preference shares for cash as and when suitable circumstances arise.

**DIRECTORATE****Appointment:**

1 November 2004 Dr PM Maduna

**Resignation:**

7 May 2004 LC van Vught

In terms of the company's articles of association, Dr PM Maduna retires at the forthcoming annual general meeting and Messrs MC Berzack, MJ Leeming, JRD Modise and CG Venter retire by rotation. All the retiring directors are eligible and available for re-election. Their profiles appear on pages 110 to 112.

**SECRETARIES**

Altron Management Services (Pty) Limited act as secretaries to the company. The secretaries' business and postal addresses appear on page 120.

During the year under review, Ms SF Linford resigned as group company secretary on 31 October 2004 to pursue her own interests. Mr AG Johnston was appointed as group company secretary on 15 February 2005.

**SEGMENT REPORTING**

Segment information is included in this annual report as part of the operational reviews and shareholders are referred to annexure 2 on page 98.

Headline earnings contributions to Altron were as follows:

	<b>2005</b> <b>R million</b>	2004 R million
Altech	<b>192</b>	170
BTG	<b>75</b>	56
Powertech	<b>148</b>	144
Corporate	<b>30</b>	7

**DIRECTORS' INTERESTS**

At 28 February 2005 the present directors of the company held direct and indirect beneficial interests, including family interests, in 59 751 636 of the company's issued ordinary shares (2004: 59 704 773 ordinary shares) and 34 491 192 of the company's issued participating preference shares (2004: 34 484 139). Details of shares held per individual director that holds shares in the company are listed below. A total of 3 487 350 participating preference share options are allocated to directors in terms of the company's employee share schemes.

Chairman and director, Dr WP Venter, through his family and related trusts, is the controlling shareholder of the company.

DIRECT BENEFICIAL		
Name of director	Ordinary shares	Participating preference shares
Dr WP Venter	2 641 639	8 039
MC Berzack	—	451 332
Dr HA Serebro	458 373	1 555

INDIRECT BENEFICIAL		
Name of director	Ordinary shares	Participating preference shares
Dr WP Venter	56 649 124	34 029 256
Dr HA Serebro	—	1 010
MJ Leeming	2 500	—

At the date of this report, these interests remain unchanged.

**RESOLUTIONS**

A special resolution was passed and registered by the company on 9 November 2004 adopting new Articles of Association.

At subsidiary level Altech passed and registered two special resolutions during the period under review, one on 25 November 2004 adopting new Articles of Association and the other on 16 July 2004 approving the repurchase of 8 048 242 Altech ordinary shares from the company.

Except for the above, no other special resolutions, the nature of which might be significant to shareholders in their appreciation of the state of affairs of the group, were passed by the company or its subsidiaries during the period covered by this annual report.

**APPROVAL OF THE ANNUAL FINANCIAL STATEMENTS**

The annual financial statements set out in this annual report have been prepared in accordance with South African Generally Accepted Accounting Practice and are based on appropriate accounting policies, which are supported by reasonable and prudent judgements and estimates.

The directors of the company are responsible for the preparation of the annual financial statements and related financial information that fairly present the state of affairs and the results of the company and the Altron group.

These financial statements have been prepared on the going-concern basis, since the directors have every reason to believe that the company and the group have adequate resources in place to continue in operation for the foreseeable future.

The auditors have concurred with the directors' going-concern statement. The annual financial statements for the year ended 28 February 2005 which appear on pages 61 to 102 were approved by the board and signed on its behalf on 9 May 2005.

For: **ALLIED ELECTRONICS CORPORATION LIMITED**



**DR BILL VENTER** - Chairman



**RE VENTER** - Chief Executive



**DC RADLEY** - Chief Financial Officer

## PRINCIPAL ACCOUNTING POLICIES

The annual financial statements are prepared in millions of South African rands (R million) on the historical cost basis, except for certain financial instruments recognised at fair value as stated below.

They incorporate the following principal accounting policies which are in compliance with South African Statements of Generally Accepted Accounting Practice and the requirements of the South African Companies Act. They are consistent in all material respects with the previous year, except as detailed below.

### ADOPTION OF NEW AND REVISED ACCOUNTING STANDARDS

#### IAS 1 – Presentation of financial statements

The group has adopted the requirements of this standard. The presentation of comparative financial information has been reclassified accordingly.

#### AC501 – Accounting for Secondary Taxation on Companies (STC)

The group has adopted the requirements of this interpretation statement whereby a deferred taxation asset is recognised on unutilised STC credits when it is probable that such unutilised STC credits will be utilised in the future. Previously unutilised STC credits were only brought to account when they were utilised upon declaration of dividends payable. The effect of the change in accounting policy is disclosed in note 10.

#### Revised AC140 – Business combinations, AC128 – Impairment of assets and AC129 – Intangible assets

The group has applied the requirements of the above revised accounting statements on a prospective basis on business combinations with agreement dates on or after 31 March 2004. The accounting treatment applied to business combinations with agreement dates prior to 31 March 2004 has been consistently applied in respect of the group's previous accounting policies in this regard.

### CHANGE IN ACCOUNTING POLICY

#### Premiums and discounts arising on subsequent purchases from, or sales to, minority interests in subsidiaries

Following the classification of minority interests as equity, in accordance with IAS 1, any increases and decreases in ownership interests in subsidiaries without a change in control are recognised as equity

transactions in the consolidated financial statements. Accordingly, any premiums or discounts on subsequent purchases of equity instruments from, or sales of equity instruments to, minority interests are recognised directly in the equity of the parent shareholder.

Previously premiums or discounts on subsequent purchases of equity instruments from minorities were treated as goodwill, and premiums or discounts on subsequent sales of equity instruments to minorities were recognised as a capital item in the income statement. The effect of the change in accounting policy is disclosed in note 10.

### BASIS OF CONSOLIDATION

#### Subsidiaries

The consolidated financial statements include the financial statements of the company and its subsidiaries. Where an investment in a subsidiary is acquired or disposed of during the financial year, its results are included from, or to, the date control became, or ceased to be, effective. All significant intercompany transactions are eliminated.

#### Associates

An investment in an associate is a long-term investment in a company in which the group exercises significant influence but not control.

The equity method of accounting for associated enterprises is adopted in the group financial statements. In applying the equity method, account is taken of the group's share of accumulated retained earnings and movements in reserves from the effective date on which the enterprise became an associate and up to the effective date of disposal.

Goodwill arising on the acquisition of associates is included in the carrying amount of the associate and is treated in accordance with the group's accounting policy for goodwill. The share of associated retained earnings and reserves is generally determined from the associate's latest audited financial statements but, in some instances, unaudited interim results are used. Dividends received from associates are deducted from the carrying value of the investment. Where the group's share of losses of an associate exceeds the carrying amount of the associate, the associate is carried at no value. Additional losses are only recognised to the extent that the group has incurred obligations or made payments on behalf of the associate.

### Joint ventures

Joint ventures are those enterprises over which the group exercises joint control in terms of a contractual agreement. Joint ventures are proportionately consolidated, whereby the group's share of the joint venture's assets, liabilities, income, expenses and cash flows are combined with similar items, on a line-by-line basis, in the group's financial statements.

### Goodwill

#### Business combinations with agreement dates on or after 31 March 2004

All business combinations are accounted for by applying the purchase method. Goodwill represents the difference between the purchase consideration and the fair value of the net identifiable assets acquired in respect of the acquisition of subsidiaries, associates and joint ventures.

Goodwill is stated at cost less any accumulated impairment losses. Goodwill is allocated to cash generating units and is no longer amortised, but is tested annually for impairment. A recognised impairment loss is not reversed.

Negative goodwill arising on an acquisition is recognised directly in income.

#### Business combinations with agreement dates before 31 March 2004

Goodwill is carried at cost, less accumulated amortisation and accumulated impairment losses. Goodwill is amortised on a straight-line basis over its estimated useful life, not exceeding 20 years.

A recognised impairment loss is not reversed unless the impairment loss was caused by a specific external event of an exceptional nature that is not expected to recur and the increase relates clearly to the reversal of that specific event.

Negative goodwill arising on an acquisition represents any excess of the fair value of the group's share of the identifiable net assets acquired over the purchase consideration. To the extent that negative goodwill relates to an expectation of future losses and expenses that is identified in the plan of acquisition and can be measured reliably, but which do not represent identifiable liabilities at the date of acquisition, it is brought to account in the income statement when the future losses and expenses are recognised. Any

remaining negative goodwill, not exceeding the fair values of the non-monetary assets acquired, is recognised in the income statement over the weighted average useful life of those assets. The balance of negative goodwill in excess of the fair values of the non-monetary assets acquired is recognised immediately in the income statement.

The calculation of the gain or loss on disposal of an entity includes the unamortised balance of the goodwill relating to the entity that has been disposed of.

#### Premiums and discounts arising on subsequent purchases from, or sales to, minority interests in subsidiaries

Any increases and decreases in ownership interests in subsidiaries without a change in control are recognised as equity transactions in the consolidated financial statements. Accordingly, any premiums or discounts on subsequent purchases of equity instruments from, or sales of equity instruments to, minority interests are recognised directly in the equity of the parent shareholder.

#### Black Economic Empowerment (BEE) transactions

BEE transactions involving the disposal or issue of equity interests in subsidiaries are only recognised when the accounting recognition criteria have been met.

Although economic and legal ownership of such instruments may have transferred to the BEE partner, the de-recognition of such equity interest sold or recognition of equity instruments issued in the underlying subsidiary by the parent shareholder is postponed until the accounting recognition criteria have been satisfied.

A dilution in the earnings attributable to the parent shareholders in the interim period is adjusted for in the diluted earnings per share calculation by an appropriate adjustment to the earnings used in such calculation.

Any difference between the fair value of such equity interests disposed of or issued and the cash consideration received are not presently accounted for pending the adoption of International Financial Reporting Standards (IFRS). The group will adopt AC139 (IFRS2) – share-based payments for the year ending 28 February 2006. The group will then consider the applicability of this statement to BEE transactions taking into account the guidance anticipated from the International Financial Reporting Interpretations

## PRINCIPAL ACCOUNTING POLICIES - (CONTINUED)

Committee (IFRIC) in this regard and will amend its accounting policy accordingly.

### CAPITALISATION OF BORROWING COSTS

Interest on borrowings raised specifically to finance the construction of assets to prepare them for sale or use, is capitalised up to the date that the assets are substantially complete.

### CAPITAL ITEMS

Capital items are items of income and expense relating to the acquisition, disposal or impairment of property, plant and equipment, investments, intangible assets and closure of businesses.

### DISCONTINUED OPERATIONS

Discontinued operations are significant, distinguishable components that have been sold or abandoned or are subject to a formal plan of disposal.

Discontinued operations are separately recognised in the financial statements once management has made a commitment to discontinue the operation without a realistic possibility of withdrawal.

The operating profit or loss of discontinued operations up until the date of discontinuance is included in normal operating results. The profit or loss on discontinuance includes incremental costs directly related to the discontinuance.

### EMPLOYEE BENEFITS

#### Short-term employee benefits

The cost of all short-term employee benefits is recognised during the period in which the employee renders the related service. The provisions for employee entitlements to salaries, performance bonuses and annual leave represent the amounts which the group has a present obligation to pay as a result of employee's services provided. The provisions have been calculated at undiscounted amounts based on current salary levels.

#### Retirement benefits

The majority of the group's employees are members of the Altron Group Pension Fund.

After acquisition of subsidiaries, certain employees remained members of their previous funds. A number of these are defined benefit plans. These industry-

managed retirement benefit schemes are dealt with as defined contribution plans where the group's obligations under the schemes are equivalent to those arising in a defined contribution plan. The group's contribution to defined contribution funds is charged to the income statement in the year in which it is incurred.

#### Post-retirement medical aid benefits

The group has an obligation to provide post-retirement medical aid benefits to certain eligible employees and pensioners. This obligation has been provided for in full.

#### Defined benefit obligations

Certain members of the Altron Group Pension Fund who were members prior to 1 September 1996 are entitled to a minimum benefit equal to the previously provided defined benefit pension. Members prior to 1 November 1999 are entitled to some post-retirement medical assistance.

The projected unit credit method is used to determine the present value of these defined benefit obligations, the related service cost and, where applicable, the past service cost.

Past service costs are recognised as an expense on a straight-line basis over the average period until the benefits become vested. Past service costs which have already vested are expensed immediately.

Actuarial gains and losses are recognised as income or expense if the net cumulative unrecognised actuarial gains or losses at the end of the previous financial year exceeded the greater of:

- 10% of the present value of the defined benefit obligation at that date before deducting plan assets, and
- 10% of the fair value of the plan assets at that date.

The amount recognised is the excess determined above, divided by the expected average remaining working lives of the employees participating in the plan.

### FINANCIAL INSTRUMENTS

The group uses derivative financial instruments to manage its exposure to foreign exchange and commodity price risks arising from operational, financing and investment activities. The group does not hold or issue derivative financial instruments for trading purposes.

**Measurement**

Financial instruments are initially measured at cost, which includes transaction costs, when the group becomes a party to the contractual arrangements. Subsequent to initial recognition these instruments are measured as set out below.

**Cash and cash equivalents**

Cash and cash equivalents are measured at fair value.

**Financial liabilities**

Non-derivative financial liabilities are recognised at amortised cost, comprising original debt less principal payments and amortisations.

**Investments**

Investments classified as available-for-sale financial assets are carried at fair value, unless their fair value cannot be reliably determined, in which case they are shown at cost less accumulated impairment losses.

Investments that meet the criteria for classification as held-to-maturity financial assets are carried at amortised cost.

**Trade and other receivables**

Trade and other receivables originated by the group are stated at cost less amounts written off and provision for doubtful debts.

**Offset**

Financial assets and financial liabilities are offset and the net amount reported in the balance sheet when the company has a legally enforceable right to set off the recognised amounts, and intends either to settle on a net basis, or to realise the asset and settle the liability simultaneously.

**Derivative instruments**

Derivative instruments comprise foreign exchange contracts and metal future contracts and are measured at fair value. Fair value adjustments are recognised in the income statement. Fair value is determined by comparing the contracted forward rate to the current forward rate of an equivalent contract with the same maturity date.

**Gains and losses on subsequent measurement**

Gains and losses arising from a change in the fair value of financial instruments, that are not part of a hedging

relationship, are recognised in the income statement in the period in which the change arises.

Gains and losses from fair valuing cash flow hedges are initially recognised directly in equity.

If the hedged firm commitment or forecast transaction results in the recognition of an asset or a liability, the cumulative amount recognised in equity up to the transaction date is adjusted against the initial measurement of the asset or liability. Where the hedging instrument or hedge relationship is terminated but the hedged transaction is still expected to occur, the cumulative unrealised gain or loss remains in equity and is recognised in the income statement when the underlying transaction occurs. If the hedged transaction is no longer expected to occur, the cumulative unrealised gain or loss is immediately recognised in the income statement.

**FOREIGN CURRENCIES****Foreign currency transactions**

Foreign currency transactions are converted to South African Rands at the rates of exchange ruling at the dates of transactions. Balances outstanding on foreign transactions at the end of the financial year are translated to South African Rands at the rates ruling at that date. Gains or losses on translation are recognised in the income statement.

**Foreign subsidiaries**

The assets and liabilities of foreign subsidiaries which are considered to be foreign entities are translated into South African Rands at rates of exchange ruling at the end of the financial year. The results of operations are translated at an appropriate weighted average rate of exchange for the year. Gains or losses on translation are taken directly to a foreign currency translation reserve.

The monetary assets and liabilities of foreign subsidiaries which are considered to be integrated foreign operations are translated into South African Rands at rates of exchange ruling at the end of the financial year. The non-monetary assets and liabilities are translated at historic rates of exchange. The results of operations are translated at an appropriate weighted average rate of exchange for the year. Gains or losses on translation are recognised in operating income.

## PRINCIPAL ACCOUNTING POLICIES - (CONTINUED)

### IMPAIRMENT OF ASSETS

The carrying amounts of the group's assets are reviewed at each balance sheet date to determine whether there is any indication of impairment. If there is an indication that an asset may be impaired, its recoverable amount is estimated. The recoverable amount is the higher of its net selling price and its value in use.

In assessing value in use, the expected future cash flows from the asset are discounted to their present value using a discount rate that reflects current market assessments of the time value of money and the risks specific to the asset. An impairment loss is recognised whenever the carrying amount of an asset exceeds its recoverable amount.

For an asset that does not generate cash inflows that are largely independent of those from other assets the recoverable amount is determined for the cash-generating unit to which the asset belongs. An impairment loss is recognised in the income statement whenever the carrying amount of the cash-generating unit exceeds its recoverable amount.

A previously recognised impairment loss, on assets other than goodwill, is reversed if the recoverable amount increases as a result of a change in the estimates used to determine the recoverable amount, but not to an amount higher than the carrying amount that would have been determined (net of depreciation) had no impairment loss been recognised in prior years.

### INTANGIBLE ASSETS

Expenditure on research activities, undertaken with the prospect of gaining new scientific or technical knowledge and understanding, and expenditure on internally generated goodwill and brands is recognised in the income statement as an expense as incurred.

Other intangible assets acquired by the group are stated at cost less accumulated amortisation and impairment losses.

Amortisation is charged to the income statement on a straight-line basis over the estimated useful lives of intangible assets.

Subsequent expenditure on intangible assets is capitalised only when it increases the future

economic benefits embodied in the specific asset to which it relates. All other subsequent expenditure is expensed as incurred.

### INVENTORIES

Inventories are valued at the lower of cost and net realisable value taking account of market conditions and technology changes. Cost is determined on the first-in, first-out and average cost methods. Work and contracts in progress and finished goods include direct costs and an appropriate portion of attributable overhead expenditure, and are shown net of any payments received in advance. Where contracts in progress extend over more than one accounting period, interim profits are taken, based on the stage of completion of each contract, less provisions for anticipated losses.

### LEASES

#### Finance leases

Leases that transfer substantially all the risks and rewards of ownership of the underlying asset to the group are classified as finance leases. Assets acquired in terms of finance leases are capitalised at the lower of fair value and the present value of the minimum lease payments at inception of the lease, and depreciated over the estimated useful life of the asset.

The capital element of future obligations under the leases is included as a liability in the balance sheet. Lease payments are allocated using the effective interest rate method to determine the lease finance cost, which is charged against income over the lease period, and the capital repayment, which reduces the liability to the lessor.

#### Operating leases

Leases where the lessor retains the risks and rewards of ownership of the underlying asset are classified as operating leases. Payments made under operating leases are charged against income on a straight-line basis over the period of the lease.

### PROPERTY, PLANT AND EQUIPMENT

Property, plant, equipment and vehicles are stated at cost less accumulated depreciation and impairment losses. Land is not depreciated. Buildings, plant, equipment and vehicles are depreciated at varying

rates, on a straight-line basis over their expected useful lives, to estimated residual values (refer note 1 to the notes on financial statements for the rates of depreciation used).

Gains and losses arising on disposal of fixed assets in the normal course of business are included in capital items.

## PROVISIONS

### General

Provisions are recognised when the group has a present legal or constructive obligation as a result of past events, for which it is probable that an outflow of economic benefits will occur, and where a reliable estimate can be made of the amount of the obligation. Where the effect of discounting is material, provisions are discounted. The discount rate used reflects current market assessments of the time value of money and, where appropriate, the risks specific to the liability.

### Warranties

A provision for warranties is recognised when the underlying products or services are sold. The provision is based on historical warranty data and a weighting of all possible outcomes against their associated probabilities.

### Onerous contracts

A provision for onerous contracts is recognised when the expected benefits to be derived by the group from a contract are lower than the unavoidable cost of meeting the obligations under the contract.

## RENTAL FINANCE ADVANCES

Rental finance advances to customers are supported by finance leases and are stated at the outstanding capital balances. The income earned is computed at the interest rates inherent in each contract applied to the capital balance outstanding under such contract and is included in revenue.

## REVENUE

Revenue comprises net invoiced sales to customers excluding value-added-tax, investment income and other non-operating income. Sales to customers are recognised when the related products are shipped or services are rendered.

Dividends and grants are recognised when the group's right to receive the revenue is established.

Interest revenue is recognised on a time proportion basis that takes into account the effective yield on the investment.

## TAXATION

### Current taxation

Current taxation comprises tax payable calculated on the basis of the expected taxable income for the year, using the tax rates enacted at the balance sheet date, and any adjustment of tax payable for the previous year.

### Deferred taxation

Deferred taxation is provided using the balance sheet liability method, based on temporary differences.

Temporary differences are differences between the carrying amounts of assets and liabilities for financial reporting purposes and their tax values.

The amount of deferred tax provided is based on the expected manner of realisation or settlement of the carrying amount of assets and liabilities using tax rates enacted or substantively enacted at the balance sheet date.

Deferred tax is recognised in the income statement except to the extent that it relates to a transaction that is recorded directly in equity, or a business combination that is an acquisition.

The effect on deferred tax of any changes in tax rates is recognised in the income statement, except to the extent that it relates to items previously charged or credited directly to equity.

A deferred tax asset is recognised to the extent that it is probable that future taxable profits will be available against which the unused tax losses and deductible temporary differences can be utilised. Deferred tax assets are reduced to the extent that it is no longer probable that the related tax benefit will be realised.

### Secondary taxation on companies

Secondary taxation on companies is recognised in the year dividends are declared, net of dividends received.

A deferred taxation asset is recognised on unutilised STC credits when it is probable that such unused STC credits will be utilised in the future.

**BALANCE SHEET - AT 28 FEBRUARY 2005**

	Notes	2005 R million	2004 R million
<b>ASSETS</b>			
<i>Non-current assets</i>		<b>2 321</b>	1 618
Property, plant and equipment	1	<b>847</b>	671
Intangible assets	2	<b>37</b>	7
Goodwill	3	<b>794</b>	455
Associates and other investments	4	<b>423</b>	183
Rental finance advances		<b>106</b>	189
Deferred taxation	5	<b>114</b>	113
<i>Current assets</i>		<b>4 457</b>	4 451
Inventories	6	<b>1 158</b>	905
Trade and other receivables	7	<b>1 779</b>	1 542
Cash and cash equivalents	8	<b>1 520</b>	2 004
<b>Total assets</b>		<b>6 778</b>	6 069
<b>EQUITY AND LIABILITIES</b>			
<i>Total equity</i>		<b>3 566</b>	3 571
Shareholders' equity		<b>2 612</b>	2 489
Minority interest		<b>954</b>	1 082
<i>Non-current liabilities</i>		<b>744</b>	318
Long-term liabilities	12	<b>489</b>	277
Empowerment funding obligation	13	<b>172</b>	—
Long-term provisions	14	<b>30</b>	10
Deferred taxation	5	<b>53</b>	31
<i>Current liabilities</i>		<b>2 468</b>	2 180
Short-term loans	12	<b>30</b>	247
Trade and other payables	15	<b>2 207</b>	1 674
Provisions	14	<b>67</b>	143
Taxation payable		<b>164</b>	116
<b>Total equity and liabilities</b>		<b>6 778</b>	6 069
<b>Net asset value per share (cents)</b>		<b>939</b>	907

**INCOME STATEMENT -** FOR THE YEAR ENDED 28 FEBRUARY 2005

	Notes	2005 R million	2004 R million
<b>Revenue</b>	17	<b>12 206</b>	10 045
Operating costs before goodwill amortised/impaired and capital items		<b>(11 238)</b>	(9 327)
Material and services		<b>(9 061)</b>	(7 375)
Employees' remuneration		<b>(2 183)</b>	(1 684)
Depreciation and amortisation		<b>(191)</b>	(129)
Net change in inventories		<b>197</b>	(139)
<b>Operating income before goodwill amortised/ impaired and capital items</b>	18	<b>968</b>	718
Goodwill amortised/impaired	19	<b>(300)</b>	(134)
Capital items	20	<b>114</b>	(5)
Investment income	21	<b>100</b>	145
Finance costs	22	<b>(62)</b>	(26)
Income from associates	23	<b>24</b>	9
<b>Income before taxation</b>		<b>844</b>	707
Taxation	24	<b>(340)</b>	(255)
<b>Income after taxation</b>		<b>504</b>	452
<b>Attributable to:</b>			
Minority interest		<b>104</b>	148
Ordinary and participating preference shareholders		<b>400</b>	304
		<b>504</b>	452
<b>Basic earnings per share (cents)</b>	25	<b>144.7</b>	111.5
<b>Headline earnings per share (cents)</b>	25	<b>161.2</b>	138.1
<b>Diluted basic earnings per share (cents)</b>	25	<b>134.0</b>	109.3
<b>Diluted headline earnings per share (cents)</b>	25	<b>149.5</b>	135.4
<b>Dividends per share (cents) – paid</b>		<b>52.0</b>	43.0
– proposed	26	<b>63.0</b>	52.0
<b>Headline dividend cover (times)</b>		<b>2.6</b>	2.7

## STATEMENT OF CHANGES IN EQUITY - FOR THE YEAR ENDED 28 FEBRUARY 2005

	Share capital and premium R million (note 9)	Treasury shares R million	Foreign currency translation reserves R million	Premium/ (discount) on minority equity transactions R million	Cash flow hedging reserves R million	Undeclared preference dividends receivable R million
<b>Balance at 28 February 2003</b>	<b>770</b>	<b>(238)</b>	<b>150</b>	<b>—</b>	<b>—</b>	<b>30</b>
Changes in accounting policy (note 10)	—	—	—	23	—	—
Restated balance	770	(238)	150	23	—	30
Opening AC 133 fair value adjustment	—	—	—	—	—	—
Transfer between reserves	—	—	—	—	—	(8)
Foreign currency translation differences	—	—	(18)	—	—	—
Cash flow hedging reserve	—	—	—	—	(1)	—
Attributable earnings	—	—	—	—	—	—
Dividends	—	—	—	—	—	—
Issue of share capital	19	—	—	—	—	—
Changes in shareholding of subsidiaries	—	—	—	36	—	—
Minorities share of reserve movements	—	—	—	—	—	—
Effect of adopting proportionate consolidation	—	—	—	—	—	—
Decrease in loans with minorities	—	—	—	—	—	—
<b>Balance at 29 February 2004</b>	<b>789</b>	<b>(238)</b>	<b>132</b>	<b>59</b>	<b>(1)</b>	<b>22</b>
Transfer between reserves	—	—	—	—	—	(22)
Foreign currency translation differences	—	—	(32)	—	—	—
Release of translation surpluses	—	—	(67)	—	—	—
Cash flow hedging reserve	—	—	—	—	1	—
Attributable earnings	—	—	—	—	—	—
Dividends	—	—	—	—	—	—
Issue of share capital	17	—	—	—	—	—
Changes in shareholding of subsidiaries	—	—	—	(53)	—	—
Minorities share of reserve movements	—	—	—	—	—	—
Minorities arising on acquisition	—	—	—	—	—	—
Decrease in loans with minorities	—	—	—	—	—	—
<b>Balance at 28 February 2005</b>	<b>806</b>	<b>(238)</b>	<b>33</b>	<b>6</b>	<b>—</b>	<b>—</b>

	Statutory reserves R million	Revaluation and other reserves R million	Retained earnings R million	Share- holders' equity R million	Minority interest R million	Total equity R million
<b>Balance at 28 February 2003</b>	<b>9</b>	<b>32</b>	<b>1 514</b>	<b>2 267</b>	<b>1 291</b>	<b>3 558</b>
Changes in accounting policy (note 10)	—	—	(7)	16	1	17
Restated balance	9	32	1 507	2 283	1 292	3 575
Opening AC 133 fair value adjustment	—	—	(17)	(17)	(14)	(31)
Transfer between reserves	—	(32)	40	—	—	—
Foreign currency translation differences	—	—	—	(18)	(2)	(20)
Cash flow hedging reserve	—	—	—	(1)	—	(1)
Attributable earnings	—	—	304	304	148	452
Dividends	—	—	(117)	(117)	(81)	(198)
Issue of share capital	—	—	—	19	—	19
Changes in shareholding of subsidiaries	—	—	—	36	(134)	(98)
Minorities share of reserve movements	—	—	—	—	(2)	(2)
Effect of adopting proportionate consolidation	—	—	—	—	(109)	(109)
Decrease in loans with minorities	—	—	—	—	(16)	(16)
<b>Balance at 29 February 2004</b>	<b>9</b>	<b>—</b>	<b>1 717</b>	<b>2 489</b>	<b>1 082</b>	<b>3 571</b>
Transfer between reserves	—	—	22	—	—	—
Foreign currency translation differences	—	—	—	(32)	(2)	(34)
Release of translation surpluses	—	—	—	(67)	—	(67)
Cash flow hedging reserve	—	—	—	1	—	1
Attributable earnings	—	—	400	400	104	504
Dividends	—	—	(143)	(143)	(81)	(224)
Issue of share capital	—	—	—	17	—	17
Changes in shareholding of subsidiaries	—	—	—	(53)	(210)	(263)
Minorities share of reserve movements	—	—	—	—	16	16
Minorities arising on acquisition	—	—	—	—	55	55
Decrease in loans with minorities	—	—	—	—	(10)	(10)
<b>Balance at 28 February 2005</b>	<b>9</b>	<b>—</b>	<b>1 996</b>	<b>2 612</b>	<b>954</b>	<b>3 566</b>

**CASH FLOW STATEMENT** - FOR THE YEAR ENDED 28 FEBRUARY 2005

	Notes	2005 R million	2004 R million
<b>Operating activities</b>		<b>750</b>	795
Cash generated by operations	31	<b>1 200</b>	1 182
Interest received		<b>82</b>	119
Dividends received	32	<b>6</b>	13
Interest paid		<b>(48)</b>	(26)
Taxation paid	33	<b>(266)</b>	(295)
Cash available from operating activities		<b>974</b>	993
Dividends paid			
– to ordinary and participating preference shareholders		<b>(143)</b>	(117)
– to minority shareholders		<b>(81)</b>	(81)
<b>Investing activities</b>		<b>(1 381)</b>	(327)
Investment to maintain operations		<b>(63)</b>	(1)
Replacement of property, plant and equipment		<b>(218)</b>	(153)
Disposal of property, plant and equipment	34	<b>75</b>	55
Net reduction in rental finance advances		<b>83</b>	97
Change from subsidiary to associate	35	<b>(3)</b>	—
Investment to expand operations		<b>(1 318)</b>	(326)
Additions to property, plant and equipment		<b>(115)</b>	(68)
Additions to intangible assets		<b>—</b>	(8)
Other investing activities	36	<b>(218)</b>	(3)
Acquisition of subsidiaries and joint venture	37	<b>(985)</b>	(247)
<b>Financing activities</b>		<b>155</b>	68
Increase/(decrease) in long-term liabilities		<b>207</b>	(4)
(Decrease)/increase in short-term loans		<b>(217)</b>	54
Increase in empowerment funding obligation		<b>158</b>	—
Shares issued		<b>17</b>	19
Changes in minority interests	38	<b>(10)</b>	(1)
<b>Cash resources</b>			
Net cash (utilised)/generated		<b>(476)</b>	536
Translation of foreign cash		<b>(8)</b>	(4)
Effect on cash of adopting proportionate consolidation		<b>—</b>	(38)
Cash and cash equivalents			
– at beginning of year		<b>2 004</b>	1 510
– at end of year	8	<b>1 520</b>	2 004

## NOTES TO THE FINANCIAL STATEMENTS

	Land and buildings R million	Plant and machinery R million	Motor vehicles furniture and equipment R million	<b>Total 2005 R million</b>	Total 2004 R million
<b>1 PROPERTY, PLANT AND EQUIPMENT</b>					
<b>Cost</b>					
Balance at beginning of year	221	1 217	592	<b>2 030</b>	1 986
Additions at cost	21	123	189	<b>333</b>	221
Acquisition of subsidiaries	10	120	140	<b>270</b>	—
Disposals	(27)	(29)	(73)	<b>(129)</b>	(91)
Translation differences	(4)	(2)	(40)	<b>(46)</b>	(28)
Effect of adoption of proportionate consolidation	—	—	—	—	(58)
Balance at end of year	<u>221</u>	<u>1 429</u>	<u>808</u>	<b><u>2 458</u></b>	<u>2 030</u>
<b>Accumulated depreciation and impairment</b>					
Balance at beginning of year	57	914	388	<b>1 359</b>	1 322
Depreciation	4	76	109	<b>189</b>	127
Acquisition of subsidiaries	2	76	78	<b>156</b>	—
Disposals	(4)	(14)	(41)	<b>(59)</b>	(37)
Translation differences	(1)	(28)	(5)	<b>(34)</b>	(23)
Effect of adoption of proportionate consolidation	—	—	—	—	(30)
Balance at end of year	<u>58</u>	<u>1 024</u>	<u>529</u>	<b><u>1 611</u></b>	<u>1 359</u>
<b>Carrying amount at 28 February 2005</b>	<u>163</u>	<u>405</u>	<u>279</u>	<b><u>847</u></b>	<u>671</u>

Details of land and buildings are available, on request, for inspection at the registered office of the company.

Assets purchased under finance leases are not material and are included in the above amounts.

The expected useful lives used for calculating depreciation fall within the following ranges:

Buildings – 50 years; plant and equipment – 3 to 20 years; computer equipment – 3 to 5 years; furniture and fittings – 5 to 20 years; vehicles – 4 years; Software and IT systems – 2 to 8 years.

	Patents and trademarks R million	Licence agreements R million	Proprietary software R million	<b>Total 2005 R million</b>	Total 2004 R million
<b>2 INTANGIBLE ASSETS</b>					
Balance at beginning of year	7	—	—	<b>7</b>	2
Acquisition of subsidiaries	—	31	1	<b>32</b>	—
Additions at cost	—	—	—	—	8
Amortisation	(2)	—	—	<b>(2)</b>	(2)
Impairments	—	—	—	—	(1)
Balance at end of year	<u>5</u>	<u>31</u>	<u>1</u>	<b><u>37</u></b>	<u>7</u>

The expected useful life for calculating amortisation is between 5 and 20 years.

## NOTES TO THE FINANCIAL STATEMENTS - (CONTINUED)

	2005 R million	2004 R million
<b>3 GOODWILL</b>		
Reconciliation of the carrying amount of goodwill arising on investments in subsidiaries		
<b>Cost</b>		
At beginning of year	828	714
Arising on acquisitions – pre 31 March 2004	415	114
Arising on acquisitions – post 31 March 2004	224	—
Eliminated on disposals	(3)	—
At end of year	<u>1 464</u>	<u>828</u>
<b>Amortisation and impairment</b>		
At beginning of year	373	243
Eliminated on disposals	(1)	—
Impairment	102	—
Amortisation for the year on acquisitions pre 31 March 2004	192	130
Adjustment for the year on acquisitions post 31 March 2004	4	—
At end of year	<u>670</u>	<u>373</u>
<b>Carrying amount</b>	<u>794</u>	<u>455</u>
The estimated useful life of goodwill for amortisation purposes is between 5 and 20 years.		
Goodwill arising on business combinations after 31 March 2004 is not amortised.		
A reduction of goodwill was adjusted in the income statement in respect of tax losses and deductible temporary differences realised after acquisition that did not meet the recognition criteria of a deferred tax asset at acquisition.		
Impairment tests are conducted on an annual basis using a discounted cash flow valuation model.		
<b>4 ASSOCIATES AND OTHER INVESTMENTS</b>		
Associates	249	37
Investments	123	89
Loans	51	57
Refer Annexure 1 for details	<u>423</u>	<u>183</u>

	2005 R million	2004 R million
<b>5 DEFERRED TAXATION</b>		
<b>5.1 Deferred taxation movement</b>		
Balance at beginning of year	(82)	(83)
Adoption of AC 501 – STC credits	–	(14)
Charged to the income statement	32	10
Translation effect	–	(3)
Acquisitions and disposals	(11)	8
	<u>(61)</u>	<u>(82)</u>
<b>5.2 Deferred taxation balances</b>		
Provisions for taxation on temporary differences resulting from:		
Property, plant and equipment	35	24
Construction work in progress	(1)	(2)
Receipts in advance	(34)	(21)
Receivables	(3)	(9)
Contract allowances	21	6
Provisions	(43)	(47)
Tax losses	(22)	(14)
Other	(2)	(5)
Secondary taxation credits	(12)	(14)
	<u>(61)</u>	<u>(82)</u>
The above balance comprises:		
Deferred taxation liabilities	53	31
Deferred taxation assets	(114)	(113)
	<u>(61)</u>	<u>(82)</u>
<b>6 INVENTORIES</b>		
Raw materials	429	321
Work in progress	256	189
Finished goods	428	395
Merchandise	82	93
Consumable stores	19	19
	<u>1 214</u>	<u>1 017</u>
Less receipts in advance	(56)	(112)
	<u>1 158</u>	<u>905</u>
Inventories carried at cost	932	782
Inventories carried at net realisable value	226	123
	<u>1 158</u>	<u>905</u>

## NOTES TO THE FINANCIAL STATEMENTS - (CONTINUED)

	2005 R million	2004 R million
<b>7 TRADE AND OTHER RECEIVABLES</b>		
Trade	1 639	1 341
Other	140	201
	<u>1 779</u>	<u>1 542</u>
<b>8 CASH AND CASH EQUIVALENTS</b>		
Cash at bank and on deposit	<u>1 520</u>	2 004

## GROUP AND COMPANY

	2005 Number of shares	2004 Number of shares	2005 R million	2004 R million
<b>9 SHARE CAPITAL AND PREMIUM</b>				
<b>9.1 Authorised</b>				
Ordinary shares of 2 cents each	247 500 000	247 500 000	5	5
Participating preference shares of 0.01 cent each	<u>500 000 000</u>	<u>500 000 000</u>	*	*
			<u>5</u>	<u>5</u>
<b>9.2 Issued</b>				
<i>Ordinary shares</i>				
In issue at beginning of year	97 174 115	97 174 115	2	2
Issued in terms of share schemes	—	—	—	—
In issue at end of year	97 174 115	97 174 115	2	2
Less own shares acquired	<u>(3 246 469)</u>	<u>(3 246 469)</u>		
Net ordinary shares	<u>93 927 646</u>	<u>93 927 646</u>		
<i>Participating preference shares</i>				
In issue at beginning of year	204 790 976	201 243 942	*	*
Issued in terms of share schemes	<u>3 907 688</u>	<u>3 547 034</u>	*	*
In issue at end of year	208 698 664	204 790 976	*	*
Less own shares acquired	<u>(24 310 492)</u>	<u>(24 310 492)</u>		
Net participating preference shares	<u>184 388 172</u>	<u>180 480 484</u>		
<b>9.3 Share premium</b>				
Balance at beginning of year			787	768
Share premium arising from issue of shares			<u>17</u>	<u>19</u>
Balance at end of year			<u>804</u>	<u>787</u>
<b>9.4 Total issued share capital and premium</b>			<u>806</u>	<u>789</u>

\* Amount less than R1 million

	<b>2005 Number of shares</b>	2004 Number of shares
<b>9 SHARE CAPITAL AND PREMIUM</b> <i>(continued)</i>		
<b>9.5 Unissued</b>		
<i>Ordinary shares</i>		
Shares reserved to meet the requirements of:		
<i>Altron Group Share Incentive Scheme</i>	<b>4 847 855</b>	4 847 855
– shares available for allocation	<b>4 847 855</b>	4 847 855
Shares under the control of the directors until the forthcoming annual general meeting	<b>145 478 030</b>	145 478 030
	<b>150 325 885</b>	150 325 885
<b>Participating preference shares</b>		
Shares reserved to meet the requirements of:		
<i>Allied Electronics Corporation Limited Share Trust</i>	<b>5 247 687</b>	9 334 409
– unexercised allocations of share options at various prices and expiry dates	<b>5 247 687</b>	9 334 409
<i>Altron Group Share Incentive Scheme</i>	<b>24 360 068</b>	24 181 034
– unexercised allocations of share options at various prices and expiry dates	<b>5 211 600</b>	4 043 400
– shares available for allocation	<b>19 148 468</b>	20 137 634
Shares under control of the directors until the forthcoming annual general meeting	<b>261 693 581</b>	261 693 581
	<b>291 301 336</b>	295 209 024
	Allied Electronics Corporation Ltd share trust	Altron Group share incentive scheme
		Total share options
<b>9.6 Employee share options – participating preference shares</b>		
Number of options allocated at beginning of year	9 334 409	4 043 400
Number of options granted	—	1 467 900
Number of options lapsed/forfeited	(195 934)	(282 800)
Number of options exercised	(3 890 788)	(16 900)
Number of options allocated at end of year	5 247 687	5 211 600
		13 377 809
		1 467 900
		(478 734)
		(3 907 688)
		10 459 287

## NOTES TO THE FINANCIAL STATEMENTS - (CONTINUED)

**9 SHARE CAPITAL AND PREMIUM** *(continued)***9.7 The Altron Group Share Incentive Scheme and Allied Electronics Corporation Limited Share Trust**

Details of rights outstanding at the end of year under review:

Date granted	Exercise price per share	Options and deferred delivery shares outstanding at 28 February 2005	
		Allied Electronics Corp. Ltd Share Trust	Altron Group Share Incentive Scheme
6 April 1995	R 6.50	181 500	
2 September 1996	R 6.10	15 400	
20 December 1996	R 4.80	291 800	
6 March 1997	R 5.05	263 700	
12 January 1998	R 8.30	20 000	
15 September 1998	R 3.49	1 010 797	
26 January 1999	R 4.70	39 400	
5 March 1999	R 5.25	616 300	
30 May 2000	R 5.00	193 200	
28 June 2000	R 4.85	2 366 540	
10 April 2001	R 7.00	41 100	
13 March 2002	R 7.40	207 950	
1 October 2002	R 7.25		3 622 700
14 February 2003	R 7.70		50 000
1 April 2003	R 7.00		41 000
11 December 2003	R10.00		30 000
27 July 2004	R11.20		1 467 900
		5 247 687	5 211 600

Both share schemes have a vesting period of three years from initial date of allocation before the options may be exercised.

The Allied Electronics Corporation Limited Share Trust is a ten-year scheme and is currently in run-off where the last of the options so granted are exercisable in March 2012.

The Altron Group Share Incentive Scheme is a six-year scheme.

*Please refer to the remuneration report for details of options held by directors.*

**9.8 Effect of IFRS 2 – Share-based payments**

If IFRS 2 – share-based payments had been implemented in the current year, a charge of R1.4 million to the income statement would have been incurred on share options granted to group employees.

	2005 R million	2004 R million
<b>10 ADOPTION OF NEW ACCOUNTING STANDARDS AND CHANGE IN ACCOUNTING POLICY</b>		
<b>10.1 Accounting for Secondary Taxation on Companies (STC)</b>		
During the year the South African Statement of Generally Accepted Accounting Practice AC501 – Accounting for Secondary Taxation on Companies (STC) was adopted. In terms of the statement a deferred tax asset should be recognised on unused STC credits when it is probable that such unused STC credits will be utilised in the future.		
<b>10.2 Premiums and discounts arising on subsequent purchases from or sales to minority interests in subsidiaries</b>		
Following the classification of minority interests as equity any increases and decreases in ownership interests in subsidiaries without a change in control are recognised as equity transactions in the consolidated financial statements.		
Previously premiums or discounts on subsequent purchases of equity instruments from minorities were taken to profit or loss as a capital item in the income statement.		
The comparative amounts have been restated. The effect of the changes is as follows:		
	<b>Year ended 29 February 2004</b>	Years ended 28 February 2003
10.1 Effect on deferred taxation	<b>(3)</b>	17
10.1 Minority interest on STC credits	<b>1</b>	(1)
10.2 Effect on capital items	<b>(39)</b>	(44)
10.2 Tax effect of capital items	<b>—</b>	2
10.2 Minority interest in capital items	<b>3</b>	19
Net effect	<b>(38)</b>	(7)
Opening retained earnings as previously stated	<b>1 762</b>	1 514
10.1 Net change of STC credits	<b>14</b>	16
10.2 Net change of premium on equity movements	<b>(59)</b>	(23)
Opening retained earnings restated	<b>1 717</b>	1 507
STC credits effect on EPS and HEPS	<b>(0.8)</b>	
Premium on equity transactions effect on EPS. (No HEPS effect.)	<b>(13.0)</b>	

## NOTES TO THE FINANCIAL STATEMENTS - (CONTINUED)

### 11 BLACK ECONOMIC EMPOWERMENT (BEE) TRANSACTIONS

The group entered into the following material BEE transactions during the year under review:

#### 11.1 Altech group – NamITech Holdings Limited (NamITech) – Pamodzi Investment Holdings (Pty) Limited (Pamodzi)

The Altech group acquired an interest in NamITech. Simultaneously with the acquisition, NamITech issued preferred ordinary shares to Pamodzi, a BEE company.

The preferred ordinary shares entitle Pamodzi to 28% of the voting rights in respect of the total issued share capital of NamITech and to 28% of the earnings in excess of predetermined base earnings of NamITech. Pamodzi will be entitled to dividends on the earnings in excess of base year earnings at the rate of 32% with the agreed dividend policy being a dividend equal to one third of NamITech's earnings. At the time the dividends on the preferred ordinary shares equal the dividends on the ordinary shares, then the preferred ordinary shares will be entitled to 28% of the total annual earnings of NamITech and 28% of its shareholders' equity. In the event of a liquidation or sale of NamITech, Pamodzi will be entitled to 28% of the proceeds at that date.

Assuming that any of the above events had occurred at 28 February 2005 the interest of Pamodzi would have equated to R113 million.

A transfer to the Pamodzi minority will be made from retained income when they are entitled thereto in the year that the dividends on the preferred ordinary shares are equal to the dividends on the ordinary shares.

A diluted earnings adjustment has not been made in respect of the preferred ordinary shares as the earnings of NamITech have yet to meet the level at which the shares would have full participative rights to earnings and dividends of the company.

#### 11.2 Powertech group – Aberdare Cables (Pty) Limited (Aberdare) – Izingwe Aberdare Cables Investments (Pty) Limited (Izingwe)

Powertech entered into an agreement with Izingwe to dispose of 30% of its equity interest and shareholders' loans in Aberdare. The purchase price was funded by a financial institution. The financing arrangement includes certain put and call options to Altron and Powertech and includes a number of terms and conditions that need to be maintained or fulfilled before the risks attached to repayment of the loan fully transfer to Izingwe.

Although the rewards of ownership have fully vested in Izingwe, due to the requirements of the current accounting framework, the recognition of the disposal has been deferred in the financial statements until the obligation to repay the funding of the Aberdare shares has fully transferred to Izingwe.

The funding obligation is consequently reflected as a liability of the group (refer note 13).

A diluted earnings adjustment amounting to R11 million has been calculated based on the profit that would be attributable to the 30% shareholding less dividends paid to Izingwe that were applied to repay the funding obligation (refer note 25.3).

The net asset value attributable to the 30% minority interest in Aberdare would have equated to R229 million at 28 February 2005.

#### 11.3 BTG group – BTG South Africa (Pty) Limited (BTG SA) – Kagiso Strategic Investments (Pty) Limited (Kagiso)

BTG disposed of 27% of its equity interest in Bytes Technology Group South Africa (Pty) Limited to Kagiso Strategic Investments, 5% of which was settled in cash and the remaining 22% to be settled on the exercise of options at a price of R198 million.

A diluted earnings adjustment amounting to a net R20 million has been calculated based on the profit that would be attributable to the additional 22% shareholding adjusted for interest that would have been earned on the proceeds of the shares issued (refer note 25.3).

	Notes	2005 R million	2004 R million
<b>12 BORROWINGS</b>			
<b>12.1 Long-term liabilities</b>			
Preference shares of subsidiary	(a)	<b>206</b>	204
Venopt	(b)	<b>208</b>	—
Sale and leaseback	(c)	<b>19</b>	19
Finance leases	(c)	<b>5</b>	3
Spanish Government	(d)	<b>3</b>	4
Barclays Bank	(e)	<b>78</b>	—
Nedcor UK		—	53
ABSA		—	41
Nedcor SA		—	40
		<b>519</b>	364
<i>Less payable within one year shown as short-term loans</i>		<b>(30)</b>	(87)
		<b>489</b>	277

- (a) A subsidiary has issued cumulative redeemable preference shares. These shares have a variable dividend coupon rate of 68% of the prime bank overdraft rate. The dividends are payable half yearly in arrears commencing 31 March 2004 and the shares are redeemable on 1 December 2006.
- (b) The loan granted by Venopt (Pty) Limited, a company controlled by Kagiso Strategic Investments (Pty) Limited, is a five-year term loan funded in equal parts by Absa and Nedcor. The loan bears interest at JIBAR plus 2.1% which currently equates to 9.686%. The company is obliged to make six-monthly contributions of R20.0 million into a preference share trust which is ceded as security to the banks. The facility is further secured by a cession in favour of the banks of the right, title and interest in the trade receivables of BTG South Africa (Pty) Limited.
- (c) Capitalised finance leases and the property sale and leaseback liabilities are settled in monthly instalments over periods of up to seven years and bear interest at rates linked to the prime bank overdraft rate. The property lease runs over a period of ten years, of which four years remain, and is secured by land and buildings with a net book value of R17 million.
- (d) Euro loans from the Spanish Government which are interest free and repayable in four equal annual instalments.
- (e) The Barclays Bank facility which is denominated in US Dollars bears interest at LIBOR plus 2.5%, which currently equates to 5.85%. The loan is repayable in four annual instalments commencing in 2008. It is secured by assets of Altech Econet Wireless Limited.

## NOTES TO THE FINANCIAL STATEMENTS - (CONTINUED)

	2005 R million	2004 R million
<b>12 BORROWINGS</b> <i>(continued)</i>		
<b>12.1 Long-term liabilities</b> <i>(continued)</i>		
<b>Funding of rental finance book</b>		
Various commercial banks	—	160
Less short-term portion	—	(160)
<b>Total long-term liabilities</b>	<b>489</b>	<b>277</b>
<b>12.2 Short-term loans</b>		
Current portion of long-term liabilities	<b>30</b>	<b>247</b>
<b>12.3 Borrowing facilities</b>		
In terms of the articles of association, the borrowing powers of the group are unlimited.		
Unutilised banking facilities	<b>2 248</b>	<b>1 854</b>
<b>13 EMPOWERMENT FUNDING OBLIGATION</b>		
Funds received	<b>165</b>	—
Interest accrued	<b>14</b>	—
Dividend paid	<b>(7)</b>	—
	<b>172</b>	—
The dividends on the preference shares bear a dividend rate of 9.61%.		
The expected redemption period is from March 2008 to March 2014.		
Refer note 11.2		

	Post-retirement medical aid benefits R million	Warranties and contract losses R million	Provision for discon- tinuance R million	<b>Total R million</b>
<b>14 PROVISIONS</b>				
Long-term provisions	10	—	—	<b>10</b>
Current portion included in current liabilities	—	99	44	<b>143</b>
<b>Total provisions at 29 February 2004</b>	<b>10</b>	<b>99</b>	<b>44</b>	<b>153</b>
Provisions raised during the year	—	30	—	<b>30</b>
Acquisition of subsidiaries	—	16	—	<b>16</b>
Provisions utilised/released during the year included in operating income	—	(58)	—	<b>(58)</b>
Provisions released during the year included in capital items	—	—	(44)	<b>(44)</b>
<b>Total provisions at 28 February 2005</b>	<b>10</b>	<b>87</b>	<b>—</b>	<b>97</b>
Provisions comprise:				
Long term	10	20	—	<b>30</b>
Current portion included in current liabilities	—	67	—	<b>67</b>
	<b>10</b>	<b>87</b>	<b>—</b>	<b>97</b>
			<b>2005 R million</b>	2004 R million
<b>15 TRADE AND OTHER PAYABLES</b>				
Trade			<b>1 963</b>	1 476
Other			<b>244</b>	198
			<b>2 207</b>	1 674
<b>16 RETIREMENT BENEFIT PLANS</b>				
<b>Defined contribution plans</b>				
The majority of the group's employees are members of the Altron Group Pension Fund, which is a defined contribution fund and is governed by the Pension Funds Act, 1956 as amended.				
Additionally the group provides retirement benefits for certain of its employees through the Altron Group Provident Fund. The fund is a defined contribution fund and is governed by the Pension Funds Act, 1956 as amended. Contributions to the fund comprise between 8% and 20% of pensionable emoluments.				
The group's contribution to these funds amounted to R70 million (2004: R67 million).				
The contribution rate of the employers is 10% (2004: 10%), calculated on the pensionable emoluments of members.				
<b>Multi-employer plans</b>				
After acquisition of subsidiaries, certain employees remained members of their previous funds. A number of these are defined benefit plans. These industry-managed retirement benefit schemes are dealt with as defined contribution plans where the group's obligations under the schemes are equivalent to those arising in a defined contribution plan.				
The group's contribution to these funds amounted to R23 million (2004: R16 million).				
<b>Defined benefit plans</b>				
Members of the Altron Group Pension Fund who were members prior to 1 September 1996 are entitled to minimum benefit equal to the previously provided defined benefit pension. Those members who were members prior to 1 November 1999 are entitled to some post-retirement medical assistance.				
The benefit plans disclosed below are only in respect of the defined benefit pension and medical assistance for those members.				

## NOTES TO THE FINANCIAL STATEMENTS - (CONTINUED)

	2005 R million	2004 R million
<b>16 RETIREMENT BENEFIT PLANS</b> <i>(continued)</i>		
<b>Defined benefit plans</b>		
<b>16.1 Value of obligations</b>		
Fair value of plan assets	1 412	1 227
Present value of funded obligations	(1 169)	(1 064)
Surplus at year end	243	163
Unrecognised due to paragraph 59 limit	(105)	(104)
Unrecognised actuarial gains	(138)	(59)
Asset recognised on the balance sheet	—	—
<b>16.2 Components of income statement expense</b>		
Current service cost including defined contribution plans	56	67
<b>16.3 Reconciliation of the net assets recognised on the balance sheet</b>		
Amount recognised at beginning of year	—	—
Unrecognised due to paragraph 59 limit at beginning of year	104	93
Net expense recognised in the income statement	(56)	(67)
Contributions	56	67
Unrecognised increase in assets due to paragraph 59 limit	1	11
Net asset at end of year	105	104
Unrecognised due to paragraph 59 limit at end of year	(105)	(104)
Amount recognised at end of year	—	—
AC 116 – Employee Benefits paragraph 59 only allows an asset to be recognised on the company's balance sheet to the extent that economic benefits are available to the company in the form of refunds or reductions in future contributions.		
The Pension Funds Act, 1956 as amended, precludes the company from accessing the asset in 16.1 above and, accordingly, it has not been recognised on the group's balance sheet.		
<b>16.4 Principal actuarial assumptions</b>		
Discount rate	8.5%	9.0%
Inflation rate	4.0%	4.5%
Salary increase rate	5.5%	6.0%
Expected return on assets	9.5%	9.0%
Pension increase allowance	4.0%	4.5%
Actual return on the Altron Group Pension Fund	22.1%	24.6%

	2005 R million	2004 R million
<b>17 REVENUE</b>		
Goods sold	8 065	6 693
Services rendered	4 101	3 291
Rental finance income	40	61
	<u>12 206</u>	<u>10 045</u>
<b>18 OPERATING INCOME BEFORE GOODWILL AMORTISED/ IMPAIRED AND CAPITAL ITEMS</b>		
Is stated after taking account of the following items:		
<b>18.1 Auditors' remuneration</b>		
Audit fees	12	11
Fees for other services	2	2
	<u>14</u>	<u>13</u>
<b>18.2 Directors' remuneration excluding share option gains</b>		
Refer to remuneration report on page 55	29	26
	<u>29</u>	<u>26</u>
<b>18.3 Fees paid</b>		
Managerial fees	13	1
Technical, consultancy and "know-how"	54	28
	<u>67</u>	<u>29</u>
<b>18.4 Foreign exchange gains/(losses)</b>		
Gains	44	21
Losses	(28)	(50)
Forward exchange contracts fair value adjustments	(3)	26
	<u>13</u>	<u>(3)</u>
Being:		
Realised	17	(23)
Unrealised	(4)	20
<b>18.5 Net decrease in provisions</b>	(28)	(43)
<b>18.6 Operating lease charges</b>		
Property	92	72
Plant, equipment and vehicles	24	26
	<u>116</u>	<u>98</u>
<b>18.7 Other income</b>		
Government grants and other allowances	12	16
<b>18.8 Research and development expenditure</b>	56	70

## NOTES TO THE FINANCIAL STATEMENTS - (CONTINUED)

	2005 R million	2004 R million
<b>19 GOODWILL AMORTISED AND IMPAIRED</b>		
Goodwill amortised	196	130
Goodwill impaired	102	—
Goodwill amortised on investment in associate	2	4
	<u>300</u>	<u>134</u>
<b>20 CAPITAL ITEMS</b>		
Foreign currency translation reserves realised	67	—
Release of discontinuance provision	44	—
Impairment reversal/(losses)	5	(10)
Net gain on disposal of property, plant and equipment	7	1
Net (loss)/gain on disposal and closure of businesses	(9)	4
	<u>114</u>	<u>(5)</u>
<b>21 INVESTMENT INCOME</b>		
Interest received	82	119
Dividends from preference share investments	18	26
	<u>100</u>	<u>145</u>
<b>22 FINANCE COST</b>		
Interest paid	33	22
Interest on empowerment funding obligation	14	—
Preference dividends of subsidiary	15	4
	<u>62</u>	<u>26</u>
<b>23 INCOME FROM ASSOCIATES</b>		
Attributable earnings	24	9

	2005 R million	2004 R million
<b>24 TAXATION</b>		
<b>24.1 Taxation charge</b>		
Current taxation	280	244
Deferred taxation – current year	30	22
– change in rate	1	—
– tax losses	(13)	—
Adjustment to prior years		
– current taxation	—	(22)
– deferred taxation	14	(12)
	<u>312</u>	<u>232</u>
Secondary taxation on companies	28	23
	<u>340</u>	<u>255</u>
<b>24.2 Reconciliation of rate of taxation</b>	%	%
South African normal tax rate	<u>30.0</u>	<u>30.0</u>
Adjusted for:		
Disallowable expenditure	4.0	1.5
Goodwill amortised, impaired and adjusted	10.5	5.2
Non-taxable income	(8.3)	(1.9)
Foreign tax rate differential	(0.1)	—
Tax losses not capitalised	0.1	2.3
Income from associates	(0.4)	(1.3)
Change in rate of taxation	0.2	—
Prior year adjustments	1.0	(2.4)
	<u>7.0</u>	<u>3.4</u>
Secondary tax on companies	3.3	2.7
Net increase	<u>10.3</u>	<u>6.1</u>
Effective tax rate	<u>40.3</u>	<u>36.1</u>
<b>24.3 Tax losses</b>		
Estimated tax losses available for set-off against future taxable income	240	241
Applied to reduce deferred taxation	(80)	(44)
	<u>160</u>	<u>197</u>
Attributable to minorities	(8)	(51)
	<u>152</u>	<u>146</u>

## NOTES TO THE FINANCIAL STATEMENTS - (CONTINUED)

	2005 R million	2004 R million
<b>25 EARNINGS PER SHARE</b>		
<b>25.1 Reconciliation between earnings and headline earnings</b>		
Earnings attributable to ordinary and participating preference shareholders	400	304
Adjustments for:		
Capital items	(114)	5
Goodwill amortised, impaired and adjusted	300	134
Share of associates' goodwill amortised	2	1
	<u>588</u>	<u>444</u>
Tax effect of adjustments	(11)	(1)
Minority interest in adjustments	(132)	(66)
Headline earnings	<u>445</u>	<u>377</u>
<b>25.2 Reconciliation between number of shares used for earnings per share and diluted earnings per share</b>		
	<b>Number of shares</b>	<b>Number of shares</b>
Weighted average number of shares	276 106 169	272 811 673
Dilutive options	5 463 428	5 447 436
Number of shares to calculate dilution	<u>281 569 597</u>	<u>278 259 109</u>
<b>25.3 Reconciliation between earnings attributable to ordinary shareholders and fully diluted earnings are as follows:</b>		
	<b>R million</b>	<b>R million</b>
Earnings attributable to ordinary and participating preference shareholders	400	304
Interest earned on proceeds of share sale	13	—
Additional minority interest in subsidiaries	(44)	—
Minority interest in adjustments	8	—
Fully diluted earnings	<u>377</u>	<u>304</u>
<b>25.4 Reconciliation between headline earnings attributable to ordinary shareholders and fully diluted headline earnings are as follows:</b>		
Headline earnings	445	377
Interest earned on proceeds of share sale	13	—
Additional minority interest in subsidiaries	(45)	—
Minority interest of adjustments	8	—
Fully diluted headline earnings	<u>421</u>	<u>377</u>

Basic earnings per share is calculated by dividing the net profit attributable to ordinary and participating preference shareholders by the weighted average number of ordinary shares in issue during the year.

Basic headline earnings per share is calculated by dividing headline earnings by the weighted average number of ordinary shares in issue during the year.

For diluted earnings and headline earnings per share the weighted average number of ordinary shares is adjusted to assume conversion of not yet released purchased shares under the Employee Share Option Scheme, net of shares held by the Scheme for releasing purposes.

Fully diluted earnings and headline earnings have been calculated on the basis that:

- The recognition of the deferred 30% interest of the Izingwe Consortium in Aberdare Cables less dividends utilised to repay the funding obligation (refer note 11.2).
- Kagiso Strategic Investments (Pty) Limited exercised its full option on 22% of the shares in Bytes Technology Group South Africa (Pty) Limited effective 1 March 2004. It is assumed that the proceeds on the issue of these shares of R198 million would have attracted interest at 6.65% after tax for the full year under review (refer note 11.3).

	<b>2005 R million</b>	2004 R million
<b>26 DIVIDENDS PROPOSED</b>		
Ordinary dividend No 57 of 63.0 cents (2004: 52.0 cents per share)	<b>59</b>	49
Preference dividend No 11 of 63.0 cents (2004: 52.0 cents per share)	<b>116</b>	94
	<b>175</b>	143
<b>27 COMMITMENTS</b>		
<b>27.1 Capital expenditure</b>		
Contracts for capital expenditure not provided for in the financial statements	<b>43</b>	13
Capital expenditure authorised but not contracted for	<b>34</b>	67
	<b>77</b>	80
<p>This expenditure will be incurred in the ensuing year and will be financed from existing cash resources.</p>		
<b>27.2 Amounts outstanding under operating lease agreements</b>		
At the balance sheet date the group had outstanding commitments under non-cancellable operating leases, which fall due as follows:		
<b>Within one year</b>		
Property	<b>92</b>	70
Plant, equipment and vehicles	<b>41</b>	35
	<b>133</b>	105
<b>One to five years</b>		
Property	<b>233</b>	133
Plant, equipment and vehicles	<b>36</b>	33
	<b>269</b>	166
<b>Thereafter</b>		
Property	<b>40</b>	21
<b>Total</b>	<b>442</b>	292
<b>28 CONTINGENT LIABILITIES</b>		
<p>During the prior year the South African Revenue Services had disallowed certain assessed losses to the value of R27 million in group companies which had previously been allowed. Objections have been lodged against the revised assessments and the group is confident, based on the opinions from senior counsel, that the objections will be upheld.</p>		

## NOTES TO THE FINANCIAL STATEMENTS - (CONTINUED)

**29 FINANCIAL INSTRUMENTS**

Exposure to currency, interest rate and credit risk arises in the normal course of the group's business.

**29.1 Currency risk**

Foreign exchange contracts are used as a means of reducing exposure to fluctuations in foreign exchange rates.

The group incurs currency risk as a result of transactions which are denominated in a currency other than the group entity's functional currency in respect of purchases, sales and borrowings.

The currencies, giving rise to currency risk in which the group deals primarily are UK Pounds, US Dollars and Euros.

The group entities hedge payables, receivables and borrowings denominated in a foreign currency.

**29.2 Foreign exchange contracts**

The principal or contract amounts of foreign exchange contracts for trade payables, receivables and borrowings including forecast transactions, at balance sheet date were:

	2005		2004	
	Foreign amount million	Rand amount R million	Foreign amount million	Rand amount R million
British Pounds	6.4	71.7	3.5	44.9
US Dollars	17.2	101.8	5.1	42.8
Euros	18.4	142.7	8.4	71.2
Swedish Kronor	15.1	13.0	5.3	5.0
New Zealand Dollar	1.3	5.5	—	—
Swiss Francs	0.7	3.4	0.4	2.3
Australian Dollar	—	—	(3.0)	(13.8)
Various		0.7		3.7
		<b>338.8</b>		156.1
Comprising foreign exchange contracts:				
– to pay		445.3		401.5
– to receive		(106.5)		(245.4)
		<b>338.8</b>		156.1
Value of contracts at mark-to-market		<b>344.7</b>		
<b>Contracts in respect of forecast transactions</b>				
The group has entered into certain forward exchange contracts, included above, which do not relate to specific items appearing on the balance sheet, but were entered into to cover foreign commitments not yet due. The contracts will be utilised for purposes of inventory procurement and sales during the following year.				
– to pay		82		132
– to receive		(1)		(1)
		<b>81</b>		131

## 29 FINANCIAL INSTRUMENTS *(continued)*

### 29.3 Monetary assets/(liabilities) *(continued)*

Monetary assets and liabilities denominated in currencies other than South African Rands and not covered by forward exchange contracts into South African Rands were as follows:

	2005		2004	
	Foreign amount million	Rand amount R million	Foreign amount million	Rand amount R million
Net assets/(liabilities)				
British Pounds	(0.2)	(2.0)	0.1	1.6
US Dollars	4.5	25.6	1.5	10.0
Euros	3.0	27.1	1.4	11.9
Australian Dollar	8.5	39.2	—	—
Other		(16.4)		(1.2)
		<u>73.5</u>		<u>22.3</u>

### 29.4 Repricing analyses

Financial assets and liabilities that are sensitive to interest rate risk are cash and cash equivalents and long-term liabilities.

The interest rates applicable to these financial instruments are in line with those currently available in the market.

### 29.5 Credit risk

Management has a credit risk policy in place and the exposure to credit risk is monitored on an ongoing basis.

Credit evaluations are performed on all customers requiring credit over a certain amount.

Credit guarantee insurance is taken out where appropriate.

The maximum exposure to credit risk is represented by the carrying value of each financial asset in the balance sheet.

The maximum exposure to credit risk arising from derivative financial instruments is the contractual amounts receivable in respect of foreign exchange contracts.

### 29.6 Fair values

The fair values of all financial instruments are substantially identical to the carrying values reflected in the balance sheet.

## 30 RELATED PARTY TRANSACTIONS

During the year the company and its subsidiaries, in the ordinary course of business, entered into various sale and purchase transactions with associates and joint ventures. These transactions occurred under terms that are no less favourable than those arranged with third parties.

### 30.1 Associates and joint ventures

Details of investments in associates and joint ventures are disclosed in Annexure 1.

The group sold goods to the value of R1.1 million (2004: R37.4 million) to associates.

The group earned interest from associates and other investments to the value of R7.2 million (2004: R8.4 million).

### 30.2 Directors

Details relating to directors' emoluments and shareholdings in the company are disclosed in the Remuneration Report on page 55.

### 30.3 Shareholders

The principal shareholders of the company are detailed in the Analyses of Shareholders on page 29 of the annual report.

## NOTES TO THE FINANCIAL STATEMENTS - (CONTINUED)

	2005 R million	2004 R million
<b>31 CASH GENERATED BY OPERATIONS</b>		
Operating income before goodwill amortised/impaired and capital items	968	718
Adjustments for:		
Depreciation and amortisation	191	129
Unrealised foreign exchange losses/(gains)	4	(20)
Movement in provisions and other non-cash movements	(41)	(32)
	<u>1 122</u>	<u>795</u>
Cash generated before movements in working capital		
(Increase)/decrease in inventories	(153)	99
Decrease in trade and other receivables	51	267
Increase in trade and other payables	180	21
	<u>1 200</u>	<u>1 182</u>
<b>32 DIVIDENDS RECEIVED FROM ASSOCIATES AND OTHER INVESTMENTS</b>		
Dividends receivable at beginning of year	13	—
Dividends per the income statement	18	26
Dividends receivable at end of year	(25)	(13)
	<u>6</u>	<u>13</u>
<b>33 TAXATION PAID</b>		
Amounts unpaid at beginning of year	(116)	(177)
Amounts charged to the income statement	(308)	(242)
Relating to acquisitions, disposals and translation	(6)	8
Amounts unpaid at end of year	164	116
	<u>(266)</u>	<u>(295)</u>
<b>34 PROCEEDS ON DISPOSAL OF PROPERTY, PLANT AND EQUIPMENT</b>		
Carrying amount	68	54
Surplus on disposal	7	1
	<u>75</u>	<u>55</u>
<b>35 CHANGE FROM SUBSIDIARY TO ASSOCIATE</b>		
Property, plant and equipment	2	—
Goodwill	2	—
Inventories	3	—
Trade and other receivables	6	—
Trade and other payables	(1)	—
Taxation	(1)	—
Increase in investment in associate	(12)	—
Reductions in minority interest	(2)	—
	<u>(3)</u>	<u>—</u>
Net cash and cash equivalents removed		

	2005 R million	2004 R million
<b>36 OTHER INVESTING ACTIVITIES</b>		
Proceeds on disposal of partial investment in subsidiaries	46	5
Treasury shares in Altech	(257)	
Redemption of share in associate	(6)	1
Net increase of loans with other investments	(1)	(9)
	<u>(218)</u>	<u>(3)</u>
<b>37 ACQUISITION OF SUBSIDIARIES AND JOINT VENTURE</b>		
Property, plant and equipment	(114)	—
Intangible assets	(32)	—
Investments	(272)	—
Inventories	(103)	—
Trade and other receivables	(294)	1
Trade and other payables	354	—
Provisions	16	—
Taxation	7	—
Deferred tax	(11)	—
Net loans	5	—
Net cash	52	(8)
	<u>(392)</u>	<u>(7)</u>
Minority interest	55	(134)
Costs	(2)	—
Shares issued in subsidiary	45	—
Goodwill arising	(639)	(114)
	<u>(933)</u>	<u>(255)</u>
Cash paid	(933)	(255)
Less cash acquired	(52)	8
	<u>(985)</u>	<u>(247)</u>
<b>38 CHANGES IN MINORITY INTERESTS</b>		
Repayment of loans with minorities	(10)	—
Capital reduction	—	(1)
	<u>(10)</u>	<u>(1)</u>

## ANNEXURES TO THE FINANCIAL STATEMENTS

## ANNEXURE 1

## ASSOCIATES, OTHER INVESTMENTS AND JOINT VENTURES

	Altron controlled interest		Investment at cost less amounts written off		Attributable share of retained income		Indebtedness		Total investment	
	2005 %	2004 %	2005 Rm	2004 Rm	2005 Rm	2004 Rm	2005 Rm	2004 Rm	2005 Rm	2004 Rm
<b>ASSOCIATE COMPANIES – Unlisted</b>										
Aeromaritime International Management Services (Pty) Limited	50.0	50.0	—	—	3	3	—	—	3	3
Fintech (Pty) Limited	34.5	34.5	—	—	4	2	8	9	12	11
Digital Healthcare Solutions (Pty) Limited	39.1	39.1	—	5	21	17	—	—	21	22
TSS MS	40.0	40.0	—	—	—	1	—	—	—	1
Mascom Wireless Botswana (Pty) Limited	20.0*	—	187	—	12	—	—	—	199	—
Alcon Marepha (Pty) Limited	49.0	—	1	—	2	—	11	—	14	—
			188	5	42	23	19	9	249	37
Directors' valuation									282	67

\*Effective controlled interest held in AEW venture

	Investment at cost		Preference dividend receivable		Indebtedness		Total investment	
	2005 Rm	2004 Rm	2005 Rm	2004 Rm	2005 Rm	2004 Rm	2005 Rm	2004 Rm
<b>OTHER INVESTMENTS AND LOANS – Unlisted</b>								
Fintech Receivables 1 (Pty) Limited (FR1) (preference share)	1	1	36	14	27	54	64	69
Technologies Acceptances Receivables (Pty) Limited (TAR) (preference share)	—	—	1	—	24	3	25	3
Econet Wireless Nigeria Limited	85	—	—	—	—	—	85	—
Kwezi Investments (SPV) (Pty) Limited	—	52	—	22	—	—	—	74
Total	86	53	37	36	51	57	174	146
Directors' valuation							197	220

The loans in Fintech Receivables 1 and Technology Acceptances earn interest at JIBAR plus 2.5%.

The loans are repayable when cash is available in accordance with the priority of payments.

The dispute relating to Econet Wireless Limited's pre-emptive rights arising from its shareholding in Econet Wireless Nigeria Limited is still under international arbitration. The directors are confident, based on legal advice, that it will be resolved favourably.

**ANNEXURE 1** (continued)

**JOINT VENTURES**

	Altron controlled interest	
	2005 %	2004 %
ABB Powertech Transformers	50.0	50.0
Tridonic SA	50.0	50.0
AEW	50.0	—

**INFORMATION IN RESPECT OF INTEREST IN ASSOCIATES AND JOINT VENTURES**

	Associates		Joint ventures		FR1 and TAR	
	2005 Rm	2004 Rm	2005 Rm	2004 Rm	2005 Rm	2004 Rm
<b>Abridged balance sheets</b>						
Non-current assets	433	134	437	38	730	656
Net current liabilities (excluding liquid resources)	(90)	(2)	(9)	(8)	(31)	(40)
Liquid resources	197	38	158	96	107	117
Long-term liabilities	(111)	(132)	(75)	(6)	(774)	(718)
Shareholders' equity	429	38	511	120	32	15
<b>Abridged income statements</b>						
Revenue	652	368	350	357	355	238
Expenditure	(518)	(336)	(302)	(313)	(330)	(213)
Income before taxation	134	32	48	44	25	25
Taxation	(39)	(10)	(16)	(14)	(7)	(8)
Income after taxation	95	22	32	30	18	17

**NATURE OF BUSINESSES**
**Associates**
**Digital Healthcare Solutions**

Delivers transaction switching services, practice management and informatics solutions to the healthcare industry.

**TSS Managed Services**

An empowerment company providing products and services in the information technology sector.

**Aeromaritime International Management Services**

Provides services of clearing for both imports and exports, international forwarding on both seafreight and airfreight, local and national freight distribution and cross-border roadfreight to neighbouring countries in Africa.

**Fintech**

An independent lease originator, underwriter and administrator of business equipment.

**Mascom Wireless Botswana**

Mascom was the first cellular operator to begin operations in Botswana. It operates a GSM 900 network and went live in June 1998. It was granted a 15 year licence in February 1998 to cover the area between Lobatse and Francistown as well as the North West corridor from Francistown to Shakawe via Orapa, Kasane and Maun.

**Alcon Marepha (Pty) Limited**

Are manufacturers of medium voltage power cable.

**Joint ventures**
**ABB Powertech Transformers**

Manufacturer of power and distribution transformers. ABB Powertech Transformers is a 50% joint venture with ABB Sub-Sahara.

**Tridonic SA**

Manufacturer of lighting control gear. Tridonic SA is a 50% joint venture with Tridonic (Austria).

**AEW**

An international company with telecommunication interests in Africa, the United Kingdom and the Asia Pacific region.

## ANNEXURES TO THE FINANCIAL STATEMENTS - (CONTINUED)

## ANNEXURE 2

## SEGMENT INFORMATION – INCOME STATEMENT

	Consolidated		Telecom- munications		Multi-Media and Electronics		Information Technology		Corporate and eliminations	
	2005 Rm	2004 Rm	2005 Rm	2004 Rm	2005 Rm	2004 Rm	2005 Rm	2004 Rm	2005 Rm	2004 Rm
<b>BUSINESS SEGMENTATION</b>										
<b>Revenue</b>										
Goods sold	8 065	6 693	1 799	1 543	3 587	3 474	2 655	1 720	24	(44)
Services rendered	4 101	3 291	2 908	2 211	66	2	1 156	1 102	(29)	(24)
Rental finance income	40	61	—	—	4	4	23	26	13	31
Inter-segment revenue	—	—	6	2	66	124	1	—	(73)	(126)
Total segment revenue	12 206	10 045	4 713	3 756	3 723	3 604	3 835	2 848	(65)	(163)
Expenditure	(11 047)	(9 198)	(4 322)	(3 469)	(3 420)	(3 315)	(3 381)	(2 599)	76	185
Depreciation	(191)	(129)	(35)	(34)	(76)	(60)	(77)	(33)	(3)	(2)
<b>Segment operating income</b>	<b>968</b>	<b>718</b>	<b>356</b>	<b>253</b>	<b>227</b>	<b>229</b>	<b>377</b>	<b>216</b>	<b>8</b>	<b>20</b>
Investment income	100	145	38	32	7	19	8	5	47	89
Finance costs	(62)	(26)	(4)	—	(11)	(13)	(16)	(25)	(31)	12
Income from associates	24	9	12	—	1	—	8	6	3	3
<b>Income before goodwill amortised/impairment, capital items and taxation</b>	<b>1 030</b>	<b>846</b>	<b>402</b>	<b>285</b>	<b>224</b>	<b>235</b>	<b>377</b>	<b>202</b>	<b>27</b>	<b>124</b>
<b>GEOGRAPHIC SEGMENTATION</b>										
<b>Revenue by market</b>	<b>12 206</b>	<b>10 045</b>	<b>4 713</b>	<b>3 756</b>	<b>3 723</b>	<b>3 604</b>	<b>3 835</b>	<b>2 848</b>	<b>(65)</b>	<b>(163)</b>
South Africa	9 982	8 390	4 228	3 467	2 897	2 941	2 922	2 145	(65)	(163)
Rest of Africa	641	292	54	24	245	197	342	71	—	—
Europe	1 242	1 021	371	236	300	153	571	632	—	—
Rest of world	341	342	60	29	281	313	—	—	—	—
<b>Segment operating income by location</b>	<b>968</b>	<b>718</b>	<b>356</b>	<b>253</b>	<b>227</b>	<b>229</b>	<b>377</b>	<b>216</b>	<b>8</b>	<b>20</b>
South Africa	934	727	343	265	216	222	367	220	8	20
Rest of Africa	27	15	1	2	17	12	9	1	—	—
Europe	7	(26)	12	(13)	(6)	(8)	1	(5)	—	—
Rest of world	—	2	—	(1)	—	3	—	—	—	—

**Segment revenue and expenses**

Revenues and expenses that are directly attributable to segments are allocated to those segments. Those that are not directly attributable to segments are allocated on a reasonable basis. Segment operating income is stated before goodwill amortisation/impairment and capital items.

**Inter-segment transfers**

Segment revenue, segment expenses and segment results include transfers between business segments and between geographical segments.

These transfers occur at market prices and are eliminated on consolidation.

**ANNEXURE 2 (continued)**
**SEGMENT INFORMATION – BALANCE SHEET**

	Consolidated		Telecom- munications		Multi-Media and Electronics		Information Technology		Corporate and eliminations	
	2005 Rm	2004 Rm	2005 Rm	2004 Rm	2005 Rm	2004 Rm	2005 Rm	2004 Rm	2005 Rm	2004 Rm
<b>BUSINESS SEGMENTATION</b>										
<b>ASSETS</b>										
Property, plant and equipment	847	671	129	137	455	422	238	100	25	12
Goodwill and intangible assets	831	462	145	6	—	2	639	431	47	23
Associates and other investments	423	183	296	22	15	75	36	27	76	59
Rental finance advances	106	189	—	—	—	—	—	—	106	189
Inventories	1 158	905	187	187	742	642	231	79	(2)	(3)
Trade and other receivables	1 779	1 542	444	332	611	608	656	453	68	149
<b>Operating assets</b>	<b>5 144</b>	<b>3 952</b>	<b>1 201</b>	<b>684</b>	<b>1 823</b>	<b>1 749</b>	<b>1 800</b>	<b>1 090</b>	<b>320</b>	<b>429</b>
Deferred tax assets	114	113								
Cash and cash equivalents	1 520	2 004								
<b>Total assets per balance sheet</b>	<b>6 778</b>	<b>6 069</b>								
<b>LIABILITIES</b>										
Trade and other payables	2 207	1 674	914	601	470	522	820	390	3	161
Provisions	97	153	14	60	40	62	41	23	2	8
<b>Non-interest bearing liabilities</b>	<b>2 304</b>	<b>1 827</b>	<b>928</b>	<b>661</b>	<b>510</b>	<b>584</b>	<b>861</b>	<b>413</b>	<b>5</b>	<b>169</b>
Long-term liabilities	661	277								
Short-term loans	30	247								
Taxation payable	164	116								
Deferred tax liabilities	53	31								
<b>Total liabilities per balance sheet</b>	<b>3 212</b>	<b>2 498</b>								
<b>GEOGRAPHIC SEGMENTATION</b>										
<b>Operating assets</b>	<b>5 144</b>	<b>3 952</b>	<b>1 201</b>	<b>684</b>	<b>1 823</b>	<b>1 749</b>	<b>1 800</b>	<b>1 090</b>	<b>320</b>	<b>429</b>
South Africa	4 245	3 126	538	494	1 691	1 645	1 696	558	320	429
Rest of Africa	33	31	—	—	—	15	33	16	—	—
Europe	829	795	663	190	95	89	71	516	—	—
Rest of world	37	—	—	—	37	—	—	—	—	—
<b>Non-interest bearing liabilities</b>	<b>2 304</b>	<b>1 827</b>	<b>928</b>	<b>661</b>	<b>510</b>	<b>584</b>	<b>861</b>	<b>413</b>	<b>5</b>	<b>169</b>
South Africa	1 911	1 512	718	511	432	562	756	270	5	169
Rest of Africa	24	14	—	—	—	2	24	12	—	—
Europe	324	301	210	150	33	20	81	131	—	—
Rest of world	45	—	—	—	45	—	—	—	—	—
<b>Capital expenditure</b>	<b>333</b>	<b>221</b>	<b>26</b>	<b>20</b>	<b>113</b>	<b>124</b>	<b>172</b>	<b>75</b>	<b>22</b>	<b>2</b>
South Africa	312	210	23	19	100	118	167	71	22	2
Rest of Africa	2	1	1	—	—	—	1	1	—	—
Europe	11	10	2	1	5	6	4	3	—	—
Rest of world	8	—	—	—	8	—	—	—	—	—

**Segment assets and liabilities**

Segment assets include all operating assets used by a segment and consist principally of operating receivables, inventories, investments and fixed assets, net of related allowances and provisions. While most such assets can be directly attributable to individual segments, the carrying amount of certain assets used jointly by two or more segments is allocated to the segments on a reasonable basis. Segment liabilities include all operating liabilities, and consist principally of accounts, accruals and provisions.

**BALANCE SHEET - AT 28 FEBRUARY 2005**

		COMPANY	
		2005 R000s	2004 R000s
		Notes	
<b>ASSETS</b>			
<i>Non-current assets</i>			
		<b>896 564</b>	886 978
Property	2	50	153
Investment in subsidiaries	3	896 514	886 825
<i>Current assets</i>			
		<b>455 426</b>	317 782
Receivables		—	2 706
Amounts receivable from subsidiary	3	455 357	315 021
Cash at bank		69	55
<b>Total assets</b>		<b>1 351 990</b>	1 204 760
<b>EQUITY AND LIABILITIES</b>			
<i>Shareholders' equity</i>			
	4	<b>1 351 559</b>	1 204 423
<i>Current liabilities</i>			
		<b>431</b>	337
Accounts payable		408	337
Taxation payable		23	—
<b>Total equity and liabilities</b>		<b>1 351 990</b>	1 204 760

**INCOME STATEMENT - FOR THE YEAR ENDED 28 FEBRUARY 2005**

		COMPANY	
		2005 R000s	2004 R000s
<b>Operating expenditure</b>			
		<b>(153)</b>	(304)
Dividends received from subsidiaries		<b>287 831</b>	126 712
Gain on disposal of property		<b>77</b>	—
Impairment of investment in subsidiaries		—	(34 064)
<b>Income before taxation</b>		<b>287 755</b>	92 344
Normal taxation – current		<b>(23)</b>	—
<b>Income after taxation</b>		<b>287 732</b>	92 344

**STATEMENT OF CHANGES IN EQUITY - FOR THE YEAR ENDED 28 FEBRUARY 2005**

	<b>COMPANY</b>					
	Ordinary share capital R000s	Preference share capital R000s	Share premium R000s	Premium on acquisition of subsidiaries R000s	Retained earnings R000s	<b>Total equity R000s</b>
<b>Balance as at 28 February 2003</b>	1 943	20	771 152	305 740	145 698	<b>1 224 553</b>
Income after taxation	—	—	—	—	92 344	<b>92 344</b>
Dividends paid	—	—	—	—	(129 207)	<b>(129 207)</b>
Transfer between reserves	—	—	—	(305 740)	305 740	—
Shares issued	—	—	16 733	—	—	<b>16 733</b>
<b>Balance as at 29 February 2004</b>	1 943	20	787 885	—	414 575	<b>1 204 423</b>
Income after taxation	—	—	—	—	287 732	<b>287 732</b>
Dividends paid	—	—	—	—	(157 556)	<b>(157 556)</b>
Shares issued	—	1	16 959	—	—	<b>16 960</b>
<b>Balance as at 28 February 2005</b>	<b>1 943</b>	<b>21</b>	<b>804 844</b>	<b>—</b>	<b>544 751</b>	<b>1 351 559</b>

**CASH FLOW STATEMENT - FOR THE YEAR ENDED 28 FEBRUARY 2005**

	<b>COMPANY</b>		
	Notes	<b>2005 R000s</b>	2004 R000s
<b>Operating activities</b>		<b>(7 437)</b>	(14 704)
Cash utilised by operations		<b>(153)</b>	(304)
Dividends received		<b>287 831</b>	126 712
Taxation paid	5	—	(27)
Changes in working capital		<b>2 777</b>	71
Movement of loan with subsidiary		<b>(140 336)</b>	(11 949)
Cash available from operating activities		<b>150 119</b>	114 503
Dividends paid		<b>(157 556)</b>	(129 207)
<b>Investing activities</b>		<b>(9 509)</b>	(2 038)
Investment to maintain operations		—	—
Proceeds on disposal of property	6	<b>180</b>	—
Increase of investment in subsidiaries		<b>(9 689)</b>	(2 038)
<b>Financing activities</b>		<b>16 960</b>	16 733
Shares issued		<b>16 960</b>	16 733
<b>Cash resources</b>		<b>14</b>	(9)
Net cash generated/(utilised)		<b>14</b>	(9)
Cash and cash equivalents		<b>55</b>	64
– at beginning of year		<b>55</b>	64
– at end of year		<b>69</b>	55

## NOTES TO THE FINANCIAL STATEMENTS - FOR THE YEAR ENDED 28 FEBRUARY 2005

	COMPANY	
	2005 R000s	2004 R000s
<b>1. ACCOUNTING POLICIES</b>		
Please refer to the group accounting policies on page 64		
<b>2. PROPERTY</b>		
Balance at beginning of year	153	153
Disposals	(103)	—
Balance at end of year	50	153
<b>3. INTEREST IN SUBSIDIARIES</b>		

	Issued capital R million	Effective holding		Shares at cost less amounts written off		Net indebtedness	
		2005 %	2004 %	2005 R000s	2004 R000s	2005 R000s	2004 R000s
Allied Technologies Limited (Altech)	55	58	54	48 540	43 296	—	—
Bytes Technology Group Limited (BTG)	652	52	55	476 359	474 619	—	—
Power Technologies (Pty) Limited (Powertech)	411	100	100	249 869	247 164	—	—
Altron Finance (Pty) Limited – ordinary shares	—	100	100	235	235	455 357	315 021
Altron Finance (Pty) Limited – preference shares	—	—	—	121 509	121 509	—	—
Altron Investment Holdings (Pty) Limited	—	100	100	—	—	—	—
Bilven (Pty) Limited	—	100	100	—	—	—	—
Global Village Network Technology (Pty) Limited	—	50	50	2	2	—	—
				<b>896 514</b>	<b>886 825</b>	<b>455 357</b>	<b>315 021</b>

**Notes:**

The above details are given in respect of interest in subsidiaries, where material. A full list of South African subsidiaries is available on request at the registered office of the company.  
All subsidiaries incorporated in South Africa unless otherwise stated.

	2005 R million	2004 R million
<b>4. SHARE CAPITAL AND PREMIUM</b>		
Please refer to the group's note 9 on page 78.		
<b>5. TAXATION PAID</b>		
Amounts unpaid at beginning of year	—	(27)
Charged to the income statement	23	—
Amounts unpaid at end of year	(23)	—
	—	(27)
<b>6. PROCEEDS ON DISPOSAL OF PROPERTY</b>		
Carrying amount	103	—
Surplus on disposal	77	—
	180	—

## GRI CONTENT

### ANNEXURE 3

GRI benchmark	Comment	Page number
<b>General performance indicators</b>		
1.1	Mission statement	<i>Sustainability Report</i> 26
1.2	Chief Executive report	<i>Chief Executive's Review</i> 12 – 17
2.1.	Name of organisation	<i>Cover</i> Inside cover
2.2	Major products and services	<i>Operational Reviews</i> 18 – 24
2.3	Operational structure	<i>Group Structure</i> 4
2.4	Description of operating companies' business	<i>Operational Reviews</i> 18 – 24
2.6	Nature of ownership	<i>Shareholders</i> 29 – 32
2.10	Contact information	<i>Corporate Administration</i> 120
2.11	Reporting period	<i>Annual Financial Statements</i> 61 – 102, 120
2.12	Date of most recent previous report	<i>2004 Annual Report</i> Not applicable
2.13	Boundaries of report	<i>Predominantly South Africa</i>
2.14	Significant changes in size, structure, ownership or products/services that have occurred since the previous report	<i>Group Structure, Chairman's Review, Chief Executive's Review, Operational Reviews</i> 4, 8 – 11, 12 – 17, 18 – 24
2.15	Basis for reporting	<i>Chief Executive's Review, Annual Financial Statements</i> 12 – 17, 61 – 102
2.16	Explanation of the nature and effect of any restatement	<i>Annual Financial Statements</i> 61 – 102
2.17	Decision not to apply GRI principles or protocols	<i>Not applicable</i>
2.18	Criteria/definitions	<i>Annual Financial Statements</i> 61 – 102
2.19	Significant changes in measurement	<i>Not applicable</i> Not applicable
2.20/	Policies and internal practices to enhance and provide assurance about the accuracy, completeness and reliability of the sustainability report	<i>Policies available on request</i>
2.21		
2.22	Additional information and reports on sustainability	<i>Corporate Communications</i>
3.1	Governance structure	<i>Corporate Governance Statement</i> 48 – 54
3.2	Percentage board of directors that are independent non-executive	<i>Corporate Governance Statement</i> 48 – 54, 110 – 112
3.3	Board member expertise	<i>Directors' Profiles</i> 110 – 112
3.4	Board level processes	<i>Corporate Governance Statement</i> 48 – 54
3.5	Link between executive compensation and objectives	<i>Remuneration Report</i> 55
3.6	Organisational structure and key responsibilities	<i>Executive Committee</i> 6, 50
3.7	Mission statement and code of conduct	<i>Sustainability Report</i> 26
3.8	Mechanisms for shareholders to provide comment	<i>Annual General Meetings Direct Communication to the group</i>
3.9	Major stakeholders	<i>Sustainability Report</i> 26 – 47
3.10	Stakeholder consultation	<i>Annual General Meeting Sustainability Report</i> 26 – 47
3.11	Stakeholder information	<i>Annual Report, Interim Report, Sustainability Report</i> 26 – 47
3.12	Use of stakeholder information	<i>Annual Report, Interim Report</i>
3.13	Precautionary approach	<i>Not applicable</i>
3.14	Economic, environmental and social charters	<i>Sustainability Report</i> 26 – 47
3.15	Industry and business associations	<i>Operational Reviews</i> 18 – 24
3.16	Policies/systems to manage upstream and downstream impacts	<i>Sustainability Report</i> 26 – 47