Annexure 3

TRANSITION TO IFRS

As stated in the accounting policies on page 115 these are the group's first consolidated financial statements prepared in accordance with IFRS.

In preparing the opening IFRS balance sheet the group has adjusted amounts previously reported under SA GAAP. Accounting policies adopted under IFRS have been applied consistently in preparing the financial statements for the year ended 28 February 2006, the comparative information for the year ended 28 February 2005 and the opening balance sheet on 1 March 2004.

An explanation of how the transition has affected the group's previously reported financial position and performance is set out in the following tables and notes. The cash flow statement was not affected by any of these adjustments.

Reconciliation of equity

	Notes	At 28 Feb 2005 R million	At 1 Mar 2004 R million
Equity previously reported under SA GAAP		3 566	3 571
Impact of adopting IFRS and other adjustments		77	(8)
Equity reported under IFRS		3 643	3 563
Equity adjustments			
Retained earnings:			
Net reversal of goodwill amortised and impaired	1	96	—
Expensing of share-based payments	2	(2)	—
Foreign operations	3	3	—
Property, plant and equipment	4	1	—
Intangible assets		(2)	—
Operating leases straight-line adjustment	5	(13)	(9)
Minorities' share of adjustments		(40)	4
Share-based payment reserve		1	—
Foreign currency translation reserve		(3)	—
Fair value reserve	6	26	42
Treasury shares reclassified	8	16	16
Premium/discount on minority equity transactions	8	(16)	(16)
Minorities' shareholder loans reclassified		(31)	(41)
Minorities' share of adjustments		41	(4)
		77	(8)
Assets and liabilities adjustments			
Property, plant and equipment		1	—
Intangible assets and goodwill		94	—
Associates and other investments		30	49
Deferred tax		(1)	(5)
Non-current loans		(31)	(41)
Accounts payable		(16)	(11)
		77	(8)

Reconciliation of profit for the year ended 28 February 2005

	Notes	As reported previously	Effect of IFRS	IFRS restated
Operating profit before capital items	2, 3, 4, 5	968	(5)	963
Financial income		100	—	100
Financial expense		(62)	—	(62)
Profit from associates		24	—	24
Goodwill amortised and impaired	1	(300)	96	(204)
Capital items		114	—	114
Profit before taxation		844	91	935
Taxation		(340)	1	(339)
Profit for the period		504	92	596
Attributable to:				
Altron shareholders		400	48	448
Minority shareholders		104	44	148
		504	92	596
EPS		145	17	162
HEPS		161	1	162

NOTES SUPPORTING THE IFRS ADJUSTMENTS

1. Goodwill

All business combinations are accounted for by applying the "purchase method". Goodwill represents amounts arising on acquisition of subsidiaries and associates. In respect of business combinations that have occurred since the IFRS transition date, 1 March 2004, goodwill represents the difference between the cost of the acquisition and the fair value of the net identifiable assets and contingent liabilities acquired.

The group made an election in terms of IFRS 1 that in respect of acquisitions prior to this date, goodwill is included on the basis of its deemed cost, which represents the amount recorded under SA GAAP on 1 March 2004. The classification and accounting treatment of business combinations that occurred prior to 1 March 2004 has not been reconsidered in preparing the groups opening IFRS balance sheet at 1 March 2004.

From 1 March 2004 goodwill is stated at cost less accumulated impairment losses. Goodwill is allocated to cash-generating units and is no longer amortised but tested annually for impairment. Previously goodwill arising on each acquisition was amortised over its useful life on a straight-line basis and subjected to annual impairment testing.

2. Share-based payments

The fair value of share options and deferred delivery shares granted to employees is recognised as an employee expense with a corresponding increase in equity. The fair value is measured at grant date and expensed over the period during which the employees are required to provide services in order to become unconditionally entitled to the equity instruments. The fair value of the instruments granted is

Annexure 3 continued

measured using generally accepted valuation techniques, taking into account the terms and conditions upon which the instruments are granted. This accounting policy has been applied to all equity instruments granted after 7 November 2002 that had not yet vested at 1 January 2005. The fair value of share-based payments was not recognised under the group's previous accounting policies.

3. Foreign operations

The assets and liabilities of all foreign operations, including goodwill and fair value adjustments arising on consolidation, are translated to rands at foreign exchange rates ruling at the balance sheet date. The revenues and expenses of foreign operations are translated to rands at rates approximating the foreign exchange rates ruling at the date of the transactions. Foreign exchange differences arising on translation are recognised directly in a separate component of equity – foreign currency translation reserve. The foreign currency translation reserve applicable to a foreign operation is released to the income statement upon disposal of that foreign operation. The functional currencies of all entities in the group have also been reconsidered. Previously, the non-monetary assets and liabilities of all foreign subsidiaries considered to be integrated foreign operations were translated at historic exchange rates, and the foreign exchange gains and losses arising on translation of monetary assets and liabilities were recognised in operating income.

4. Intangible assets

Intangible assets other than goodwill that are 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 unless such lives are indefinite. Intangible assets with an indefinite useful life are tested annually for impairment.

Other intangible assets are amortised from the date they are available for use. Currently the estimated useful lives are as follows:

- Patents and trademarks — 5 years
- Distribution rights — indefinite life

Previously distribution rights were included with goodwill and not separately identified on the balance sheet and amortisation charged to the income statement as part of goodwill amortisation on a straight-line basis over the useful life of the intangible asset.

5. Straight-lining of operating leases

Payments made under operating leases are recognised in the income statement on a straight-line basis over the term of the lease.

Past practice, whereby operating lease payments were expensed on a payments basis, was based on an interpretation that was generally accepted in the South African financial reporting community. This interpretation considered the contractual-payments basis as being most representative of the time pattern of the entity's benefit obtained from the leased property. The global spotlight has led to the view that the entity is obliged to adopt the straight-line basis of accounting for all lease payments. The adjustment has been made as required by IAS 8 – Accounting Policies, changes in accounting estimates and errors with the necessary restatement of comparative figures.

6. Designation and fair valuing of available-for-sale investments

Available-for-sale investments are non-derivative financial assets other than:

(a) those that the group upon initial recognition designates as at fair value through profit or loss;

(b) held to maturity assets; and

(c) those that meet the definition of loans and receivables.

Gains or losses from fair valuing these available-for-sale investments are recognised directly in equity. The investments in Fintech Receivables One and Technologies Acceptances Receivables meet this criteria and as such have been designated as available-for-sale assets and are measured at fair value. The comparative figures have been restated.

7. Black Economic Empowerment (BEE) transactions

Where goods or services are considered to have been received from BEE partners as consideration for equity instruments of the group, these transactions are accounted for as share-based payment transactions, even when the entity cannot specifically identify the goods or services received. This accounting policy is applicable to equity instruments that had not vested by 1 January 2005 and consequently had no impact on the group.

8. Premiums and discounts arising on subsequent purchases from, or sales to, minorities

Any increase or decrease in ownership interests in subsidiaries without a change in control are recognised as equity transactions in the consolidated financial statements.

Accordingly, any premium or discount on subsequent purchases or sales of equity instruments from or to minority interests are recognised directly in the equity of the parent shareholder.

Previously premiums on subsequent sales of equity instruments to minorities were taken to profit as a capital item in the income statement and premiums on subsequent purchases of equity instruments were classified as goodwill.

9. Reclassification of finance lease receivables and payables

Previously certain finance lease receivables and payables were offset. These have been grossed up and reported separately as the criteria for offset are no longer considered applicable. The effect of the reclassification at 28 February 2005 is as follows:

Assets	
Decrease in rental finance advances	(31)
Increase in accounts receivable (short-term portion of rental finance advances)	84
	53
Liabilities	
Increase in non-current loans	24
Increase in current loans	29
	53