

	Land and buildings R million	Plant and machinery R million	Motor vehicles, furniture and equipment R million	IT equipment and software R million	Total R million
<b>1. PROPERTY, PLANT and EQUIPMENT</b>					
<b>Cost</b>					
Balance at 1 March 2004	221	1 217	196	396	<b>2 030</b>
Additions at cost	21	123	112	77	<b>333</b>
Arising on business combinations	10	120	54	86	<b>270</b>
Disposals	(27)	(29)	(62)	(11)	<b>(129)</b>
Translation and reclassification	(4)	(2)	(36)	(4)	<b>(46)</b>
<b>Balance at 28 February 2005</b>	<b>221</b>	<b>1 429</b>	<b>264</b>	<b>544</b>	<b>2 458</b>
Additions at cost	15	152	76	67	<b>310</b>
Arising on business combinations	—	8	12	72	<b>92</b>
Disposals	(5)	(10)	(49)	(88)	<b>(152)</b>
Disposals of subsidiaries and joint ventures	(2)	(11)	(5)	(16)	<b>(34)</b>
Translation and reclassification	(11)	(3)	(11)	(4)	<b>(29)</b>
<b>Balance at 28 February 2006</b>	<b>218</b>	<b>1 565</b>	<b>287</b>	<b>575</b>	<b>2 645</b>
<b>Depreciation and impairment losses</b>					
Balance at 1 March 2004	57	914	137	251	<b>1 359</b>
Depreciation for the year	4	75	32	77	<b>188</b>
Arising on business combinations	2	76	27	51	<b>156</b>
Disposals	(4)	(14)	(28)	(13)	<b>(59)</b>
Translation and reclassification	(1)	(28)	(2)	(3)	<b>(34)</b>
<b>Balance at 28 February 2005</b>	<b>58</b>	<b>1 023</b>	<b>166</b>	<b>363</b>	<b>1 610</b>
Depreciation for the year	5	85	36	76	<b>202</b>
Impairment losses	—	17	—	—	<b>17</b>
Arising on business combinations	—	5	4	70	<b>79</b>
Disposals	(4)	(17)	(11)	(81)	<b>(113)</b>
Disposals of subsidiaries and joint ventures	(2)	(4)	(5)	(15)	<b>(26)</b>
Translation and reclassification	—	(16)	(12)	(1)	<b>(29)</b>
<b>Balance at 28 February 2006</b>	<b>57</b>	<b>1 093</b>	<b>178</b>	<b>412</b>	<b>1 740</b>
<b>Carrying amount at 1 March 2004</b>	<b>164</b>	<b>303</b>	<b>59</b>	<b>145</b>	<b>671</b>
<b>Carrying amount at 28 February 2005</b>	<b>163</b>	<b>406</b>	<b>98</b>	<b>181</b>	<b>848</b>
<b>Carrying amount at 28 February 2006</b>	<b>161</b>	<b>472</b>	<b>109</b>	<b>163</b>	<b>905</b>

#### Land and buildings

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

#### Encumbered assets

The group leases certain property, plant and motor vehicles under finance lease agreements.

They are included in the above amounts.

The net carrying amount of the leased assets is:

#### Assets under construction

Included in the cost of assets are the following items of capital work in progress:

Plant and machinery  
IT equipment and software  
Other equipment

	2006 Rm	2005 Rm
	<b>20</b>	16
	<b>81</b>	87
	<b>14</b>	7
	<b>1</b>	7
	<b>96</b>	101

#### Impairment losses

Impairment losses relate to the assets of businesses closed during the year.

#### Useful lives

Useful lives are reflected under accounting policies on page 123.

## 132 Notes to the financial statements continued

	Goodwill R million	Customer relationships R million	Patents and trademarks R million	Licence agreements R million	Proprietary software R million	Total R million
<b>2. INTANGIBLE ASSETS</b>						
<b>Cost</b>						
Balance at 1 March 2004	436	—	7	23	—	466
Adjustments	(4)	—	—	—	—	(4)
Arising on business combinations	639	—	—	31	1	671
Disposals	(3)	—	—	—	—	(3)
<b>Balance at 28 February 2005</b>	<b>1 068</b>	<b>—</b>	<b>7</b>	<b>54</b>	<b>1</b>	<b>1 130</b>
Additions at cost	—	—	1	4	—	5
Adjustments	(38)	—	—	—	—	(38)
Arising on business combinations	95	26	—	—	5	126
Disposals of subsidiaries and joint ventures	(117)	—	—	(31)	—	(148)
Translation differences	—	—	—	(3)	—	(3)
<b>Balance at 28 February 2006</b>	<b>1 008</b>	<b>26</b>	<b>8</b>	<b>24</b>	<b>6</b>	<b>1 072</b>
<b>Amortisation and impairment losses</b>						
Balance at 1 March 2004	—	—	2	—	—	2
Amortisation for the year	—	—	—	4	—	4
Impairment losses	200	—	—	—	—	200
Disposals	(1)	—	—	—	—	(1)
<b>Balance at 28 February 2005</b>	<b>199</b>	<b>—</b>	<b>2</b>	<b>4</b>	<b>—</b>	<b>205</b>
Amortisation for the year	—	9	—	—	2	11
Impairment losses	82	—	1	—	—	83
<b>Balance at 28 February 2006</b>	<b>281</b>	<b>9</b>	<b>3</b>	<b>4</b>	<b>2</b>	<b>299</b>
<b>Carrying amount at 1 March 2004</b>	<b>436</b>	<b>—</b>	<b>5</b>	<b>23</b>	<b>—</b>	<b>464</b>
<b>Carrying amount at 28 February 2005</b>	<b>869</b>	<b>—</b>	<b>5</b>	<b>50</b>	<b>1</b>	<b>925</b>
<b>Carrying amount at 28 February 2006</b>	<b>727</b>	<b>17</b>	<b>5</b>	<b>20</b>	<b>4</b>	<b>773</b>

	2006 R million	2005 R million
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## 2. INTANGIBLE ASSETS (continued)

### Adjustments to goodwill

A reduction of goodwill was adjusted in the income statement in respect of tax losses and deductible temporary differences realised or recognised as deferred tax assets after acquisition of a subsidiary that did not meet the recognition criteria of a deferred tax asset at acquisition.

### Impairment tests for cash-generating units containing goodwill

The following units have significant carrying amounts of goodwill:

	2006	2005
Altech NamITech	332	414
Plato Computer Services UK	50	50
CS Holdings	105	105
Digital Healthcare Solutions	64	—
Bytes Document Solutions	67	67
Econet	—	117
Multiple units without significant goodwill	109	116
	<b>727</b>	<b>869</b>

### Description of impairment tests and key assumptions

Impairment tests are conducted on an annual basis using a discounted cash flow valuation model.

The impairment tests are prepared on the basis of forecast profits generated by the cash generating unit.

Management forecasts typically cover a two-year period and thereafter a reasonable rate of growth is applied based on current market conditions.

In assessing future cash flows, management has used assumptions relating to the growth in the units market potential, new market opportunities as well as reductions in manufacturing costs based on business plans.

Discount rates used in the discounted cash flow models are based on price-earnings ratios of similar businesses in the same sector and of generally similar size.

### Impairment losses

In view of the trading loss incurred by Altech NamITech the directors concluded that the carrying value of goodwill relating to the Altech NamITech acquisition was impaired by an amount of R82 million. Impairment losses of R176 million in the prior year primarily related to Plato Computer Services UK.

	2006 R million	2005 R million
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## 3. ASSOCIATES AND OTHER INVESTMENTS

Associates	14	249
Investments	94	153
Loans	120	51
Refer annexure 1 for details	228	453

## 4. RENTAL FINANCE ADVANCES

Assets		
Present value of minimum lease payments receivable	146	159
Less: current portion (note 7)	(56)	(84)
Non-current finance lease asset	90	75
Liabilities (included under loans)		
Present value of minimum lease payments payable (note 12)	95	53
Less: current portion	(27)	(29)
Non-current finance lease liability	68	24

Group entities sell certain document-processing equipment to third parties, on a finance lease basis.

The lease asset arising is, in turn, financed by a reciprocal lease agreement with financial institutions.

The underlying loans receivable and payable are settled in monthly instalments over periods up to six years and bear interest at rates linked to the prime bank overdraft rate. The loans are secured by the underlying equipment sold.

## 5. DEFERRED TAXATION

5.1 Deferred taxation movement		
Balance at beginning of year	(59)	(76)
Charged to the income statement	(47)	31
Charged directly in equity – available-for-sale investments	1	(3)
Acquisitions and disposal of subsidiaries	8	(11)
Balance at end of year	<b>(97)</b>	<b>(59)</b>

	2006 R million	2005 R million
<b>5. DEFERRED TAXATION (continued)</b>		
<b>5.2 Deferred taxation balances</b>		
Attributable to the following temporary differences:		
Property, plant and equipment	56	35
Intangible assets	5	—
Construction work in progress	—	(1)
Prepaid expenditure	5	—
Receipts in advance	(41)	(34)
Receivables	(16)	(3)
Contract allowances	21	21
Provisions	(69)	(41)
Tax losses	(53)	(22)
Investments and other	6	(2)
Secondary taxation credits	(11)	(12)
	<b>(97)</b>	<b>(59)</b>
The above balance comprises:		
Deferred taxation liabilities	21	53
Deferred taxation assets	<b>(118)</b>	<b>(112)</b>
	<b>(97)</b>	<b>(59)</b>
<b>Tax losses</b>		
Estimated tax losses available for set-off against future taxable income	356	240
Applied to reduce deferred taxation	<b>(183)</b>	<b>(80)</b>
	<b>173</b>	<b>160</b>
Attributable to minority shareholders	<b>(27)</b>	<b>(8)</b>
	<b>146</b>	<b>152</b>

	2006 R million	2005 R million
<b>6. INVENTORIES</b>		
Raw materials	403	429
Work in progress	226	256
Finished goods	570	428
Merchandise	89	82
Consumable stores	21	19
	<b>1 309</b>	<b>1 214</b>
Less: receipts in advance	<b>(14)</b>	<b>(56)</b>
	<b>1 295</b>	<b>1 158</b>
Inventories carried at cost	<b>1 103</b>	932
Inventories carried at fair value less cost to sell	<b>192</b>	226
	<b>1 295</b>	<b>1 158</b>
<b>7. TRADE AND OTHER RECEIVABLES</b>		
Trade receivables	1 879	1 776
Less: impairment losses	<b>(129)</b>	<b>(137)</b>
Current portion of rental finance advances (note 4)	56	84
Derivative assets at fair value	7	3
Other receivables	163	138
	<b>1 976</b>	<b>1 864</b>
<b>8. CASH AND CASH EQUIVALENTS</b>		
Cash at bank	954	968
Cash on deposit	1 198	552
	<b>2 152</b>	<b>1 520</b>

## GROUP AND COMPANY

	2006 Number of shares	2005 Number of shares	2006 R million	2005 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 cents each	500 000 000	500 000 000	*	*
			5	5
<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 by subsidiary	(3 246 469)	(3 246 469)		
Net ordinary shares	93 927 646	93 927 646		
<i>Participating preference shares</i>				
In issue at beginning of year	208 698 664	204 790 976	*	*
Issued in terms of share schemes	3 623 838	3 907 688	*	*
In issue at end of year	212 322 502	208 698 664	*	*
Less: own shares acquired by subsidiary	(24 310 492)	(24 310 492)		
Net participating preference shares	188 012 010	184 388 172		
Total number of shares in issue at the end of the year net of own shares acquired	281 939 656	278 315 818		
<b>9.3 Share premium</b>				
Balance at beginning of year			804	787
Share premium arising from issue of shares			21	17
Balance at end of year			825	804
<b>9.4 Total issued share capital and premium</b>			827	806

\*Less than R1 million

## 136 Notes to the financial statements continued

	2006 Number of shares	2005 Number of shares
<b>9. SHARE CAPITAL AND PREMIUM (continued)</b>		
<b>9.5 Unissued</b>		
<i>Ordinary shares</i>		
Shares reserved for allocation under employee share schemes	4 847 855	4 847 855
Shares under the control of the directors until the forthcoming annual general meeting	145 478 030	145 478 030
	<b>150 325 885</b>	<b>150 325 885</b>
<i>Participating preference shares</i>		
Shares reserved to meet the requirements of:		
Allied Electronics Corporation Limited Share Trust	2 399 162	5 247 687
Altron Group Share Incentive Trust	3 845 773	5 211 600
Conditional Rights Scheme	4 243 940	—
Shares reserved for allocation under employee share schemes	15 495 042	19 148 468
Shares under the control of the directors until the forthcoming annual general meeting	261 693 581	261 693 581
	<b>287 677 498</b>	<b>291 301 336</b>

The members in a general meeting on 15th July 2005 reserved shares for the Altron share schemes provided that issues in the aggregate in any one financial year shall not exceed 10% of the number of shares of any class of shares in issue, less any shares issued during the year pursuant to the exercise of share options.

**Terms of equity shares****Ordinary shares**

The holders of ordinary shares are entitled to receive dividends as declared from time-to-time and are entitled to one vote per share at meetings of the company.

**Participating preference shares**

Holders of participating preference shares rank *pari passu* with the ordinary shares with regard to entitlement to dividends and the company's residual assets. The shares have limited and diluted voting rights only in specific and limited circumstances (refer page 87).

**Treasury shares**

The directors have a general authority to repurchase shares of the company not exceeding 20% of the company's ordinary and/or participating preference issued share capital in any one financial year until the next annual general meeting. No shares were repurchased during the year.

**9.6 Employee share options – participating preference shares**

	Allied Electronics Corporation Share Trust	Altron Group Share Incentive Trust	Conditional Rights Scheme	Total share options
Number of options allocated at beginning of year	5 247 687	5 211 600	—	10 459 287
Number of options granted	—	—	4 243 940	4 243 940
Number of options lapsed/forfeited	(275 214)	(315 300)	—	(590 514)
Number of options exercised	(2 573 311)	(1 050 527)	—	(3 623 838)
Number of options allocated at end of year	2 399 162	3 845 773	4 243 940	10 488 875

## 9. SHARE CAPITAL AND PREMIUM (continued)

### 9.7 The Altron Group Share Incentive Trust, Allied Electronics Corporation Limited Share Trust and the Conditional Rights Scheme.

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

Date granted	Exercise price per share	Options and deferred delivery shares outstanding at 28 February 2006		
		Allied Electronics Corporation Share Trust	Altron Group Share Incentive Trust	Conditional Rights Scheme
6 April 95	R6.50	8 000		
6 April 96	R6.50	1 100		
10 May 96	R6.50	1 680		
2 September 96	R6.10	7 680		
20 December 96	R4.80	129 300		
6 March 97	R5.05	117 292		
12 January 98	R8.30	20 000		
15 September 98	R3.49	601 372		
26 January 99	R4.70	39 400		
5 March 99	R5.25	419 164		
30 May 00	R5.00	169 580		
28 June 00	R4.85	837 994		
10 April 01	R7.00	26 400		
7 June 02	R7.40	20 200		
1 October 02	R7.25		2 410 373	
The following options are subject to IFRS 2				
14 February 03	R7.70		50 000	
1 April 03	R7.00		41 000	
11 December 03	R10.00		30 000	
27 July 04	R11.20		1 314 400	
9 February 06	R22.50			4 243 940
		<b>2 399 162</b>	<b>3 845 773</b>	<b>4 243 940</b>

#### Terms of schemes

##### Allied Electronics Corporation Share Trust

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. It has a vesting period of three years from initial date of grant before the options may be exercised.

##### Altron Group Share Incentive Trust

The Altron Group Share Incentive Trust is a six-year scheme. The vesting period is three years from initial date of grant before the options may be exercised in equal tranches over a three-year period.

##### The Conditional Rights Scheme

Under the Conditional Rights Scheme participants are granted rights to acquire shares subject to meeting future performance vesting conditions. Vesting of Conditional Rights occurs in equal tranches over a three-year period commencing on the third anniversary of the granting of the Conditional Rights, subject to meeting the vesting conditions.

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

## 138 Notes to the financial statements continued

**9. SHARE CAPITAL AND PREMIUM (continued)****9.8 Share-based payments**

The number and weighted average exercise prices of share options accounted for under IFRS 2 are:

	Weighted average exercise price 2006 R	Number of options 2006 000's	Weighted average exercise price 2005 R	Number of options 2005 000's
<b>Altech</b>				
Outstanding at the beginning of the period	34.44	485	30.00	30
Forfeited during the period	32.25	(15)	—	—
Exercised during the period	—	—	—	—
Granted during the period	50.99	2 179	34.74	455
Outstanding at the end of the period	48.07	2 649	34.44	485
Exercisable at the end of the period		—		—
<b>BTG</b>				
Outstanding at the beginning of the period	5.19	3 011	3.61	650
Forfeited during the period		—	—	—
Exercised during the period	5.44	(811)	3.63	(67)
Granted during the period	11.56	6 524	5.58	2 428
Outstanding at the end of the period	9.93	8 724	5.19	3 011
Exercisable at the end of the period		869		150
<b>Altron</b>				
Outstanding at the beginning of the period	10.96	1 589	8.03	121
Forfeited during the period	11.20	(154)	—	—
Exercised during the period		—	—	—
Granted during the period	22.50	4 244	11.20	1 468
Outstanding at the end of the period	19.58	5 679	10.96	1 589
Exercisable at the end of the period		17		—

Share options granted before 7 November 2002 or vested before 1 January 2005 have not been accounted for under IFRS 2 in accordance with the transitional provisions in IFRS 1 and IFRS 2.

The fair value of services received in return for share options granted is measured by reference to the fair value of the share options granted. The estimate of the fair value of the services received is measured based on the Black Scholes Model. Options are assumed to be exercised midway between the vesting date and the expiry date. There is no difference between the options granted to key management and senior employees. All awards are made up of three equal tranches, which vest three, four and five years after grant date.

## 9. SHARE CAPITAL AND PREMIUM (continued)

### Fair value of share options and assumptions

Fair value at measurement date:

#### 2005

##### Share Incentive Scheme

	Altech	BTG	Altron
Fair value at measurement date (Rand)	4.92 to 9.14	1.14 to 1.77	2.02 to 2.61
Share price	32.00 to 39.94	5.575	11.20
Exercise price	32.00 to 39.94	5.575	11.20
Expected volatility	14.30%	38.80%	20.00%
Option life	3.5 to 5.5	1.5 to 3.5	3.5 to 5.5
Dividend yield	3.13% to 3.91%	3.95%	4.64%
Risk-free interest rate	9.50%	9.50%	9.50%

#### 2006

##### Conditional Rights

	Altech	BTG	Altron
Fair value at measurement date (Rand)	12.20 to 13.85	3.12 to 3.42	5.09 to 5.69
Share price	50.99	11.56	22.50
Exercise price	50.99	11.56	22.50
Expected volatility	24.5% to 26.4%	26.60%	19.4% to 19.9%
Option life	4.5 to 5.5	4.5 to 5.5	4.5 to 5.5
Dividend yield	3.41%	2.67%	2.80%
Risk-free interest rate	7.27%	7.09%	7.27%

The expected volatility is based on the historic volatility over a similar period to the option life, adjusted for once-off events in the historic volatility and for any expected changes to future volatility due to publicly available information.

Share options granted in periods prior to the current financial year had a service condition attached. The new conditional rights scheme implemented in the current financial year includes both a service condition and a non-market performance condition. The non-market performance conditions are not taken into account in the grant date fair value measurement of the services received. There are no other market conditions associated with any of the share option grants.

### Employee expenses

	Group	
	2006 R million	2005 R million
Share options granted between 7 November 2002 and 28 February 2005	3	2
Share options granted in 2006*	1	—
Expense arising from share appreciation rights granted in 2006	9	—
Total expense recognised as employee costs	13	2
Total carrying amount of cash-settled transaction liabilities	9	—

\*Share options in Altron and BTG were only granted in late February 2006 and so there is no charge in respect of these options in the current financial year.

The fair value of the share appreciation rights at grant date is determined based on the Black Scholes Model. The fair value of the liability is remeasured at each balance sheet date and at settlement date. The model inputs at 28 February 2006 were as follows:

	Altech	BTG	Altron
Share price	51.50	12.00	22.50
Exercise price	32.25	5.575	11.20
Terms (years)	1.4 to 3.4	1.4 to 3.4	1.4 to 3.4
Volatility	24.1% to 27%	22.7% to 26.6%	20.2% to 23%
Dividend yield	3.38%	2.67%	2.80%
Risk-free interest rate	7.20%	7.20%	7.20%

	GROUP	
	2006 R million	2005 R million
<b>10. RESERVES</b>		
<b>10.1 Retained earnings</b>	<b>2 357</b>	2 039
Are distributable and would be subject to secondary tax on companies.		
<b>10.2 Foreign currency translation reserve</b>	<b>18</b>	30
Comprises all foreign exchange differences arising from the translation of the financial statements of foreign operations.		
<b>10.3 Premium/discount on minority equity transactions</b>	<b>(92)</b>	(10)
Comprises the premium or discount on subsequent purchase or sale of equity instruments in existing subsidiaries.		
<b>10.4 Cash flow hedging reserve</b>	<b>(3)</b>	—
Comprises the effective portion of the cumulative net change in the fair value of cash flow hedging instruments that have not yet occurred.		
<b>10.5 Share-based payments reserve</b>	<b>3</b>	1
Comprises the net fair value of equity instruments granted to employees under share schemes expensed.		
<b>10.6 Statutory reserves</b>	<b>9</b>	9
Comprises the Capital Redemption Reserve Funds as well as legal reserves of a foreign subsidiary.		
<b>10.7 Fair-value reserve</b>	<b>34</b>	26
Comprises the cumulative net change in the fair value of available-for-sale investments until the investment is derecognised.		
<b>Total reserves</b>	<b>2 326</b>	2 095

**11. BLACK ECONOMIC EMPOWERMENT (BEE) TRANSACTIONS**

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

**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 a guideline dividend policy being a dividend equal to one-third of NamiTech's earnings, subject to the discretion of the directors.

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 the dates of transactions the interest of Pamodzi would have equated to R93 million (2005: R115 million). A transfer to the Pamodzi minority will be made from retained earnings 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 has been fully transferred to Izingwe.

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

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

A diluted earnings adjustment has not been made as the recognition of the 30% minority interest with a settlement of the outstanding balance on the funding obligation is currently antidilutive (refer note 24.4).

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

BTG entered into an agreement with Kagiso to effectively dispose of 5% of its equity interest in BTG SA for a cash consideration fully funded by Kagiso. In addition Kagiso were granted options to acquire a further 22% equity interest in BTG SA for R198 million. In the interim period Kagiso is entitled to 27% of the voting rights of the total issued share capital of BTG SA in respect of the ordinary shares acquired and class B non-participative shares held by them. The class B shares are cancellable upon Kagiso exercising its options.

A diluted earnings adjustment amounting to a net R16 million (2005: R9 million) has been calculated based on the profit that would be attributable to the additional 22% shareholding adjusted for the dilutive effect of the option price at the BTG SA level (refer note 24.4).

	GROUP	
	2006 R million	2005 R million
<b>12 LOANS</b>		
<b>12.1 Non-current loans</b>		
Preference shares of subsidiary (a)	206	206
Rental finance liabilities note 4 (b)	95	53
Finance leases (b)	27	24
Spanish Government (c)	2	3
Minority shareholders loans (d)	32	31
Venopt (e)	—	208
Barclays Bank (f)	—	78
	<b>362</b>	<b>603</b>
Less: payable within one year shown as current loans	<b>(238)</b>	<b>(59)</b>
<b>Total non-current loans</b>	<b>124</b>	<b>544</b>

	GROUP	
	2006 R million	2005 R million
<b>12.2 Current loans</b>		
Current portion of loans	238	59
	<b>238</b>	<b>59</b>

- Cumulative redeemable preference shares in a subsidiary are regarded as a loan. These shares have a variable dividend coupon rate of 68% of the prime bank overdraft rate. The dividends are payable half yearly in arrear commencing 31 March 2004 and were redeemed on 2 March 2006.
- 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 three years remain. The lease liabilities are secured by land and buildings with a net book value of R13.5 million and plant and motor vehicles with a book value of R6 million.
- Euro loans from the Spanish Government which are interest free and repayable in four equal annual instalments.

(d) Minority shareholders' loans		
Arrow Altech Holdings (Pty) Limited: The loan is unsecured and bears interest at a 12-month fixed deposit rate and has no fixed terms of repayment	24	31
NamITech West Africa Limited: The loan is unsecured and bears interest at 2% per annum above the South African prime rate and has no fixed terms of repayment	6	—
Desta Power Matla (Pty) Limited: The loan is unsecured and bears no interest with no fixed terms of repayment	2	—
	<b>32</b>	<b>31</b>

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**12. LOANS (continued)**

- (e) The loan granted by Venopt (Pty) Limited, a company controlled by Kagiso Strategic Investments (Pty) Limited, was a five-year term loan at an interest rate of JIBAR plus 2.1%, funded in equal parts by Absa and Nedcor. The loan was repaid during the year.
- (f) The Barclays Bank facility was an Econet Wireless Global Limited US Dollars based loan at LIBOR plus 2.5% which was disposed of during the year.

	2006 R million	2005 R million
<b>12.3 Borrowing facilities</b>		
In terms of the articles of association, the borrowing powers of the group are unlimited.		
Unutilised banking facilities	2 248	1 854

	2006 R million	2005 R million
<b>13. EMPOWERMENT FUNDING OBLIGATION</b>		
Opening balance	172	165
Interest accrued	15	14
Dividend paid	(16)	(7)
Capital costs accrued	2	—
	173	172

The dividends on the preference shares bear an indicative dividend rate of 9.61% (2005: 9.61%). The expected redemption period is from March 2008 to March 2014. (refer note 11.2)

	Warranties and contract losses R million	Post-retirement medical aid benefits R million	Total R million
<b>14. PROVISIONS</b>			
Non-current provisions	20	10	30
Current portion included in current liabilities	67	—	67
<b>Total provisions at 28 February 2005</b>	87	10	97
Provisions raised during the year	3	—	3
Disposals of subsidiaries and joint ventures	(3)	—	(3)
Provisions utilised/released during the year included in operating profit	(17)	—	(17)
<b>Total provisions at 28 February 2006</b>	70	10	80
Provisions comprise:			
Non-current	15	10	25
Current portion included in current liabilities	55	—	55
	70	10	80

Refer to accounting policies for description of provisions.

	2006 R million	2005 R million
<b>15. TRADE AND OTHER PAYABLES</b>		
Trade payables	2 501	2 022
Derivative liability at fair value	21	9
Other payables	158	192
	<b>2 680</b>	2 223

#### 16. RETIREMENT BENEFIT PLANS

##### Defined contribution plans

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. The contribution rate of the employers is 10% (2005: 10%), calculated on the pensionable emoluments of members.

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 R86 million (2005: R70 million).

##### Multi-employer plans

Post-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 other funds amounted to R31 million (2005: R23 million).

##### Defined benefit plans

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. Certain members who were members prior to 1 November 1999 are entitled to post-retirement medical assistance. The benefit plan disclosed below is only in respect of those defined as benefit pension and medical assistance.

	2006 R million	2005 R million
<b>16.1 Value of obligations</b>		
Fair value of plan assets	1 809	1 412
Present value of funded obligations	(1 271)	(1 169)
Surplus at year-end	538	243
Unrecognised due to paragraph 58 limit	(132)	(105)
Unrecognised actuarial gains	(406)	(138)
Asset recognised on the balance sheet	—	—
<b>16.2 Components of income statement expense</b>		
Current service cost	72	74
Interest cost	97	95
Expected return on plan assets (limited by paragraph 58)	(103)	(113)
Current service cost	66	56
<b>16.3 Reconciliation of the net assets recognised on the balance sheet</b>		
Amount recognised at beginning of year	—	—
Unrecognised due to paragraph 58 limit at beginning of year	105	104
Net expense recognised in the income statement	(66)	(56)
Contributions	66	56
Current year unrecognised return on assets due to paragraph 58 limit	27	1
Net asset at end of year	132	105
Unrecognised due to paragraph 58 limit at end of year	(132)	(105)
Amount recognised at end of year	—	—

IAS 19 – Employee Benefits paragraph 58 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.

	2006 R million	2005 R million
<b>16. RETIREMENT BENEFIT PLANS (continued)</b>		
<b>16.4 Principal actuarial assumptions</b>		
Discount rate	7.5%	8.5%
Inflation rate	4.5%	4.0%
Salary increase rate	5.5%	5.5%
Expected return on assets	9.0%	9.5%
Pension increase allowance	4.5%	4.0%
Actual return on the Altron Group Pension Fund	29.5%	22.1%
<b>17. REVENUE</b>		
Goods sold	8 756	8 065
Services rendered	5 169	4 101
Rental finance income	44	40
	13 969	12 206
<b>18. OPERATING PROFIT BEFORE CAPITAL ITEMS</b>		
Is stated after taking account of the following items:		
<b>18.1 Auditors' remuneration</b>		
Audit fees	15	12
Fees for other services	2	2
	17	14
<b>18.2 Directors' remuneration</b>		
Refer to remuneration report on page 106	34	30
<b>18.3 Employee remuneration (including directors' remuneration)</b>		
Salaries and wages	2 262	1 993
Share-based payments – equity settled (note 9.8)	4	2
Share-based payments – cash settled (note 9.8)	9	–
Retirement and provident funds	117	95
Medical aid and other	108	95
	2 500	2 185
<b>18.4 Fees paid</b>		
Managerial fees	14	13
Technical, consultancy and administration	64	54
	78	67

	2006 R million	2005 R million
<b>18.5 Foreign exchange gains/(losses)</b>		
Gains	27	44
Losses	(9)	(28)
Forward exchange contracts fair value adjustments	(2)	(3)
	16	13
Being:		
Realised	19	17
Unrealised	(3)	(4)
<b>18.6 Net decrease in provisions</b>		
	(14)	(28)
<b>18.7 Operating lease charges</b>		
Property	107	92
Plant, equipment and vehicles	12	24
Additional cost of straight-lining of leases	10	4
	129	120
<b>18.8 Other income</b>		
Government grants and other allowances	7	12
<b>18.9 Research and development expenditure</b>		
	90	56
<b>19. CAPITAL ITEMS</b>		
Net gain on disposal of property, plant and equipment	7	7
Impairment of property, plant and equipment	(17)	–
Impairment of intangible assets	(83)	(200)
Goodwill adjustment on utilisation of at acquisition tax losses	(38)	(4)
Net gain/(loss) on disposal and closure of businesses	65	(4)
Profit on disposal of associate	3	–
Foreign currency translation reserves realised	9	67
Release of discontinuance provision	–	44
	(54)	(90)

	2006 R million	2005 R million
<b>20. FINANCIAL INCOME</b>		
Interest received	93	82
Dividends from preference share investments	19	18
	112	100
<b>21. FINANCIAL EXPENSE</b>		
Interest paid	24	33
Interest on empowerment funding obligation	15	14
Dividends on preference shares of subsidiary	14	15
	53	62
<b>22. SHARE OF PROFITS FROM ASSOCIATES</b>		
Attributable earnings	32	24
<b>23. TAXATION</b>		
<b>23.1 Taxation charge</b>		
Current taxation		
– normal	314	280
– capital gains taxation	24	–
Deferred taxation		
– current year	(10)	29
– change in rate	–	1
– tax losses recognised	(39)	(13)
Adjustment to prior years		
– deferred taxation	2	14
	291	311
Secondary tax on companies	35	28
	326	339

	2006 R million	2005 R million
<b>23.2 Reconciliation of rate of taxation</b>	%	%
South African normal tax rate	29.0	30.0
Adjusted for:		
Disallowable expenditure	2.8	3.8
Goodwill impaired and adjusted	3.2	6.4
Non-taxable income	(5.4)	(7.5)
Capital gains tax rate differential	2.2	–
Foreign tax rate differential	–	(0.1)
Prior period tax losses recognised	(3.6)	–
(Utilisation)/creation of tax losses not capitalised	(0.4)	0.1
Income from associates	(0.9)	(0.3)
Change in rate of taxation	–	0.2
Prior year adjustments	0.2	0.7
	(1.9)	3.3
Secondary tax on companies	3.2	3.0
Net increase	1.3	6.3
Effective tax rate	30.3	36.3
<b>24. EARNINGS PER SHARE</b>		
<b>24.1 Reconciliation between earnings and headline earnings</b>		
Attributable earnings to Altron equity holders	494	448
Adjustments for:		
Capital items	54	90
Tax effect on capital items	9	(10)
Minority interest in capital items	(28)	(83)
Headline earnings	529	445
Headline earnings per share (cents)	189	162

	2006	2005
<b>24. EARNINGS PER SHARE (continued)</b>		
<b>24.2 Reconciliation of weighted average number of shares</b>		
Issued shares at beginning of year (ordinary and participating preference shares)	305 872 779	301 965 091
Effect of own shares held	(27 556 961)	(27 556 961)
Effect of shares issued in June	498 826	467 721
Effect of shares issued in July	337 541	—
Effect of shares issued in August	80 633	1 123 575
Effect of shares issued in November	566 442	81 699
Effect of shares issued in January	10 364	25 008
Effect of shares issued in February	7 642	36
Weighted average number of shares	279 817 266	276 106 169
<b>24.3 Reconciliation between number of shares used for earnings per share and diluted earnings per share</b>		
Weighted average number of shares	279 817 266	276 106 169
Dilutive options	2 792 366	5 463 428
Number of shares to calculate dilution	282 609 632	281 569 597

	2006 R million	2005 R million
<b>24.4 Reconciliation between earnings attributable to Altron equity holders and fully diluted earnings are as follows:</b>		
Attributable earnings to Altron equity holders	494	448
Additional earnings attributable to BEE minorities in subsidiaries	(28)	(18)
Minority interest in adjustments	12	9
Additional earnings attributable to dilutive options at subsidiary level	(3)	(1)
Fully diluted earnings	475	438
<b>24.5 Reconciliation headline earnings attributable to Altron equity holders and fully diluted headline earnings are as follows:</b>		
Headline earnings	529	445
Additional earnings attributable to BEE minorities in subsidiaries	(38)	(19)
Minority interest in adjustments	16	9
Additional earnings attributable to dilutive options at subsidiary level	(3)	(5)
Fully diluted headline earnings	504	430
<b>Diluted headline earnings per share (cents)</b>	178	153

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

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

For diluted 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:

	2006 R million	2005 R million
<ul style="list-style-type: none"> <li>▶ 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 adjusted for the dilutive effect of the option price at the BTG SA level.</li> <li>▶ The recognition of the deferred sale of the 30% interest of the Izingwe Consortium in Aberdare Cables based on the assumption that a portion of the purchase price will be settled in cash of R173 million. The effective option was antidilutive in the current and prior year and consequently, no dilution was calculated.</li> <li>▶ The earnings effect of dilutive options at BTG Limited and Allied Technologies Limited subsidiary level.</li> </ul>		
<b>25. DIVIDENDS PROPOSED</b>		
Ordinary dividend No 58 of 78.0 cents (2005: 63.0 cents per share)	<b>73</b>	59
Preference dividend No 12 of 78.0 cents (2005: 63.0 cents per share)	<b>147</b>	117
	<b>220</b>	176
<b>26. COMMITMENTS</b>		
<b>26.1 Capital expenditure</b>		
Contracts for capital expenditure not provided for in the financial statements	<b>23</b>	43
Capital expenditure authorised but not contracted for	<b>47</b>	34
	<b>70</b>	77
<p>This expenditure will be incurred in the ensuing year and will be financed from existing cash resources.</p>		

	2006 R million	2005 R million
<b>26.2 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>85</b>	92
plant, equipment and vehicles	<b>33</b>	41
	<b>118</b>	133
<b>One to five years</b>		
property	<b>233</b>	233
plant, equipment and vehicles	<b>18</b>	36
	<b>251</b>	269
<b>Thereafter</b>		
property	<b>115</b>	40
<b>Total</b>	<b>484</b>	442
<b>27. CONTINGENT LIABILITIES</b>		

The South African Revenue Services had disallowed certain assessed losses in a prior year to the value of R27 million, excluding interest, in group companies which had previously been allowed. Objections have been lodged against the revised assessments and the group is confident, based on the opinion from senior counsel, that the objections will be upheld by the Income Tax Court.

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**28. FINANCIAL INSTRUMENTS**

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

**28.1 Foreign 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 primarily deals are British Pounds, US Dollars and Euros. The group entities hedge payables, receivables and borrowings denominated in a foreign currency.

**28.2 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:

	2006		2005	
	Foreign amount R million	Rand amount R million	Foreign amount R million	Rand amount R million
<b>Net foreign exchange contracts to pay/(receive)</b>				
British Pounds	9.9	107.1	6.4	71.7
US Dollars	64.5	400.5	17.2	101.8
Euros	18.5	136.5	18.4	142.7
Swedish Kroners	8.4	6.6	15.1	13.0
New Zealand Dollars	1.7	7.0	1.3	5.5
Swiss Francs	0.4	2.0	0.7	3.4
Australian Dollars	(2.8)	(12.9)	—	—
Various		—		0.7
		<b>646.8</b>		<b>338.8</b>
Comprising foreign exchange contracts:				
- to pay		894.9		445.3
- to receive		(248.1)		(106.5)
		<b>646.8</b>		<b>338.8</b>
Value of contracts at marked-to-market		<b>661.6</b>		<b>344.7</b>

**Contracts in respect of forecast transactions**

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	84	82
- to receive	—	(1)
	<b>84</b>	<b>81</b>

### 28.3 Monetary assets/(liabilities)

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:

	2006		2005	
	Foreign amount R million	Rand amount R million	Foreign amount R million	Rand amount R million
<b>Net assets/(liabilities)</b>				
British Pounds	—	(0.1)	(0.2)	(2.0)
US Dollars	(8.9)	(55.0)	4.5	25.6
Euros	(0.2)	(1.8)	3.0	27.1
Australian Dollars	6.8	30.8	8.5	39.2
Other	—	(0.6)	—	(16.4)
		(26.7)		73.5

### 28.4 Interest rate risk

Financial assets and liabilities that are sensitive to interest rate risk are cash and cash equivalents and loans receivable/payable, rental finance advances/liabilities and preference share liabilities. The interest rates applicable to these financial instruments are in line with those currently available in the market.

### 28.5 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 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 are the contractual amounts receivable in respect of foreign exchange contracts.

### 28.6 Fair values

The fair values of all financial instruments are substantially identical to the carrying values reflected in the balance sheet. Unlisted equity investments are fair-valued based on directors' valuations using the discounted cash flow method. Forward exchange contracts are marked-to-market using listed market prices. Interest-bearing borrowings and receivables are generally at interest rates in line with those currently available in the market on a floating-rate basis.

## 29. RELATED PARTY TRANSACTIONS

The group has a related party relationship with its subsidiaries (see note 3 page 169), associates and joint ventures (see Annexure 1), its directors (see page 106) and key management personnel (refer below)

### 29.1 Associates and joint ventures

	2006 R million	2005 R million
Sale of goods and services to associates	32	1
Interest earned from associates	1	1
Finance costs with joint venture	4	1

### 29.2 Directors

Details relating to directors' emoluments and shareholdings in the company are disclosed in the remuneration report on page 106 and in the Directors' report on page 113.

	2006 R million	2005 R million
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## 29. RELATED PARTY TRANSACTIONS (continued)

### 29.3 Key management personnel

Key management personnel are defined as directors of the company and its principal subsidiary companies, Allied Technologies Limited (Altech), Bytes Technology Group Limited (BTG) and Power Technologies (Pty) Limited (Powertech). The key management personnel compensations were as follows:

Short-term employee benefits, including salaries and bonuses	52	44
Post-employment benefits	4	3
Equity compensation benefits	1	1
	<b>57</b>	<b>48</b>

### 29.4 Shareholders

The principal shareholders of the company are detailed in the Analyses of Shareholders on page 86 of the annual report. Directors' shareholdings are detailed in the directors' report on page 113.

## 30. JUDGEMENTS MADE BY MANAGEMENT

In preparing financial statements in conformity with IFRS, estimates and assumptions that affect the reported amounts and related disclosures are:

### > Deferred taxation assets

Deferred taxation assets have been raised at year-end on income tax losses and temporary differences in certain of the former CS Computer Services Holdings operations. Consequently, a further adjustment to goodwill has been made as these operations have made, and are expected to continue making taxable profits resulting in the utilisation of tax losses. Goodwill approximating the taxation which would have been recognised at acquisition has now been expensed in the income statement.

### > Assets' lives and residual values

The useful life of the rights to distribute Xerox equipment in 23 African territories is considered to be indefinite as these rights will automatically be renewed at no further cost upon the renewal of the group's South African distribution agreement. Software, patents and trademarks and customer relationships are amortised over their remaining useful lives of up to six years. These intangible assets have no residual values as the group has no intention of disposing them.

### > Impairment of assets

The impairment of goodwill is considered at least annually. Property, plant and equipment as well as intangible assets are considered for impairment when conditions indicate that impairment may be necessary. These conditions include economic conditions of the operating unit as well as the viability of the asset itself. The discounted cash flow method is used, taking into account future expected cash flows, market conditions and the expected useful lives of the assets.

**30. JUDGEMENTS MADE BY MANAGEMENT (continued)**
**► Post-employment benefit obligations**

Post-retirement defined benefits are provided for certain existing and former employees (see note 16). The actuarial valuation method used to value the obligations is the Projected Unit Method. The assumptions used include a discount rate, inflation rate, salary increase rate, expected rate of return on assets and a pension increase allowance.

**► Pension fund surplus investigation**

The Pension Fund Second Amendment Act, 2001 requires that the trustees of all retirement funds undertake a surplus investigation. This investigation was undertaken on the Altron Group Pension Fund as at 31 December 2002. The investigation involved comparing assets of the fund to the liabilities and reserves of the fund at the valuation date and investigating instances of fund surpluses having been utilised improperly by the employer. The investigation was completed by the trustees and revealed that no instances of improper uses of any surplus, as defined in the Act, have occurred and that the assets in the fund as at 31 December 2002 did not exceed the liabilities and reserves of the fund at that date.

**► Fair value of investments-held-for-sale**

The investments in Fintech Receivables 1 (FR1) and Technologies Acceptances Receivables (TAR) (see Annexure 1) have been designated as available-for-sale financial assets and as such have been fair valued using the discounted cash flow method.

**► Valuation of financial instruments**

In note 28 a detailed analysis is given of the foreign exchange exposure of the group and risks in relation to foreign exchange movements.

	2006 R million	2005 R million
<b>31. CASH GENERATED BY OPERATIONS</b>		
Operating profit before capital items	1 040	963
Adjustments for:		
Depreciation and amortisation	213	192
Closure cost of subsidiaries	(44)	—
Unrealised foreign exchange losses	3	4
Movement in provisions and other non-cash movements	(14)	(37)
Cash generated before movements in working capital	1 198	1 122
Increase in inventories	(142)	(153)
(Increase)/decrease in trade and other receivables	(176)	51
Increase in trade and other payables	532	180
	1 412	1 200
<b>32. DIVIDENDS RECEIVED FROM ASSOCIATES AND OTHER INVESTMENTS</b>		
Dividends receivable at beginning of year	37	25
Attributable income per the income statement	19	18
Dividends receivable at end of year	(56)	(37)
	—	6
<b>33. TAXATION PAID</b>		
Amounts unpaid at beginning of year	(164)	(116)
Amounts charged to the income statement	(373)	(308)
Relating to acquisitions, disposals and translation	—	(6)
Amounts unpaid at end of year	187	164
	(350)	(266)

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	2006 R million	2005 R million
<b>34. ACQUISITION OF SUBSIDIARIES AND JOINT VENTURE</b>		
Property, plant and equipment	(13)	(114)
Intangibles – fair value adjustment	(31)	(32)
Investments	–	(272)
Inventories	(14)	(103)
Trade and other receivables	(21)	(294)
Trade and other payables	23	354
Provisions	–	16
Taxation	–	7
Deferred tax	1	(11)
Net loans	3	5
Net cash	(4)	52
	<b>(56)</b>	<b>(392)</b>
Minority interest	–	55
Costs	–	(2)
Shares issued in subsidiary	–	45
Investment in associates eliminated	21	–
Goodwill paid	(95)	(639)
Cash paid	(130)	(933)
Less: cash acquired	4	(52)
	<b>(126)</b>	<b>(985)</b>
<b>The following subsidiaries were acquired during the year</b>		
The remaining 60,87% share in Digital Healthcare Solutions	85	
Nicor Printing Solutions	12	
Calidus	33	
	<b>130</b>	
<b>Results of subsidiaries acquired</b>		
	From acquisition	Full year
Revenue	188	209
Profit after tax	22	25

	2006 R million	2005 R million
<b>35. PROCEEDS ON DISPOSAL OF SUBSIDIARIES AND JOINT VENTURE</b>		
Property, plant and equipment	8	–
Goodwill and intangible assets	148	–
Investments	311	–
Trade and other receivables	57	–
Trade and other payables	(98)	–
Provisions	(3)	–
Deferred tax and taxation	8	–
Net loans	(78)	–
Net cash	89	–
Minority interest	(10)	–
	<b>432</b>	<b>–</b>
Profit on disposal	129	–
	<b>561</b>	<b>–</b>
Less: cash disposed	(89)	–
Net proceeds on disposal	<b>472</b>	<b>–</b>
During the year the joint venture with Econet was disposed of comprising:		
Joint venture – Econet Wireless Global	121	
Associate – Mascom Wireless Botswana (Pty) Ltd	226	
Econet Wireless Nigeria Investment	85	
Profit on disposal	129	
	<b>561</b>	

	2006 R million	2005 R million
<b>36. PROCEEDS ON DISPOSAL OF PROPERTY, PLANT AND EQUIPMENT</b>		
Carrying amount	39	68
Surplus on disposal	7	7
	46	75
<b>37. 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)
Net cash and cash equivalents removed	—	(3)

	2006 R million	2005 R million
<b>38. OTHER INVESTING ACTIVITIES</b>		
Acquisition of additional shares in BTG	(118)	—
Proceeds on sale of investment in associate	17	—
Proceeds on disposal of partial investment in subsidiaries	11	46
Net increase in loans with associates and other investments	(62)	(1)
Treasury shares in Altech	—	(257)
Redemption of share in associate	—	(6)
	(152)	(218)
<b>39. CHANGES IN MINORITY INTERESTS</b>		
Proceeds on shares issued in subsidiaries	18	—
Capital introduced by minority	5	—
	23	—