



Certificate from the company secretaries

Andrew Johnston
Group Company
Secretary



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 2007, 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

7 May 2007

Independent auditors' report

To the members of Allied Electronics Corporation Limited

We have audited the group annual financial statements and the annual financial statements of Allied Electronics Corporation Limited, which comprise the balance sheets at 28 February 2007, and the income statements, the statements of changes in equity and cash flow statements for the year then ended, and the notes to the financial statements, which include a summary of significant accounting policies and other explanatory notes, and the directors' report set out on pages 140 to 202.

Directors' responsibility for the financial statements

The company's directors are responsible for the preparation and fair presentation of these financial statements in accordance with International Financial

Reporting Standards and in the manner required by the Companies Act of South Africa. This responsibility includes: designing, implementing and maintaining internal control relevant to the preparation and fair presentation of financial statements that are free from material misstatement, whether due to fraud or error; selecting and applying appropriate accounting policies; and making accounting estimates that are reasonable in the circumstances.

Auditors' responsibility

Our responsibility is to express an opinion on these financial statements based on our audit. We conducted our audit in accordance with International Standards on Auditing. Those standards require that we comply with ethical

requirements and plan and perform the audit to obtain reasonable assurance whether the financial statements are free from material misstatement.

An audit involves performing procedures to obtain audit evidence about the amounts and disclosures in the financial statements. The procedures selected depend on the auditor's judgement, including the assessment of the risks of material misstatement of the financial statements, whether due to fraud or error. In making those risk assessments, the auditor considers internal control relevant to the entity's preparation and fair presentation of the financial statements in order to design audit procedures that are appropriate in the circumstances, but not for the purpose of expressing an opinion on the effectiveness of the entity's internal control. An audit also includes evaluating the appropriateness of accounting policies used and the reasonableness of accounting estimates made by management, as well as evaluating the overall presentation of the financial statements.

We believe that the audit evidence we have obtained is sufficient and appropriate to provide a basis for our audit opinion.

Opinion

In our opinion, these financial statements present fairly, in all material respects, the consolidated and separate financial position of Allied Electronics Corporation Limited at 28 February 2007, and its consolidated and separate financial performance and consolidated and separate cash flows for the year then ended in accordance with International Financial Reporting Standards, and in the manner required by the Companies Act of South Africa.

KPMG Inc.
Registered Auditor



per MCA Hoffman
Chartered Accountant (SA)
Registered Auditor
Director

85 Empire Road
Parktown, South Africa

7 May 2007

Directors' report

To the members of Allied Electronics Corporation Limited

The directors have pleasure in submitting the annual financial statements of the Altron group for the year ended 28 February 2007.

NATURE OF BUSINESS

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

FINANCIAL RESULTS

Group attributable earnings for the year ended 28 February 2007 were R805 million (2006: R494 million), representing earnings per share of 287 cents (2006: 176 cents). Headline earnings per share were 286 cents (2006: 189 cents).

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

DIVIDENDS

The following dividends were declared in respect of the year ended 28 February 2007:

- ▶ ordinary dividend No. 59 of 118 cents per share (2006: 78 cents); and
- ▶ participating preference dividend No. 13 of 118 cents per share (2006: 78 cents).

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

SUBSIDIARIES, ASSOCIATE COMPANIES AND OTHER INVESTMENTS

Particulars of the principal subsidiaries of the Altron group are given on page 201 while particulars of the associate companies, joint ventures and other investments are provided in Annexure 1 on page 190.

The attributable interest of the group in the income and losses of its subsidiaries for the year ended 28 February 2007 is:

	2007 R million	2006 R million
Aggregate amount of income after taxation	1 186	878
Aggregate amount of losses after taxation	97	127

ACQUISITION OF ALTRON PARTICIPATING PREFERENCE SHARES

On 4 August 2006, Altron Finance (Pty) Limited acquired 3 388 383 Altron participating preference shares in the open market at a price of R22.50 per share. The total purchase consideration for these shares amounted to the sum of R77 million.

These shares, acquired by Altron Finance (Pty) Limited in terms of a special resolution passed by members of Altron on 14 July 2006, were funded from available internal resources and are held as treasury stock.

ACQUISITION OF 1.27% OF BYTES ORDINARY SHARES

During the period under review, Altron took advantage of several opportunities to purchase 1.27% of the issued share capital of Bytes on the open market at a cost of R25.2 million.

MERGER OF TELECOMS CABLES BUSINESS

On 1 February 2007, the telecommunications cable manufacturing businesses and assets of Altron and Reunert were merged in a joint venture, following approval of the merger by the Competition Tribunal.

SHARE CAPITAL

Full details of the authorised, issued and unissued capital of the company at 28 February 2007 are contained in note 10 to the financial statements.

Share schemes

Particulars relating to the Altron Group Share Incentive Scheme and The Allied Electronics Corporation Limited Share Trust are set out in note 10 to the financial statements.

At the date of this report, a total of 4 847 855 ordinary shares and 14 458 257 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, 13 July 2007. 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

Appointments:

1 May 2006	Mr DM Ramaphosa (alternate to Dr HA Serebro)
------------	---

Resignations:

31 July 2006	Adv DC Mpofu
28 February 2007	Mr DM Ramaphosa (alternate to Dr HA Serebro)

In terms of the company's articles of association, Dr WP Venter and Dr HA Serebro and Messrs PD Redshaw, PL Wilmot and JRD Modise retire by rotation. All the retiring directors are eligible and available for re-election. Their profiles appear on pages 205 to 211.

SECRETARIES

Altron Management Services (Pty) Limited act as secretaries to the company. The secretaries' business and postal addresses appear on page 221 of this annual report.

SEGMENTAL REPORTING

Segmental information is included in this annual report as part of the operational reviews and shareholders are referred to annexure 2 on page 194.

Headline earnings contributions to Altron were as follows:

	2007	2006
	R millions	R millions
Altech	236	214
BTG	125	111
Powertech	415	170
Corporate	26	34

DIRECTORS' INTERESTS

At 28 February 2007 the present directors of the company held direct and indirect beneficial interests, including family interests, in 59 881 073 of the company's issued ordinary shares (2006: 59 791 936 ordinary shares) and

34 486 558 of the company's issued participating preference shares (2006: 34 511 558). Details of shares held per individual director are listed below. A total of 4 044 105 participating preference share options and conditional rights are allocated to directors in terms of the company's employee share schemes.

RESOLUTIONS

The company passed and registered one special resolution on 26 July 2006, approving the acquisition by the company or any of its subsidiaries of the company's shares.

At subsidiary level, Altech passed and registered one special resolution on 17 July 2006, approving the acquisition by Altech or any of its subsidiaries of Altech's shares.

Name of director	Direct beneficial		Direct non-beneficial	
	Ordinary shares	Participating preference shares	Ordinary shares	Participating preference shares
Dr WP Venter	8 660 236	8 577 217	—	—
MC Berzack	—	401 332	—	—
Dr HA Serebro	514 300	1 555	—	—
MJ Leeming	2 500	—	—	—
RE Venter	—	45 366	—	—

Name of director	Indirect beneficial		Indirect non-beneficial	
	Ordinary shares	Participating preference shares	Ordinary shares	Participating preference shares
Dr WP Venter	31 263 527	8 718 506	19 367 000*	16 741 572*
Dr HA Serebro	1 010	1 010	—	—
MJ Leeming	2 500	—	—	—
MJ Lamberti	—	—	70 000	—

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

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

At subsidiary level, Bytes passed and registered two special resolutions on 20 July 2006, one adopting amended articles of association and the other obtaining authority for Bytes to acquire ordinary shares in Bytes for purposes of an odd-lot offer.

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 Altron 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 International Financial Reporting Standards 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 presents the state of affairs and the results of the company and the Altron group.

The directors' responsibility includes: designing, implementing and maintaining internal control relevant to the preparation and fair presentation of these financial statements that are free from material misstatement, whether due to fraud or error; selecting and applying appropriate accounting policies; and making accounting estimates that are reasonable in the circumstances.

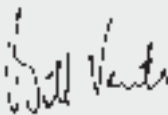
The directors' responsibility also includes maintaining adequate accounting records and an effective system of risk management.

These financial statements have been prepared on the going-concern basis, since the directors have every reason to believe that the company and the Altron 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 auditors are responsible for reporting on whether the group annual financial statements and separate parent annual financial statements are fairly presented in accordance with the applicable financial reporting framework.

The annual financial statements for the year ended 28 February 2007 which appear on pages 140 to 202 were approved by the board and signed on its behalf on 7 May 2007.

*For: **Allied Electronics Corporation Limited***



Dr Bill Venter

Chairman



RE Venter

Chief Executive



DC Radley

Chief Financial Officer

Accounting policies

Allied Electronics Corporation Limited (“the company”) is a South African registered company. The consolidated financial statements of the company for the year ended 28 February 2007 comprise the company and its subsidiaries (together referred to as the “group”) and the group’s interest in associates and jointly controlled entities.

STATEMENT OF COMPLIANCE

The consolidated financial statements have been prepared in accordance with International Financial Reporting Standards (IFRS), the interpretations adopted by the International Accounting Standards Board (IASB) and the requirements of the South African Companies Act.

BASIS OF PREPARATION

The annual financial statements are prepared in millions of South African rands on the historical cost basis, except for the following assets and liabilities which are stated at fair value:

- Derivative financial instruments
- Investments classified as available-for-sale.

Non-current assets and liabilities and disposal groups held-for-sale are stated at the lower of carrying amount and fair value less cost to sell.

The preparation of financial statements in conformity with IFRS requires management to make judgements, estimates and assumptions that may affect the application of policies and reported amounts of assets, liabilities, income and expenses. The estimates and associated assumptions are based on historical experience and various other factors that are believed to be reasonable under the circumstances, the results of which form the basis of making the judgements about carrying values of assets and liabilities that are not readily apparent from other sources. Actual results may differ from these estimates.

The estimates and underlying assumptions are reviewed on an ongoing basis. Revisions to accounting estimates are recognised in the period in which the estimate is revised if the revision only affects that period, or in the period of the revision and future periods if the revision affects both current and future periods. Judgements made by management in the application of IFRS that have a significant effect on the financial statements and estimates with a significant risk of material adjustment in the next year are discussed in note 32.

The accounting policies set out below have been applied consistently to the periods presented in these consolidated financial statements except as disclosed in note 33.

The accounting policies have been applied consistently by all group entities.

BASIS OF CONSOLIDATION

Subsidiaries

Subsidiaries are those entities over which the group has the power to, directly or indirectly, exercise control over the financial and operating policies, so as to obtain benefits from their activities.

In assessing control, potential voting rights that presently are exercisable are taken into account.

The financial statements of subsidiaries are included in the consolidated financial statements from the date that control commences until the date that control ceases.

Associates

An investment in an associate is an investment in a company in which the group exercises significant influence but not control. The equity method of accounting for associates 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. 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 from the date the joint control commences until the date the joint control ceases.

Eliminations on consolidation

Intragroup balances and transactions, and any unrealised gains or losses arising from intragroup transactions, are eliminated in preparing the consolidated financial statements. Unrealised gains arising from transactions with associates and joint ventures are eliminated to the extent of the group's interest in these enterprises. Unrealised losses on transactions with associates and joint ventures are eliminated in the same way as unrealised gains except that they are only eliminated to the extent that there is no evidence of impairment.

Goodwill

All business combinations are accounted for by applying the "purchase method". Goodwill represents amounts arising on the acquisition of subsidiaries, associates and joint ventures. 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 identifiable assets, liabilities and contingent liabilities acquired.

The group made an election in terms of IFRS 1 that in respect of acquisitions prior to 1 March 2004, goodwill is included on the basis of its deemed cost, which represents the amount recorded under previous SA GAAP on 1 March 2004.

Goodwill is measured at cost less accumulated impairment losses.

Goodwill is allocated to cash-generating units and is tested annually for impairment.

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

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 group 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.

Broad-based black economic empowerment (BBBEE) transactions

BBBEE 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 BBBEE partner the derecognition of such equity interests 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.

CASH AND CASH EQUIVALENTS

Cash and cash equivalents comprise cash balances and call deposits. Bank overdrafts that are repayable on demand and form an integral part of the group's cash management are included as a component of cash and cash equivalents for the purposes of the cash flow statement. Cash and cash equivalents are measured at amortised cost in the balance sheet.

CAPITALISATION OF BORROWING COSTS

Interest on borrowings to finance the construction of assets that require a substantial period of time 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 as well as closure of businesses.

EMPLOYEE BENEFITS

Short-term employee benefits

The costs of all short-term employee benefits are recognised during the period in which the employee renders the related service. The accruals 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 the employee's services provided. The accruals 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 and Altron Group Provident Fund, which are defined contribution funds.

After the 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 as the group's obligations under the schemes are equivalent to those arising in a defined contribution plan.

The group's contributions to defined contribution funds are charged to the income statement in the year they are incurred.

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 November 1999 are entitled to some 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.

The fair value of plan assets is deducted from the present value of the defined benefit obligation to the extent permitted by IAS 19 – Employee benefits. 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 are 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
- 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.

When the calculation results in a benefit to the group, the recognised asset is limited to the net total of any unrecognised past service cost and the present value of any future refunds from the plan or reductions in future contributions to the plan.

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.

FINANCIAL INSTRUMENTS

Measurement

Financial instruments are initially measured at fair value, which includes transaction costs, except for those items carried at fair value through profit or loss, when the group becomes a party to the

contractual arrangements as set out below. Subsequent to initial recognition these instruments are measured as set out below.

Derecognition

Financial assets are derecognised if the group's contractual rights to the cash flows from the financial assets expire or if the group transfers the financial assets to another party without retaining control or substantially all risks and rewards of the asset.

Financial liabilities are derecognised if the group's obligations specified in the contract expire or are discharged or cancelled.

Interest-bearing borrowings

Subsequent to initial recognition, interest-bearing borrowings are stated at amortised cost with any difference between cost and redemption value being recognised in the income statement over the period of the borrowings on an effective interest basis.

Investments

Investments held-for-trading are classified as current assets and are stated at fair value, with any resultant gain or loss recognised in the income statement.

Other investments held by the group are classified as being available-for-sale and are stated at fair value, with any resultant gain or loss being recognised directly in equity, except for impairment losses and, in the case of monetary items, foreign exchange gains or losses, which are recognised in the income statement. When these investments are disposed of, the cumulative gain or loss previously recognised directly in equity is recognised in the income statement as a capital item. Where these investments are interest-bearing, interest calculated using the effective interest method is recognised in the income statement.

Trade and other receivables/payables

Trade and other receivables/payables originated by the group are stated at amortised cost less impairment losses on receivables.

Derivative 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.

Derivative financial instruments comprise foreign exchange contracts and metal future contracts. Subsequent to initial recognition they 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 present value of the current forward rate of an equivalent contract with the same maturity date. However, where derivatives qualify for hedge accounting, recognition of any resultant gain or loss depends on the nature of the item being hedged.

Hedging

Where a derivative financial instrument is designated as a hedge of the variability in cash flows attributable to a particular risk associated with a recognised asset or liability, a firm commitment if it is a hedge of foreign exchange risk, or a highly probable forecast transaction that could affect the income statement, the effective part of any gain or loss on the derivative financial instrument is recognised directly in equity in the deferred hedging reserve. Any ineffective portion of changes in the fair value of the derivative is recognised immediately in the income statement.

When the hedged firm commitment or forecast transaction results in the recognition of a non-financial asset or a non-financial liability, the cumulative amount recognised in equity up to

the transaction date is adjusted against the initial measurement of the asset or liability. For other cash flow hedges, the cumulative amount recognised in equity is recognised in the income statement in the period when the commitment or forecast transaction affects the income statement.

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 accordance with the above policy when the underlying transaction occurs. If the hedged transaction is no longer expected to occur, then hedge accounting is discontinued and the cumulative unrealised gain or loss is immediately recognised in the income statement.

Where a derivative financial instrument is used to economically hedge the foreign exchange exposure of a recognised monetary asset or liability, no hedge accounting is applied and any gain or loss on the hedging instrument is recognised in the income statement.

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.

FOREIGN CURRENCIES

Foreign currency transactions

Foreign currency transactions are converted to the respective functional currencies of group entities at the rates of exchange ruling at the date of transaction. Monetary assets and liabilities denominated in foreign currencies at the balance sheet date are translated to the functional

currency at the rates ruling at that date. Gains or losses on translation are recognised in the income statement.

Financial statements of foreign operations

The assets and liabilities of all foreign operations, including goodwill and fair value adjustments arising on acquisition, are translated to South African rands at foreign exchange rates ruling at the balance sheet date. The revenues and expenses of foreign operations are translated to South African 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 – the foreign currency translation reserve. The foreign currency translation reserve applicable to a foreign operation is released to the income statement as a capital item upon disposal of that foreign operation.

IMPAIRMENT OF ASSETS

The carrying amounts of the group's assets are reviewed at least annually 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.

For goodwill, intangible assets that have an indefinite useful life and intangible assets that are not yet available for use, the recoverable amount is estimated annually.

The recoverable amount is the higher of an asset's fair value less costs to sell 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 pre-tax 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 in the

income statement 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. Impairment losses recognised in respect of cash-generating units are allocated first to reduce the carrying amount of any goodwill allocated to the cash-generating units and then, to reduce the carrying amount of other assets in the unit on a *pro rata* basis.

When a decline in the fair value of an available-for-sale financial asset has been recognised directly in equity and there is objective evidence that the asset is impaired, the cumulative loss that has been recognised directly in equity is recognised in the income statement even though the financial asset has not been derecognised. The amount of the cumulative loss that is recognised in the income statement is the difference between the acquisition cost and current fair value, less any impairment loss on that financial asset previously recognised in the income statement.

Reversal of impairment

A previously recognised impairment loss is reversed if there is an indication that the impairment loss no longer exists and 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 or amortisation) had no impairment loss been recognised in prior years, except as detailed below.

An impairment loss in respect of an investment in an equity instrument classified as available-for-

sale is not reversed through the income statement. An impairment loss in respect of goodwill is not reversed.

INTANGIBLE ASSETS

Goodwill

Refer “Basis of consolidation” above.

Research and development

Expenditure on research activities, undertaken with the prospect of gaining new scientific or technical knowledge and understanding, is recognised as an expense as incurred.

Expenditure on development activities, whereby research findings are applied to a plan or design for the production of new or substantially improved products and processes, is capitalised if development costs can be measured reliably, the product or process is technically and commercially feasible, future economic benefits are probable and the group intends to and has sufficient resources to complete development and to use or sell the asset.

The expenditure capitalised includes the cost of materials, direct labour and an appropriate proportion of overheads. These items are stated at cost less accumulated amortisation and impairment losses. Other development expenditure is recognised as an expense as incurred.

Other intangible assets

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

Subsequent expenditure

Subsequent expenditure on capitalised intangible assets is capitalised only when it increases the future economic benefits embodied in the specific asset to which it relates. All other expenditure is expensed as incurred.

Amortisation

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.

Other intangible assets are amortised from the date they are available for use. The estimated useful lives for the current and comparative periods are as follows:

- | | |
|--------------------------|-----------------|
| ▶ Patents and trademarks | 5 years |
| ▶ Customer relationships | 2 to 6 years |
| ▶ Distribution rights | indefinite life |
| ▶ Proprietary software | 3 years |

INVENTORIES

Inventories are measured 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 based on normal production capacity. Net realisable value is the estimated selling price in the ordinary course of business, less the estimated costs of completion and selling expenses.

NON-CURRENT ASSETS HELD-FOR-SALE AND DISCONTINUED OPERATIONS

Non-current assets are classified as held-for-sale if their carrying amount will be recovered principally through a sale transaction, not through continuing use. These assets may be a component of an entity, a disposal group or an individual non-current asset. Upon initial classification as held-for-sale, non-current assets and disposal groups are recognised at the lower of carrying amount and fair value less cost to sell. Any impairment losses arising are recognised in the income statement as capital items.

A discontinued operation is a component of the group's business that represents a separate major line of business or geographical area of operations or a subsidiary acquired exclusively with a view to resale. Classification as a discontinued operation occurs upon the earlier of disposal or when the operation meets the criteria to be classified as held-for-sale. When an operation is classified as a discontinued operation, the comparative income statement and cash flow statement are restated as if the operation has been discontinued from the start of the comparative period.

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

Owned assets

Property, plant and equipment are stated at cost less accumulated depreciation and impairment losses. When components of an item of property, plant and equipment have different useful lives, those components are accounted for as separate items of property, plant and equipment.

Leased assets

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 shorter of the estimated useful life of the asset or the lease term if there is no reasonable certainty that the group will obtain ownership at the end of the lease term.

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 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.

Subsequent costs

The group recognises in the carrying amount of an item of property, plant and equipment the cost of replacing part of such an item when the cost is incurred, if it is probable that additional future economic benefits embodied within the item will flow to the group and the cost of such item can be measured reliably. All other costs are recognised in the income statement as an expense when incurred.

Depreciation

Depreciation is charged to the income statement for each category of assets on a straight line basis over their expected useful lives to estimated residual values. Land is not depreciated.

The estimated useful lives for the current and comparative periods are as follows:

▶ buildings	20 – 50 years
▶ plant and equipment	3 – 20 years
▶ furniture and fittings	5 – 20 years
▶ motor vehicles	4 – 8 years
▶ software and IT systems	2 – 8 years
▶ leasehold improvements	over period of lease

The depreciation methods, useful lives and residual values are reassessed annually.

Gains and losses arising on the disposal of property, plant and equipment are included as capital items in the income statement.

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. Provisions are determined by discounting the expected future cash flows at a pre-tax discount rate that 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.

Restructuring

A provision for restructuring is recognised when the group has approved a detailed and formal restructuring plan, and the restructuring either has commenced or has been announced publicly. Future operating costs are not provided for.

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.

The provision is measured at the present value of the lower of the expected costs of terminating the contract and the expected net cost of continuing with the contract. Before a provision is established, the group recognises any impairment loss on the assets associated with that contract.

SHARE-BASED PAYMENT TRANSACTIONS

Equity settled

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 measured using generally accepted valuation techniques, taking into account the terms and conditions upon which the instruments are granted. The amount recognised as an expense is adjusted to reflect the actual number of share options and deferred delivery shares that vest except where forfeiture is only due to share prices not achieving the threshold for vesting. 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.

Cash settled

Share linked instruments have been granted to certain employees in the group. The fair value of the amount payable to the employee is recognised as an expense with a corresponding increase in liabilities. The fair value is initially 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 payment. The fair value of the instruments granted is measured using generally accepted valuation techniques, taking into account the terms and conditions upon which the instruments are granted. The liability is remeasured at each balance sheet

date and at settlement date. Any changes in the fair value of the liability are recognised as employees' remuneration in the income statement.

Group share-based payment transactions

Transactions in which a parent grants rights to its equity instruments directly to the employees of its subsidiaries are classified as equity settled in the financial statements of the subsidiary, provided the share-based payment (SBP) is classified as equity settled in the consolidated financial statements of the parent.

The subsidiary recognises the services acquired with the SBP as an expense and recognises a corresponding increase in equity for a capital contribution from the parent for those services acquired. The parent recognises in equity the equity settled SBP and recognises a corresponding increase in the investment in subsidiary.

A recharge arrangement exists whereby the subsidiary is required to fund the difference between the exercise price on the share options and the market price of the share at the time of exercising the option. The recharge arrangement is accounted for separately from the underlying equity settled SBP upon initial recognition, as follows :

- The subsidiary recognises a recharge liability and a corresponding adjustment against equity for the capital contribution recognised in respect of the SBP.
- The parent recognises a recharge asset and a corresponding adjustment to the carrying amount of the investment in the subsidiary.

Subsequent to initial recognition the recharge arrangement is re-measured at fair value at each subsequent reporting date until settlement date to the extent vested. Where the recharge amount recognised is greater than the initial

capital contribution recognised by the subsidiary in respect of the SBP, the excess is recognised as a net capital distribution to the parent. The amount of the recharge in excess of the capital contribution recognised as an increase in the investment in subsidiary is deferred and recognised as dividend income by the parent when settled by the subsidiary.

BBBEE transactions

Where goods or services are considered to have been received from black BBBEE 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 (as above).

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 from the sale of goods is measured at the fair value of the consideration received or receivable, net of returns and allowances, trade discounts, volume rebates and value-added tax.

Revenue is recognised when the significant risks and rewards have been transferred to the buyer, recovery of the consideration is probable, the associated costs and possible return of goods can be estimated reliably and there is no continuing management involvement in the goods.

Revenue from services rendered is recognised in profit or loss in proportion to the stage of completion of the transaction at reporting date.

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

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

SHARE CAPITAL

Preference share capital

Preference share capital is classified as equity if it is non-redeemable and any dividends are discretionary, or is redeemable but only at the company's option. Dividends on preference share capital classified as equity are recognised as distributions within equity.

Preference share capital is classified as a liability if it is redeemable on a specific date or at the option of the shareholders or if dividend payments are not discretionary. Dividends thereon are recognised in the income statement as interest expense.

Repurchase of share capital

When share capital recognised as equity is repurchased, the amount of the consideration paid, including directly attributable costs, is recognised as a deduction from equity. Repurchased shares held by subsidiaries are classified as treasury shares and presented as a deduction from total equity.

SEGMENTAL REPORTING

A segment is a distinguishable component of the group that is engaged in either providing related products or services (business segment), or in producing products or undertaking service activities within a particular economic environment (geographical segments), which is subject to risks

and rewards that are different from those of other segments. The primary basis for reporting segment information is business segments and the secondary basis is by significant geographical region, which is based on the location of assets. The basis of segment reporting is representative of the internal structure used for management reporting.

Segment results include revenue and expenses directly attributable to a segment whether from external transactions or from transactions with other group segments.

Segment assets and liabilities comprise those operating assets and liabilities that are directly attributable to the segment or can be allocated to the segment on a reasonable basis.

TAXATION

Income tax expense comprises current and deferred tax. Income tax expense is recognised in the income statement except to the extent that it relates to items recognised directly in equity, in which case it is recognised in equity.

Current tax

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

Deferred tax

Deferred tax is recognised 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.

Deferred tax is not recognised for the following temporary differences: the initial recognition of goodwill, the initial recognition of assets or liabilities in a transaction that is not a business combination and that affect neither accounting nor taxable profit, and differences relating to investments in subsidiaries and joint ventures to the extent that they will not reverse in the foreseeable future.

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. 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 tax on companies

Secondary tax on companies (STC) 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.

EARNINGS PER SHARE

The group presents basic and diluted earnings per share (EPS) data for its ordinary shares and participating preference shares. Basic EPS is calculated by dividing the profit or loss attributable to ordinary and participating preference shareholders of the company by the weighted average number of ordinary and participating preference shares outstanding during the period. Diluted EPS is determined by adjusting the profit or loss attributable to ordinary shareholders and the weighted average number of ordinary and participating preference shares outstanding for the effects of all dilutive potential ordinary and participating preference shares, which comprise share options granted to employees and BBBEE transactions that have not yet met the applicable accounting recognition criteria.

Balance sheet

at 28 February 2007

	Notes	GROUP	
		2007 R millions	2006 R millions
ASSETS			
<i>Non-current assets</i>		2 311	2 114
Property, plant and equipment	1	954	905
Intangible assets	2	844	773
Associates	3	15	14
Other investments	3	239	214
Rental finance advances	4	77	90
Deferred taxation	5	182	118
<i>Current assets</i>		6 139	5 423
Inventories	6	2 013	1 295
Trade and other receivables	7	2 494	1 976
Assets classified as held-for-sale	8	19	—
Cash and cash equivalents	9	1 613	2 152
Total assets		8 450	7 537
EQUITY AND LIABILITIES			
<i>Total equity</i>		4 746	4 034
Altron equity holders		3 528	2 931
Minority interest		1 218	1 103
<i>Non-current liabilities</i>		389	343
Loans	13	149	124
Empowerment funding obligation	14	172	173
Provisions	15	38	25
Deferred taxation	5	30	21
<i>Current liabilities</i>		3 315	3 160
Loans	13	65	238
Bank overdraft	9	24	—
Provisions	15	66	55
Trade and other payables	16	2 940	2 680
Liabilities classified as held-for-sale	8	15	—
Taxation payable		205	187
Total equity and liabilities		8 450	7 537
Net asset value per share (cents)		1 261	1 040

Income statement

for the year ended 28 February 2007

		GROUP	
	Notes	2007 R millions	2006 R millions
REVENUE	19	17 126	13 913
Operating costs before capital items		(15 598)	(12 873)
Material and services consumed		(11 917)	(10 065)
Employees' remuneration	20.3	(2 728)	(2 500)
Depreciation and amortisation		(235)	(213)
Net change in inventories		(718)	(95)
Operating profit before capital items	20	1 528	1 040
Capital items	21	(38)	(54)
Result from operating activities		1 490	986
Financial income	22	132	112
Financial expense	23	(56)	(53)
Share of profit from associates	24	4	32
Profit before taxation		1 570	1 077
Taxation	25	(481)	(326)
Profit for the year		1 089	751
Attributable to:			
Minority interest		284	257
Altron equity holders		805	494
Basic earnings per share (cents)	26	287	176
Diluted basic earnings per share (cents)	26	250	166
Dividends per share (cents) – paid		78	63
– proposed	27	118	78

Statement of changes in equity

for the year ended 28 February 2007

Attributable to Altron equity holders

GROUP	Share capital and premium (note 10) R millions	Treasury shares (note 10) R millions	Foreign currency translation reserves (note 11) R millions	Premium/discount on minority equity transactions (note 11) R millions
Balance at 28 February 2005	806	(222)	30	(10)
Recognised income and expense				
Profit for the year	—	—	—	—
Foreign currency translation differences	—	—	(3)	—
Release of translation surpluses (note 21)	—	—	(9)	—
Cash flow hedging reserve	—	—	—	—
Fair value adjustments	—	—	—	—
Transactions with shareholders				
Dividends	—	—	—	—
Issue of share capital	21	—	—	—
Share-based payments	—	—	—	—
Changes in shareholding of subsidiaries	—	—	—	(82)
Disposal of subsidiary	—	—	—	—
Balance at 28 February 2006	827	(222)	18	(92)
Recognised income and expense				
Profit for the year	—	—	—	—
Foreign currency translation differences	—	—	56	—
Cash flow hedging reserve	—	—	—	—
Fair value adjustments	—	—	—	—
Transactions with shareholders				
Dividends	—	—	—	—
Issue of share capital	8	—	—	—
Share-based payments	—	—	—	—
Changes in shareholding of subsidiaries	—	—	—	(1)
Purchase of own shares	—	(77)	—	—
Balance at 28 February 2007	835	(299)	74	(93)

Attributable to Altron equity holders

Cash flow hedging reserves (note 11)	Share-based payments reserve (note 11)	Statutory reserves (note 11)	Fair value reserves (note 11)	Retained earnings (note 11)	Total	Minority interest	Total equity
R millions	R millions	R millions	R millions	R millions	R millions	R millions	R millions
—	1	9	26	2 039	2 679	964	3 643
—	—	—	—	494	494	257	751
—	—	—	—	—	(3)	(1)	(4)
—	—	—	—	—	(9)	—	(9)
(3)	—	—	—	—	(3)	(1)	(4)
—	—	—	8	—	8	—	8
—	—	—	—	(176)	(176)	(106)	(282)
—	—	—	—	—	21	—	21
—	2	—	—	—	2	—	2
—	—	—	—	—	(82)	—	(82)
—	—	—	—	—	—	(10)	(10)
(3)	3	9	34	2 357	2 931	1 103	4 034
—	—	—	—	805	805	284	1 089
—	—	—	—	—	56	15	71
3	—	—	—	—	3	2	5
—	—	—	1	—	1	1	2
—	—	—	—	(216)	(216)	(173)	(389)
—	—	—	—	—	8	—	8
—	18	—	—	—	18	5	23
—	—	—	—	—	(1)	(19)	(20)
—	—	—	—	—	(77)	—	(77)
—	21	9	35	2 946	3 528	1 218	4 746

Cash flow statement

for the year ended 28 February 2007

	Notes	GROUP	
		2007 R millions	2006 R millions
CASH FLOWS FROM OPERATING ACTIVITIES		10	819
Cash generated by operations	35	799	1 412
Interest received		114	93
Dividends received	36	55	—
Interest paid		(38)	(54)
Taxation paid	37	(531)	(350)
Cash available from operating activities		399	1 101
Dividends paid			
– to Altron equity holders		(216)	(176)
– to minority interest		(173)	(106)
CASH FLOWS FROM INVESTING ACTIVITIES		(467)	(62)
Acquisition of subsidiaries and joint venture	38	(86)	(126)
Proceeds on disposal of subsidiaries and joint venture	39	—	472
Proceeds on disposal of property, plant and equipment	40	27	46
Net repayment of rental finance advances		19	13
Acquisition of property, plant, equipment and intangibles		(240)	(315)
Replacement capital expenditure		(117)	(173)
Expansion capital expenditure		(123)	(142)
Other investing activities	41	(187)	(152)
CASH FLOWS FROM FINANCING ACTIVITIES		(120)	(122)
Repayment of loans		(149)	(166)
Proceeds on share issue		8	21
Subsidiaries' equity contributions from minorities	42	21	23
NET (DECREASE)/INCREASE IN CASH AND CASH EQUIVALENTS		(577)	635
Cash and cash equivalents at the beginning of the year		2 152	1 520
Effect of foreign exchange translation on cash balances		14	(3)
CASH AND CASH EQUIVALENTS AT THE END OF THE YEAR	9	1 589	2 152

Notes to the group financial statements

	Land and buildings R millions	Plant and machinery R millions	Motor vehicles, furniture and equipment R millions	IT equipment and software R millions	Total R millions
1. PROPERTY, PLANT AND EQUIPMENT					
Cost					
Balance at 28 February 2005	221	1 429	264	544	2 458
Additions at cost	15	152	76	67	310
Arising on business combinations	—	8	12	72	92
Disposals	(5)	(10)	(49)	(88)	(152)
Disposals of subsidiaries and joint ventures	(2)	(11)	(5)	(16)	(34)
Translation	(11)	(3)	(11)	(4)	(29)
Balance at 28 February 2006	218	1 565	287	575	2 645
Additions at cost	14	75	81	53	223
Arising on business combinations	3	—	7	—	10
Arising on acquisition of joint venture	32	25	1	—	58
Disposals	(9)	(148)	(54)	(65)	(276)
Transfer to assets held-for-sale	(1)	(4)	(1)	(1)	(7)
Transfer to intangible assets	—	—	—	(24)	(24)
Translation	64	38	42	(1)	143
Balance at 28 February 2007	321	1 551	363	537	2 772
Depreciation and impairment losses					
Balance at 28 February 2005	58	1 023	166	363	1 610
Depreciation for the year	5	85	36	76	202
Impairment losses	—	17	—	—	17
Arising on business combinations	—	5	4	70	79
Disposals	(4)	(17)	(11)	(81)	(113)
Disposals of subsidiaries and joint ventures	(2)	(4)	(5)	(15)	(26)
Translation	—	(16)	(12)	(1)	(29)
Balance at 28 February 2006	57	1 093	178	412	1 740
Depreciation for the year	12	77	52	75	216
Impairment losses	—	5	—	—	5
Arising on business combinations	1	—	4	—	5
Disposals	(1)	(135)	(35)	(57)	(228)
Transfer to assets held-for-sale	(1)	(3)	(1)	—	(5)
Transfer to intangible assets	—	—	—	(23)	(23)
Translation	33	77	(8)	6	108
Balance at 28 February 2007	101	1 114	190	413	1 818
Carrying amount at 28 February 2005	163	406	98	181	848
Carrying amount at 28 February 2006	161	472	109	163	905
Carrying amount at 28 February 2007	220	437	173	124	954

2007	2006
R millions	R millions

1. PROPERTY, PLANT AND EQUIPMENT *(continued)*

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 leases, which are included in the above amounts.

The net carrying amount of the leased assets is:	21	20
Assets under construction		
Included in the cost of assets are the following items of capital work in progress:		
Plant and machinery	43	81
IT equipment and software	12	14
Other equipment	11	1
	66	96

Impairment losses

The impairment losses relate to the assets of businesses closed during the year.

Useful lives

Useful lives are reflected under accounting policies on page 151.

	Goodwill	Customer relationships	Patents and trademarks	Licence agreements	Proprietary software	Total
	R millions	R millions	R millions	R millions	R millions	R millions
2. INTANGIBLE ASSETS						
Cost						
Balance at 28 February 2005	1 068	—	7	54	1	1 130
Additions at cost	—	—	1	4	—	5
Adjustments	(38)	—	—	—	—	(38)
Arising on business combinations	95	26	—	—	5	126
Disposals	(117)	—	—	(31)	—	(148)
Translation differences	—	—	—	(3)	—	(3)
Balance at 28 February 2006	1 008	26	8	24	6	1 072
Additions at cost	—	—	11	2	—	13
Development cost capitalised	—	—	—	—	4	4
Transfer from property, plant and equipment	—	—	24	—	—	24
Adjustments	(19)	—	—	—	—	(19)
Arising on business combinations and joint ventures	86	17	18	—	—	121
Translation	12	—	5	—	—	17
Balance at 28 February 2007	1 087	43	66	26	10	1 232

	Goodwill R millions	Customer relationships R millions	Patents and trademarks R millions	Licence agreements R millions	Proprietary software R millions	Total R millions
2. INTANGIBLE ASSETS						
<i>(continued)</i>						
Amortisation and impairment losses						
Balance at 28 February 2005	199	—	2	4	—	205
Amortisation for the year	—	9	—	—	2	11
Impairment losses	82	—	1	—	—	83
Balance at 28 February 2006	281	9	3	4	2	299
Amortisation for the year	—	12	6	—	1	19
Impairment losses	50	—	—	—	—	50
Transfer from property, plant and equipment	—	—	23	—	—	23
Translation	—	—	(3)	—	—	(3)
Balance at 28 February 2007	331	21	29	4	3	388
Carrying amount at 28 February 2005	869	—	5	50	1	925
Carrying amount at 28 February 2006	727	17	5	20	4	773
Carrying amount at 28 February 2007	756	22	37	22	7	844

Adjustments to goodwill

A reduction of goodwill was made through capital items 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.

Licence agreements

The group owns the rights to distribute Xerox equipment in 24 African territories. It paid an initial fee to acquire these rights. These distribution rights within Bytes Document Solutions are considered to have indefinite useful lives as these rights will automatically be renewed at no further cost upon the renewal of the group's South African distribution agreement. Intangible assets with an indefinite useful life are tested for impairment annually and whenever there is an indication that the asset may be impaired. The cash flows emanating from this asset are discounted to their present value using the Bytes group's weighted average cost of capital of 15% (2006:15%). In determining the future cash flows, management uses the approved budgeted profit after tax in year one to be derived from this asset and this is escalated for the next four years by the anticipated CPI of 5%. The group's budgeted profit has historically been in line with actual performance.

Software, patents and trademarks

Software, patents and trademarks are amortised over their remaining useful lives of up to six years.

The Bytes group is replacing its existing healthcare switching technology with enhanced technology and has capitalised R4 million of its development cost in the current year. It is anticipated that the new technology will be commissioned in October 2007 and that a further R2 million will be incurred on the development of this technology.

	2007 R millions	2006 R millions
2. INTANGIBLE ASSETS <i>(continued)</i>		
Impairment tests for cash-generating units containing goodwill		
The following units have significant carrying amounts of goodwill:		
Altech NamTech	332	332
Bytes Document Solutions	135	135
CS Holdings	105	112
Digital Healthcare Solutions	64	64
Xclusive Solutions	40	—
Vantage Business Systems	28	—
Plato Computer Services Limited	—	50
Multiple units without significant goodwill	52	34
	756	727

Description of impairment tests and key assumptions

Impairment tests are conducted on an annual basis using a discounted cash flow valuation model on the basis of value-in-use.

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

Management forecasts typically cover a three-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 changes 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 group's decision to dispose of its shareholding in Plato Computer Services Limited and estimates from the likely proceeds from such disposal, it was decided to impair the remaining goodwill related to the respective cash-generating unit.

	2007 R millions	2006 R millions
3. ASSOCIATES AND OTHER INVESTMENTS		
Associates	15	14
Other investments at fair value		
Preference shares and investments	60	94
Loans	179	120
	239	214
Refer annexure 1 for details		
4. RENTAL FINANCE ADVANCES		
Assets		
Present value of minimum lease payments receivable	127	146
Less: Current portion (note 7)	(50)	(56)
Non-current finance lease asset	77	90
Liabilities (included under loans)		
Present value of minimum lease payments payable (note 13)	114	95
Less: Current portion	(37)	(27)
Non-current finance lease liability	77	68
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 of 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.		

	2007 R millions	2006 R millions
5. DEFERRED TAXATION		
5.1 Deferred tax movement		
Balance at beginning of year	(97)	(59)
Charged to the income statement	(70)	(47)
Charged directly in equity	(5)	1
Transfer to assets held-for-sale	1	—
Acquisitions and disposals of subsidiaries	20	8
Translation differences	(1)	—
Balance at end of year	(152)	(97)
5.2 Deferred tax balances		
Attributable to the following temporary differences:		
Property, plant and equipment	67	56
Intangible assets	2	5
Prepaid expenditure	7	5
Receipts in advance	(25)	(41)
Receivables	(9)	(16)
Contract allowances	1	21
Provisions	(89)	(69)
Tax losses	(70)	(53)
Investments and other	(16)	6
Secondary tax credits	(20)	(11)
	(152)	(97)
The above balance comprises:		
Deferred tax liabilities	30	21
Deferred tax assets	(182)	(118)
	(152)	(97)

	2007 R millions	2006 R millions
5. DEFERRED TAXATION		
<i>(continued)</i>		
Tax losses		
Estimated tax losses available for set-off against future taxable income	362	356
Applied to reduce deferred tax	(244)	(183)
	118	173
Attributable to minority shareholders	(2)	(27)
	116	146
6. INVENTORIES		
Raw materials	639	403
Work in progress	316	226
Finished goods	849	570
Merchandise	180	89
Consumable stores	29	21
	2 013	1 309
Less: Receipts in advance	—	(14)
	2 013	1 295
Inventories carried at cost	1 549	1 103
Inventories carried at net realisable value	464	192
	2 013	1 295
7. TRADE AND OTHER RECEIVABLES		
Trade receivables	2 397	1 879
Less: Impairment losses	(96)	(129)
Current portion of rental finance advances (note 4)	50	56
Derivative assets at fair value	11	7
Other receivables	132	163
	2 494	1 976

	2007 R millions	2006 R millions
8. ASSETS AND LIABILITIES CLASSIFIED AS HELD-FOR-SALE		
On 24 October 2006 the decision to sell the group's shareholding in Plato Computer Services Limited was made. This operation is consequently classified as held-for-sale as at 28 February 2007. This operation does not constitute a discontinued operation.		
Efforts to sell the shareholding in Plato Computer Services Limited have commenced and a sale agreement is imminent.		
Assets classified as held-for-sale		
Property, plant and equipment	2	
Deferred taxation	1	
Inventories	1	
Trade and other receivables	15	
	19	
Liabilities classified as held-for-sale		
Trade and other payables	9	
Bank overdraft	6	
	15	
9. CASH AND CASH EQUIVALENTS		
Cash at bank	1 110	954
Cash on deposit	503	1 198
	1 613	2 152
Bank overdraft	(24)	—
Net cash and cash equivalents	1 589	2 152

	GROUP AND COMPANY			
	2007 Number of shares	2006 Number of shares	2007 R millions	2006 R millions
10. SHARE CAPITAL AND PREMIUM				
10.1 Authorised				
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

	GROUP AND COMPANY			
	2007 Number of shares	2006 Number of shares	2007 R millions	2006 R millions
10. SHARE CAPITAL AND PREMIUM <i>(continued)</i>				
10.2 Issued				
<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
<i>Less: Own shares acquired by subsidiary</i>	(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	212 322 502	208 698 664	—	—
Issued in terms of share schemes	1 332 223	3 623 838	—	—
In issue at end of year	213 654 725	212 322 502	—	—
<i>Less: Own shares acquired by subsidiary</i>	(27 698 875)	(24 310 492)		
Net participating preference shares	185 955 850	188 012 010		
Total number of shares in issue at the end of the year, net of own shares acquired	279 883 496	281 939 656		
10.3 Share premium				
Balance at beginning of year			825	804
Share premium arising from issue of shares			8	21
Balance at end of year			833	825
10.4 Total issued share capital and premium			835	827
10.5 Unissued				
Ordinary shares			2007 Number of shares	2006 Number of shares
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
			150 325 885	150 325 885
Participating preference shares				
Shares reserved to meet the requirements of:				
Allied Electronics Corporation Limited Share Trust			1 835 480	2 399 162
Altron Group Share Incentive Trust			2 933 085	3 845 773
Conditional Rights Scheme			5 432 472	4 243 940
Shares reserved for allocation under employee share schemes			14 458 257	15 495 042
Shares under the control of the directors until the forthcoming annual general meeting			261 685 981	261 693 581
			286 345 275	287 677 498

The members in a general meeting on 14 July 2006 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.

10. SHARE CAPITAL AND PREMIUM *(continued)*

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 114).

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. During the year 3 388 383 shares were repurchased for R77 million.

10.6 Employee share options – participating preference shares

	Conditional Rights Scheme	Allied Electronics Corporation Share Trust	Altron Group Share Incentive Trust	Total share options
Number of options allocated at 28 February 2005	—	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 28 February 2006	4 243 940	2 399 162	3 845 773	10 488 875
Number of options granted	1 240 352	—	—	1 240 352
Number of options lapsed/forfeited/reinstated	(51 820)	(54 708)	(89 439)	(195 967)
Number of options exercised	—	(508 974)	(823 249)	(1 332 223)
Number of options allocated at 28 February 2007	5 432 472	1 835 480	2 933 085	10 201 037

10. SHARE CAPITAL AND PREMIUM *(continued)*

10.7 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 year under review:

Date granted	Exercise price per share	Options and deferred delivery shares outstanding at 28 February 2007		
		Allied Electronics Corporation Share Trust	Altron Group Share Incentive Trust	Conditional Rights Scheme
6 April 1995	R6.50	5 000		
20 December 1996	R4.80	1 436		
6 March 1997	R5.05	76 492		
12 January 1998	R8.30	20 000		
15 September 1998	R3.49	401 768		
26 January 1999	R4.70	39 400		
5 March 1999	R5.25	295 264		
30 May 2000	R5.00	126 220		
28 June 2000	R4.85	827 740		
10 April 2001	R7.00	21 960		
7 June 2002	R7.40	20 200		
1 October 2002	R7.25		1 578 317	
The following options are subject to IFRS 2:				
14 February 2003	R7.70		33 334	
1 April 2003	R7.00		27 334	
11 December 2003	R10.00		20 000	
27 July 2004	R11.20		1 274 100	
9 February 2006	R22.50			4 192 120
13 June 2006	R30.75			412 000
23 November 2006	R30.75			828 352
		1 835 480	2 933 085	5 432 472

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.

10. SHARE CAPITAL AND PREMIUM *(continued)*

10.8 Share-based payments

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

	Weighted average exercise price Rand 2007	Number of options 2007	Weighted average exercise price Rand 2006	Number of options 2006
Altech				
Outstanding at the beginning of the period	48.07	2 649	34.44	485
Forfeited during the period	49.45	(120)	32.25	(15)
Exercised during the period	30.00	(10)	—	—
Granted during the period	57.75	793	50.99	2 179
Outstanding at the end of the period	50.39	3 312	48.07	2 649
Exercisable at the end of the period		—		—

The weighted average market price on exercised options was R60.60.

Exercise prices on outstanding options at the end of the period ranged from R30.00 to R57.75 (2006: R30.00 to R50.99).

The weighted average remaining period to vesting on outstanding options at the end of the period was 34 months (2006: 43 months).

Bytes

Outstanding at the beginning of the period	9.93	8 724	5.19	3 011
Forfeited during the period	11.56	(540)	—	—
Exercised during the period	3.63	(303)	5.44	(811)
Granted during the period	—	—	11.56	6 524
Outstanding at the end of the period	10.06	7 881	9.93	8 724
Exercisable at the end of the period		1 340		869

The weighted average market price on exercised options was R12.57 (2006: R11.37).

Exercise prices on outstanding options at the end of the period ranged from R3.40 to R11.56 (2006: R3.40 to R11.56).

The weighted average remaining period to vesting on outstanding options at the end of the period was 29 months (2006: 39 months).

Altron

Outstanding at the beginning of the period	19.58	5 679	10.96	1 589
Forfeited during the period	22.50	(52)	11.20	(154)
Exercised during the period	9.62	(80)	—	—
Granted during the period	28.34	1 240	22.50	4 244
Outstanding at the end of the period	21.27	6 787	19.58	5 679
Exercisable at the end of the period		17		17

The weighted average market price on exercised options was R27.04.

Exercise prices on outstanding options at the end of the period ranged from R7.00 to R30.75 (2006: R7.00 to R22.50).

The weighted average remaining period to vesting on outstanding options at the end of the period was 33 months (2006: 43 months).

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 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.

10. SHARE CAPITAL AND PREMIUM *(continued)*

10.8 Share-based payments *(continued)*

Fair value of share options and assumptions

Fair value at measurement date:

2007

Conditional Rights

Fair value at grant date (Rand)

Share price (Rand)

Exercise price (Rand)

Expected volatility

Option life (years)

Dividend yield

Risk-free interest rate

2006

Conditional Rights

Fair value at grant date (Rand)

Share price (Rand)

Exercise price (Rand)

Expected volatility

Option life (years)

Dividend yield

Risk-free interest rate

	Altech 13.88 to 15.37	Altron 5.27 to 5.86	Altron 8.14 to 8.83
Fair value at grant date (Rand)	57.75	23.5	30.75
Share price (Rand)	57.75	23.5	30.75
Exercise price (Rand)	22.6%	19.43%	20.5%
Expected volatility	to 23.8%	to 19.89%	to 21.7%
Option life (years)	4.5 to 5.5	4.5 to 5.5	4.5 to 5.5
Dividend yield	3.62%	3.32%	2.54%
Risk-free interest rate	8.17%	7.95%	8.17%

	Altech	Bytes	Altron
Fair value at grant date (Rand)	12.20 to 13.85	3.12 to 3.42	5.09 to 5.69
Share price (Rand)	50.99	11.56	22.50
Exercise price (Rand)	50.99	11.56	22.50
Expected volatility	24.5% to 26.4%	19.4% 26.60%	19.4% to 19.9%
Option life (years)	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 last financial year had a service condition attached. The new conditional rights scheme implemented in the last 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.

10. SHARE CAPITAL AND PREMIUM *(continued)*

10.8 Share-based payments *(continued)*

Employee expenses

	GROUP	
	2007 R millions	2006 R millions
Share options granted between 7 November 2002 and 28 February 2005	3	3
Share options granted subsequently	17	1
Expense arising from share appreciation rights granted	40	9
Total expense recognised as employee costs	60	13
Total carrying amount of cash-settled transaction liabilities	46	9

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 2007 were as follows:

	Altech		Bytes		Altron	
	2007	2006	2007	2006	2007	2006
Share price (Rand)	65.70	51.50	14.00	12.00	42.00	22.50
Exercise price (Rand)	32.25	32.25	5.575	5.575	11.20	11.20
Term (years)	0.4 to 2.4	1.4 to 3.4	0.4 to 2.4	1.4 to 3.4	0.4 to 2.4	1.4 to 3.4
Volatility	11.9% to 23.1%	24.1% to 27.0%	12.7% to 28.2%	22.7% to 26.6%	15.1% to 25.7%	20.2% to 23.0%
Dividend yield	3.13%	3.38%	3.21%	2.67%	1.86%	2.80%
Risk free interest rate	7.99%	7.20%	7.99%	7.20%	7.99%	7.20%

	GROUP	
	2007 R millions	2006 R millions
11. RESERVES		
11.1 Retained earnings	2 946	2 357
Are distributable and would be subject to secondary tax on companies.		
11.2 Foreign currency translation reserve	74	18
Comprises all foreign exchange differences arising from the translation of the financial statements of foreign operations.		
11.3 Premium/discount on minority equity transactions	(93)	(92)
Comprises the premium or discount on subsequent purchase or sale of equity instruments in existing subsidiaries.		
11.4 Cash flow hedging reserve	—	(3)
Comprises the effective portion of the cumulative net change in the fair value of cash flow hedging instruments relating to hedged transactions that have not yet occurred.		
11.5 Share-based payments reserve	21	3
Comprises the net fair value of equity instruments granted to employees under share schemes expensed.		
11.6 Statutory reserves	9	9
Comprises the Capital Redemption Reserve Funds as well as legal reserves of a foreign subsidiary.		
11.7 Fair value reserve	35	34
Comprises the cumulative net change in the fair value of available-for-sale investments, net of deferred taxation, until the investment is derecognised.		
Total reserves	2 992	2 326

12. BBBEE TRANSACTIONS

The group has entered into the following material BBBEE transactions:

12.1 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 BBBEE 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 R88 million (2006: R93 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.

12.2 Altech group – Altech Data (Pty) Limited (Altech Data) – Pamodzi Investment Holdings (Pty) Limited (Pamodzi)

In the prior year the group issued preferred ordinary shares in Altech Data to Pamodzi.

The preferred ordinary shares entitle Pamodzi to 25.01% of the voting rights in respect of the total issued share capital of Altech Data and to 25.01% of the earnings in excess of a predetermined base earnings. Pamodzi will be entitled to dividends on the earnings in excess of the base year earnings at a rate of 28.5%. 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 25.01% of the shareholders' equity at that date.

12.3 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 redeemable preference shares issued to 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.

The funding obligation is consequently reflected as a liability of the group (refer note 14).

During the year Powertech acquired a 10% equity interest in Izingwe for R1.3 million following the exit of one of the BBBEE consortium shareholders (refer annexure 1).

A diluted earnings adjustment of R61 million (2006: nil – antidilutive) has been calculated based on the recognition of the net 27% (90% of 30%) minority interest with a proportionate settlement of the outstanding balance on the funding obligation adjusted for the dilutive effect of the option price at the Aberdare level (refer note 26.4).

12.4 Bytes group – Bytes Technology Group South Africa (Pty) Limited (Bytes SA) – Kagiso Strategic Investments (Pty) Limited (Kagiso)

Bytes entered into an agreement with Kagiso to effectively dispose of 5% of its equity interest in Bytes SA for a cash consideration fully funded by Kagiso. In addition Kagiso was granted options to acquire a further 22% equity interest in Bytes SA for R198 million. In the interim period Kagiso is entitled to 27% of the voting rights of the total issued share capital of Bytes 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 R26 million (2006: R21 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 Bytes SA level (refer note 26.4).

	2007 R millions	2006 R millions
13. LOANS		
13.1 Non-current loans		
Interest-bearing		
Rental finance liabilities Note 4	114	95
Finance leases (a)	18	27
Nedbank London (b)	50	—
Preference shares of subsidiary (c)	—	206
Non-interest-bearing		
Spanish Government (d)	2	2
Minority shareholders' loans (e)	30	32
	214	362
Less: Payable within one year, shown as current loans	(65)	(238)
Total non-current loans	149	124
13.2 Current loans		
Current portion of long-term loans	65	238
	65	238

- (a) Capitalised finance leases are settled in monthly instalments over periods of up to six 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 two years remain and is secured by land and buildings with a net book value of R14 million (refer note 1).
- (b) Term loan funding from Nedbank London of £3.5 million for the acquisition of Vantage Business Systems and Xclusive Solutions, both Xerox dealers in the UK. The loan is repayable in eight equal instalments of £437 500 commencing 1 June 2007 and bears interest at the London Interbank Market deposit rate plus 200 basis points. The debt is unsecured.
- (c) Cumulative redeemable preference shares in a subsidiary were regarded as a loan. These shares had a variable dividend coupon rate of 68% of the prime bank overdraft rate. The dividends were payable half-yearly in arrear commencing 31 March 2004. The preference shares were redeemed on 2 March 2006.
- (d) Euro loans from the Spanish Government which are interest free and repayable in four equal annual instalments.

	2007 R millions	2006 R millions
13. LOANS (continued)		
(e) Minority shareholders' loans		
Altech 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	24
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	6
Desta Power Matla (Pty) Limited: The loan is unsecured and bears no interest with no fixed terms of repayment	—	2
	30	32
13.3 Borrowing facilities		
In terms of the articles of association, the borrowing powers of the group are unlimited.		
Unutilised banking facilities	2 871	2 248
14. EMPOWERMENT FUNDING OBLIGATION		
Opening balance	173	172
Interest accrued	16	15
Dividend paid	(15)	(16)
Capital costs adjustment	(2)	2
	172	173

The dividends on the preference shares bear an indicative dividend rate of 9.61% (2006: 9.61%). The expected redemption period is from March 2008 to March 2014. Refer note 12.3.

	Warranties and contract losses R millions	Post retirement medical aid benefits R millions	Total R millions
15. PROVISIONS			
Long-term provisions	15	10	25
Current portion included in current liabilities	55	—	55
Total provisions at 28 February 2006	70	10	80
Provisions raised during the year	36	—	36
Provisions utilised/released during the year	(12)	—	(12)
Total provisions at 28 February 2007	94	10	104
Long term	28	10	38
Current portion included in current liabilities	66	—	66
	94	10	104
Refer to accounting policies for description of provisions			

	2007 R millions	2006 R millions
16. TRADE AND OTHER PAYABLES		
Trade payables	2 696	2 501
Derivative liability at fair value	27	21
Receipts in advance	217	158
	2 940	2 680

17. 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% (2006: 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 R124 million (2006: R112 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 as 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 R48 million (2006: R50 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. Upon retirement, members of the Altron Group Pension Fund can purchase a defined benefit pension from the fund. The base pension and subsequent increases granted, based on weighted average investment returns on funds, is guaranteed by the pension fund.

The benefit plans disclosed below are only in respect of members with minimum entitlement benefits, retirees with purchased defined benefit pensions and medical assistance.

During the year the post-retirement medical assistance portion of the defined benefit plans was settled by transfer of entitlements with an enhancement to the applicable member's defined contribution funds.

	2007 R millions	2006 R millions
17. RETIREMENT BENEFIT PLANS <i>(continued)</i>		
Defined benefit plans		
17.1 Value of obligations		
Fair value of plan assets	2 084	1 809
Present value of funded obligations	(1 983)	(1 271)
Surplus at year-end (including unrecognised actuarial gains)	101	538
Unrecognised due to paragraph 58 limit	(101)	(538)
Asset recognised on the balance sheet	—	—
17.2 Components of income statement expense		
Current service cost	90	72
Interest cost	93	97
Settlement cost of medical assistance reserve	24	—
Contributions to underlying defined contribution plan funding and expected return on plan assets (limited by paragraph 58)	(166)	(103)
Income statement expense	41	66

	2007 R millions	2006 R millions
17.3 Reconciliation of the net assets recognised on the balance sheet		
Amount recognised at beginning of year	—	—
Unrecognised due to paragraph 58 limit at beginning of year	538	243
Net expense recognised in the income statement	(41)	(66)
Contributions (net of contribution holiday)	41	66
Current year movement on unrecognised return on plan assets due to paragraph 58 limit	(437)	295
Net asset at end of year	101	538
Unrecognised due to paragraph 58 limit at end of year	(101)	(538)
Amount recognised at end of year	—	—

	2007 R millions	2006 R millions
17. RETIREMENT BENEFIT PLANS <i>(continued)</i>		
17.4 Reconciliation of fair value of plan assets		
Assets at fair market value at beginning of the year	1 809	1 412
Expected return on assets	159	130
Contributions (net of contribution holiday)	41	66
Benefits paid	(50)	(66)
Actuarial gain (including fund transfers and defined contribution plan contributions)	300	267
Settlement cost – medical assistance	(175)	—
Assets at fair market value at the end of the year	2 084	1 809
17.5 Reconciliation of defined benefit obligation		
Defined benefit obligation at beginning of the year	1 271	1 168
Service cost	90	72
Interest cost	93	97
Actuarial loss	730	—
Benefits paid	(50)	(66)
Settlement cost – medical assistance	(151)	—
Defined benefit obligation at the end of the year	1 983	1 271

	R millions
17.6 Expected 2008 contributions	
Service cost	70
Interest cost	155
Expected return on assets	(224)
Paragraph 58 limitations	89
	90

IAS 19 – Employee Benefits paragraph 58 only allows an asset to be recognised on the group's balance sheet to the extent that economic benefits are available to the group in the form of refunds or reductions in future contributions.

The Pension Funds Act, 1956, as amended, precludes the group from accessing the asset in 17.1 above without specific consent from the trustees and regulators of the fund in the form of employer contribution holidays. Accordingly the surplus has not been recognised on the group's balance sheet.

The group was granted a contribution holiday on the defined contribution plan for the six months ended 28 February 2007 in lieu of the surpluses accumulated on the defined benefit plans. The contribution holiday was made available to all participating group employer companies.

17.7 Principal actuarial assumptions

	2007	2006
Discount rate	8.0%	7.5%
Inflation rate	5.0%	4.5%
Salary increase rate	6.0%	5.5%
Expected return on assets	11.0%	9.0%
Pension increase allowance	5.0%	4.5%
Actual return on the Altron Group Pension Fund	29.4%	29.5%

18. ACQUISITION OF SUBSIDIARIES AND JOINT VENTURES

The following subsidiaries and operations were acquired during the year:

	Date of acquisition	R millions
The entire shareholding in Xclusive Solutions Limited	March 2006	50
The entire shareholding in Vantage Business Systems Limited	September 2006	15
The entire shareholding in MobiMaster	April 2006	25
Various businesses as going concerns	March 2006 to January 2006	15
Total cost of shares, assets and liabilities		105

Effect of acquisitions

The above acquisitions had the following effect on the group's assets and liabilities:

	Recognised values R millions	Fair value adjustments R millions	Carrying amount R millions
Non-current assets	7	30	37
Current assets	48	—	48
Non-current liabilities	—	(5)	(5)
Current liabilities	(46)	—	(46)
Net identifiable assets and liabilities	9	25	34
Goodwill on acquisition			71
Total consideration			105

Joint venture

Effective 1 February 2007 a joint venture, CBI electric Aberdare ATC Telecom Cables (Proprietary) Limited, was formed between Aberdare Cables and Reunert/ATC.

In terms of the agreements Aberdare contributed the following businesses and assets:

Lambda Cables, manufacturer and supplier of telecommunications and data cables, the remaining assets of Aberdare Telecom Networks and Aberdare Fibre Optics.

Reunert/ATC contributed its business of manufacturing and supplying copper and optical fibre telecommunications cables and related products.

	Recognised values R millions	Fair value adjustments R millions	Carrying amount R millions
Fair value of assets acquired in the joint venture			
Non-current assets	58	4	62
Current assets	7	—	7
Non-current liabilities	—	(15)	(15)
Net identifiable assets and liabilities	65	(11)	54
Goodwill on acquisition			15
Total consideration			69
Non-current assets disposals			(22)
Gain on disposal of assets			(32)
Amount owing			(15)
Net consideration			—

The acquisitions contributed R250 million to group revenue and R22 million to profit for the year ended 28 February 2007.

Goodwill arising was attributed to factors that did not meet the recognition criteria as other intangible assets at the date of acquisition, including relative market share and the skills and knowledge of personnel of the businesses acquired.

	2007 R millions	2006 R millions
19. REVENUE		
Goods sold	11 539	8 700
Services rendered	5 540	5 169
Rental finance income	47	44
	17 126	13 913
20. OPERATING PROFIT BEFORE CAPITAL ITEMS		
Is stated after taking account of the following items:		
20.1 Auditors' remuneration		
Audit fees	21	15
Fees for other services	1	2
	22	17
20.2 Directors' remuneration		
Refer to remuneration report on page 134	44	34
20.3 Employee remuneration (including directors' remuneration)		
Salaries and wages	2 435	2 262
Share-based payments – equity settled (note 10.8)	20	4
Share-based payments – cash settled (note 10.8)	40	9
Retirement and provident funds	172	162
Medical aid and other	61	63
	2 728	2 500

	2007 R millions	2006 R millions
20. OPERATING PROFIT BEFORE CAPITAL ITEMS <i>(continued)</i>		
20.4 Fees paid		
Managerial fees	18	14
Technical, consultancy and administration	93	64
	111	78
20.5 Foreign exchange gains/(losses)		
Gains	135	27
Losses	(73)	(9)
Forward exchange contracts fair value adjustments	3	(2)
	65	16
Being:		
Realised	56	19
Unrealised	9	(3)
20.6 Net increase/(decrease) in provisions	24	(14)
20.7 Operating lease charges		
Property	114	107
Plant, equipment and vehicles	25	12
Additional cost of straight-lining of leases	2	10
	141	129
20.8 Other income		
Government grants and other allowances	6	7
20.9 Research and development expenditure	49	90

Notes to the group financial statements continued

	2007 R millions	2006 R millions
21. CAPITAL ITEMS		
Net gain on disposal of property, plant and equipment	1	7
Net gain on disposal of property, plant and equipment and intangibles to the joint venture (refer note 18)	32	—
Impairment of property, plant and equipment	(5)	(17)
Impairment of goodwill	(50)	(83)
Fair value adjustment of assets held for sale	(6)	—
Goodwill adjustment on utilisation of at acquisition tax losses	(19)	(38)
Net gain on disposal and closure of businesses	8	65
Profit on disposal of investments	1	3
Foreign currency translation reserves realised on disposal of foreign operation	—	9
	(38)	(54)
22. FINANCIAL INCOME		
Interest received	114	93
Dividends from preference share investments	14	19
Dividends from other investments	4	—
	132	112

	2007 R millions	2006 R millions
23. FINANCIAL EXPENSE		
Interest paid	22	24
Interest on empowerment funding obligation	16	15
Finance lease settlement	18	—
Dividends on preference shares of subsidiary	—	14
	56	53
In 1998 the group entered into a structured finance transaction with a financial institution, the substance of which was a property finance sale and leaseback arrangement which has subsequently been challenged by the South African Revenue Service (SARS). SARS has disallowed certain interest deductions claimed by the institution, resulting in a settlement in the amount of R18 million being agreed in full and final settlement of the tax consequences of the transaction. In terms of the transaction the group bears the risk of any adverse tax consequences emanating from the transaction.		
24. SHARE OF PROFITS FROM ASSOCIATES		
Attributable earnings	4	32

	2007 R millions	2006 R millions
25. TAXATION		
25.1 Taxation charge		
Current tax		
– normal	497	314
– capital gains tax	—	24
Deferred tax		
– current year	(53)	(10)
– tax losses recognised	(20)	(39)
Adjustment to prior years		
– current tax	(4)	—
– deferred tax	12	2
	432	291
Secondary tax on companies		
– current year	58	35
– deferred	(9)	—
	481	326
25.2 Reconciliation of rate of taxation	%	%
South African normal tax rate	29.0	29.0
Adjusted for:		
Disallowable expenditure	0.8	2.8
Goodwill impaired and adjusted	1.3	3.2
Non-taxable income	(3.0)	(5.4)
Capital gains tax rate differential	—	2.2
Prior period tax losses recognised	—	(3.6)
Utilisation of previously unrecognised tax losses	(1.0)	(0.4)
Income from associates	(0.1)	(0.9)
Prior year adjustments	0.5	0.2
	(1.5)	(1.9)
Secondary tax on companies	3.1	3.2
Net increase	1.6	1.3
Effective tax rate	30.6	30.3

	2007 R millions	2006 R millions
26. EARNINGS PER SHARE		
26.1 Reconciliation between earnings and headline earnings		
Attributable earnings to Altron equity holders	805	494
Adjustments for:		
Capital items	38	54
Tax effect of capital items	(5)	9
Minority interest in capital items	(36)	(28)
Headline earnings	802	529
Headline earnings per share (cents)	286	189
26.2 Reconciliation of weighted average number of shares	Number of shares	Number of shares
Issued shares at beginning of year (ordinary and participating preference shares)	309 496 617	305 872 779
Effect of own shares held at the beginning of the year	(27 556 961)	(27 556 961)
Effect of shares issued in March	1 403	—
Effect of shares issued in June	24 058	498 826
Effect of shares issued in July	—	337 541
Effect of shares issued/own shares acquired in August	(522 236)	80 633
Effect of shares issued/own shares acquired in November	(861 131)	566 442
Effect of shares issued/own shares acquired in December	(105 569)	—
Effect of shares issued/own shares acquired in January	(77 674)	10 364
Effect of shares issued/own shares acquired in February	(40 313)	7 642
Weighted average number of shares	280 358 194	279 817 266

	2007 Number of shares	2006 Number of shares
26. EARNINGS PER SHARE <i>(continued)</i>		
26.3 Reconciliation between number of shares used for earnings per share and diluted earnings per share		
Weighted average number of shares	280 358 194	279 817 266
Dilutive options	6 264 393	2 792 366
Weighted average number of shares (diluted)	286 622 587	282 609 632
26.4 Reconciliation between earnings attributable to Altron equity holders and fully diluted earnings are as follows:	R millions	R millions
Attributable earnings to Altron equity holders	805	494
Additional earnings attributable to BBBEE minorities in subsidiaries	(87)	(21)
Minority interest in adjustments	11	10
Additional earnings attributable to dilutive options at subsidiary level	(12)	(14)
Fully diluted earnings	717	469

	2007 R millions	2006 R millions
26.5 Reconciliation between headline earnings attributable to Altron equity holders and fully diluted headline earnings are as follows:		
Headline earnings	802	529
Additional earnings attributable to BBBEE minorities in subsidiaries	(82)	(29)
Minority interest in adjustments	13	13
Additional earnings attributable to dilutive options at subsidiary level	(15)	(15)
Fully diluted headline earnings	718	498
Diluted headline earnings per share (cents)	250	176

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 Schemes, net of shares held by the Schemes for releasing purposes.

26. EARNINGS PER SHARE *(continued)*

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

- Kagiso Strategic Investments (Pty) Limited exercised its full option on 22% of the shares in Bytes Technology Group South Africa (Pty) Limited adjusted for the dilutive effect of the option price at the Bytes SA level.
- The recognition of the deferred sale of 30% interest to the Izingwe Consortium in Aberdare Cables based on the assumption that the purchase price will be settled in cash of R172 million, adjusted for the dilutive effect of the option price at the Aberdare level, and after taking into account the purchase of 10% of the Izingwe Consortium by Power Technologies (Pty) Limited during the year.
- The earnings effect of dilutive options at Bytes Limited and Allied Technologies Limited subsidiary level.

The comparatives for the prior year have been restated to achieve consistency, the effects of which were insignificant.

	2007 R millions	2006 R millions
27. DIVIDENDS PROPOSED		
Ordinary dividend No 59 of 118.0 cents (2006: 78.0 cents per share)	111	73
Preference dividend No 13 of 118.0 cents (2006: 78.0 cents per share)	219	143
	330	216

28. COMMITMENTS

28.1 Capital expenditure

Contracts for capital expenditure not provided for in the financial statements

18 23

Capital expenditure authorised but not contracted for

43 47

61 70

This expenditure will be incurred in the ensuing year and will be financed from existing cash resources.

2007 R millions	2006 R millions
--------------------	--------------------

28.2 Amounts outstanding under operating lease agreements

At the balance sheet date the group had outstanding commitments under non-cancellable operating leases, which fall due as follows:

Within one year

Property	96	85
Plant, equipment and vehicles	35	33
	131	118

One to five years

Property	286	233
Plant, equipment and vehicles	22	18
	308	251

Thereafter

Property	151	115
	590	484

29. CONTINGENT LIABILITIES

Surety provided in respect of the liability of a Bytes Document Solutions dealer for its debt to a financing house

6 6

Disallowed assessed losses, subsequently settled

— 27

30. FINANCIAL INSTRUMENTS

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

30.1 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 UK pounds, US dollars and Euros. The group entities hedge payables, receivables and borrowings contracts denominated in a foreign currency.

30.2 Foreign exchange contracts

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

Net foreign exchange contracts to pay/(receive)	2007		2006	
	Foreign amount Millions	Rand amount Millions	Foreign amount Millions	Rand amount Millions
British pounds	8.3	117.9	9.9	107.1
US dollars	13.5	98.8	64.5	400.5
Euros	11.2	107.7	18.5	136.5
Swedish krona	9.4	9.7	8.4	6.6
New Zealand dollars	—	0.2	1.7	7.0
Swiss francs	0.3	2.0	0.4	2.0
Australian dollars	—	—	(2.8)	(12.9)
Japanese yen	—	0.1	—	—
		336.4		646.8
Comprising foreign exchange contracts:				
– to pay		760.4		894.9
– to receive		(424.0)		(248.1)
		336.4		646.8
Value of contracts at mark-to-market		334.6		661.6
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		68		84
– to receive		—		—
		68		84

30.3 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:

Net foreign exchange contracts to pay/(receive)	2007		2006	
	Foreign amount Millions	Rand amount Millions	Foreign amount Millions	Rand amount Millions
Net assets/(liabilities)				
British pounds	—	(0.4)	—	(0.1)
US dollars	3.9	28.0	(8.9)	(55.0)
Euros	1.7	16.1	(0.2)	(1.8)
Australian dollars	1.1	6.4	6.8	30.8
Other		2.9		(0.6)
		53.0		(26.7)

30. FINANCIAL INSTRUMENTS *(continued)*

30.4 Interest rate risk

Financial assets and liabilities that are sensitive to interest rate risk are cash and cash equivalents, loans receivable/payable, rental finance advances/liabilities and preference share liabilities.

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

30.5 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 considered 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.

30.6 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 by comparing the contracted forward rate to the present value of the current forward rate of an equivalent contract with the same maturity date.

Interest-bearing borrowings and receivables are generally at interest rates in line with those currently available in the market on a floating rate basis.

31. RELATED PARTY TRANSACTIONS

The group has a related party relationship with its subsidiaries (see note 3, page 201), associates and joint ventures (see Annexure 1) and with its directors (see page 129) and key management personnel (refer below).

	2007 R millions	2006 R millions
31.1 Associates and joint ventures		
Sale of goods and services to associates	53	32
Interest earned from associates	—	1
Finance costs with joint venture	—	4
31.2 Directors		
Details relating to directors' emoluments and shareholdings in the company are disclosed in the remuneration report on page 134 and in the directors' report on page 142.		
31.3 Key management personnel		
Key management personnel are defined as directors of the company and its principal subsidiary companies, Allied Technologies Limited, Bytes Technology Group Limited and Power Technologies (Pty) Limited. The key management personnel compensations were as follows:		
Short-term employee benefits, including salaries and bonuses	48	40
Post-employment benefits	3	2
Equity compensation benefits	11	2
	62	44

31.4 Shareholders

The principal shareholders of the company are detailed in the analyses of shareholders on pages 110 to 113 of the annual report.

Directors' shareholdings are detailed in the directors' report on page 142.

32. JUDGEMENTS MADE BY MANAGEMENT

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

► Deferred tax assets

A deferred tax asset has been raised at year-end on income tax losses and temporary differences in one of the former CS Computer Services Holdings Limited operations based on current profit forecasts for the business. Consequently, a further adjustment to goodwill has been made, as this operation has made and is expected to continue making, taxable profits resulting in the utilisation of tax losses.

► Asset lives and residual values

The useful life of the rights to distribute Xerox equipment in 24 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, trademarks and customer relationships are amortised over their remaining useful lives of up to six years.

► Impairment of assets

The impairment of goodwill is tested 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.

► Post-employment benefit obligations

Post-retirement defined benefits are provided for certain existing and former employees (see note 17). 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.

► Fair value of investments held-for-sale

The investments in FR1 and TAR (refer 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 30 a detailed analysis is given of the foreign exchange exposure of the group and risks in relation to foreign exchange movements.

33. CHANGES IN ACCOUNTING POLICY AND DISCLOSURES

The annual financial statements have been prepared in accordance with International Financial Reporting Standards (IFRS) on a basis consistent with the prior year, except for the adoption of the following new or revised standards and interpretations:

Circular 9/2006 – Transactions giving rise to adjustments to revenue/purchases

The group previously reflected discounts received from suppliers as other income and discounts granted as operating expenses. In terms of circular 09/2006 issued by the South African Institute of Chartered Accountants, the group now accounts for discounts received from suppliers as part of cost of sales and discounts granted as a reduction of revenue. In order to present the year to 28 February 2006 on a consistent basis the following restatements have been made:

	Year ended 28 February 2006
Decrease in revenue	56
Decrease in materials and services	56

34. STANDARDS AND INTERPRETATIONS IN ISSUE BUT NOT YET EFFECTIVE

A number of new standards, amendments to standards and interpretations are not yet effective for the year ended 28 February 2007 and have not been applied in preparing these financial statements.

IAS 1 – Capital disclosures

This statement will be adopted by the group for the first time for its financial reporting period ending 29 February 2008. The amendments are designed to assist users in assessing the risk profile of the group and its ability to withstand unexpected adverse events. It will require the group to disclose:

- The objectives, policies and processes for managing capital
- Quantitative data about what the entity regards as capital
- Whether it has complied with any capital requirements
- The consequences of any non-compliance.

34. STANDARDS AND INTERPRETATIONS IN ISSUE BUT NOT YET EFFECTIVE *(continued)*

IFRS 7 – Financial instruments disclosure

This Standard is effective for the group for the year ending 29 February 2008. The standard introduces a new disclosure regime for all financial instruments that will enable users to evaluate:

- ▶ The significance of financial instruments to the entity's financial position and performance
- ▶ The nature and extent of the risks arising from financial instruments to which the entity is exposed and how the entity manages them.

This standard will increase the disclosures required in the annual financial statements in respect of financial instruments.

IFRS 8 – Operating Segments

This Standard is effective for the group for the year ending 28 February 2010, with the restatement of comparatives required.

Segment reporting will be made based on the components of the entity that management monitors in making decisions about operating matters.

Such components (operating segments) would be identified on the basis of internal reports that the entity's chief operating decision maker reviews regularly in allocating resources to segments and in assessing their performance. Operating segments would become reportable based on threshold tests related to revenue, results and assets. The statement also requires more qualitative disclosures such as the types of products and services offered by each segment, geographical areas covered and major customers.

IFRIC 8 and AC 503 – Scope of IFRS 2 – Share-based Payments

IFRIC 8 and AC 503 have been early adopted by the group in the previous year.

IFRIC 9 – Reassessment of Embedded Derivatives

IFRIC 9 will be adopted by the group for the first time for its financial reporting period ending 29 February 2008. In terms of IFRIC 9, the entity shall assess whether an embedded derivative is required to be separated from the host contract and accounted for as a derivative when the entity first becomes a party to the contract. Subsequent reassessment is prohibited unless there is a change in the terms of the contract that significantly modifies the cash flows that otherwise would be required under the contract, in which case reassessment is required.

IFRIC 10 – Interim Financial reporting and Impairment

This Interpretation is effective for the group for the year ending 29 February 2008 and clarifies that an entity shall not reverse an impairment loss recognised in a previous interim period in respect of goodwill or an investment in either an equity instrument or a financial asset carried at cost. The requirements will not have a significant impact on the group.

IFRIC 11 – Group and Treasury Share Transactions

IFRIC 11 has been early adopted by the group. Refer note 1 of the company's financial statements.

IFRIC 12 – Service Concession Arrangements

This Interpretation is effective for the group for the year ending 28 February 2009. IFRIC 12 addresses how service concession operators should apply IFRS to account for the obligations they undertake and the rights they receive in service concession arrangements. This interpretation is not expected to have any material effect on the group.

IAS 23 – Borrowing costs

This revision is effective for the group for the year ending 28 February 2010. IAS 23 Revised eliminates the option of immediate recognition as an expense of borrowing costs directly attributable to the acquisition, construction or production of a qualifying asset. The group's current policy is to capitalise borrowing costs attributable to the acquisition, construction or production of a qualifying asset and as such this revision is not anticipated to have a material effect.

Notes to the group financial statements *continued*

	2007 R millions	2006 R millions
35. CASH GENERATED BY OPERATIONS		
Operating profit before capital items	1 528	1 040
Adjustments for:		
Depreciation and amortisation	235	213
Proceeds/(costs) on closure of operations	10	(44)
Movement in provisions and other non-cash movements	24	(11)
Cash generated before movements in working capital	1 797	1 198
Increase in inventories	(686)	(142)
Increase in trade and other receivables	(442)	(176)
Increase in trade and other payables	130	532
	799	1 412
36. DIVIDENDS RECEIVED FROM ASSOCIATES AND OTHER INVESTMENTS		
Dividends receivable at beginning of year	56	37
Attributable income per the income statement	18	19
Dividends receivable at end of year	(19)	(56)
	55	—
37. TAXATION PAID		
Amounts unpaid at beginning of year	(187)	(164)
Amounts charged to the income statement	(551)	(373)
Translation differences	2	—
Amounts unpaid at end of year	205	187
	(531)	(350)

	2007 R millions	2006 R millions
38. ACQUISITION OF SUBSIDIARIES AND JOINT VENTURE		
Property, plant and equipment	(63)	(13)
Intangibles – fair value adjustment	(35)	(31)
Inventories	(13)	(14)
Trade and other receivables	(40)	(21)
Trade and other payables	41	23
Deferred tax	20	1
Net loans	—	3
Net cash	2	(4)
Goodwill arising on acquisition	(86)	(95)
	(174)	(151)
Costs	(1)	—
Less: Deferred purchase consideration	37	—
Less: Disposal of property, plant and equipment to joint venture	22	—
Less: Surplus on disposal of property, plant and equipment to joint venture	32	—
Investment in associates eliminated	—	21
Cash paid	(84)	(130)
Less: Cash acquired	(2)	4
	(86)	(126)
Refer note 18 for details of acquisitions		

	2007 R millions	2006 R millions
39. PROCEEDS ON DISPOSAL OF SUBSIDIARIES AND JOINT VENTURE		
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)
	—	432
Profit on disposal	—	129
	—	561
<i>Less: Cash disposed</i>	—	(89)
Proceeds on disposal	—	472
40. PROCEEDS ON DISPOSAL OF PROPERTY, PLANT AND EQUIPMENT		
Carrying amount	48	39
<i>Less: Assets disposed of to joint venture</i>	(22)	—
	26	39
Surplus on disposal	1	7
	27	46

	2007 R millions	2006 R millions
41. OTHER INVESTING ACTIVITIES		
Acquisition of additional shares in existing subsidiaries	(53)	(118)
Proceeds on disposal of partial investment in subsidiaries	—	11
Net increase of loans with associates and other investments	(56)	(62)
Increase in investment in associate	(1)	—
Acquisition of treasury shares in Altron	(77)	—
Proceeds on sale of investment in associate	—	17
	(187)	(152)
42. SUBSIDIARIES' EQUITY CONTRIBUTIONS FROM MINORITIES		
Proceeds on shares issued in subsidiaries	14	18
Capital introduced by minorities	7	5
	21	23

Annexure 1

for the year ended 28 February 2007

ASSOCIATES, OTHER INVESTMENTS AND JOINT VENTURES

	Altron controlled interest	
	2007 %	2006 %
ASSOCIATE COMPANIES		
– Unlisted		
Aeromaritime International Management Services (Pty) Limited	50.0	50.0
Alcon Marepha (Pty) Limited	49.0	49.0

Directors' valuation based on a price-earnings ratio relevant to the sector within which the associates operate.

OTHER INVESTMENTS

– Unlisted		
Fintech Receivables 1 (Pty) Limited (preference share) (FR1)		
Technologies Acceptances Receivables (Pty) Limited (preference share) (TAR)		
Izingwe Aberdare Cables Investments (Pty) Limited	10.0	—
Total		

Directors' valuation based on the discounted cash flow method over a five- to seven-year period using discount rates of 9.4% to 15.4%.

The carrying value of the investment in Izingwe Aberdare Cables Investments (Pty) Limited has not been reflected at fair value as the group is precluded from fair valuing the equity of the underlying subsidiary.

The loan in TAR earns interest at JIBAR plus 2.5%.

The loan in FR1 earns interest at between 15% and 20%.

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

ALTRON CONTROLLED INTEREST IN JOINT VENTURES

	2007 %	2006 %
ABB Powertech Transformers	50.0	50.0
Tridonic SA	50.0	50.0
CBI electric Aberdare ATC Telecom Cables	50.0	—

Investment at cost less amounts written off		Attributable share of retained income		Indebtedness		Total investment	
2007 R millions	2006 R millions	2007 R millions	2006 R millions	2007 R millions	2006 R millions	2007 R millions	2006 R millions
—	—	5	4	—	—	5	4
1	1	5	3	4	6	10	10
1	1	10	7	4	6	15	14
						25	23
Investments at fair value		Preference dividend receivable		Indebtedness		Total investment	
18	20	18	55	27	27	63	102
22	18	1	1	152	93	175	112
1	—	—	—	—	—	1	—
41	38	19	56	179	120	239	214
						239	214

for the year ended 28 February 2007

INFORMATION IN RESPECT OF INTEREST IN ASSOCIATES, JOINT VENTURES, FR1 AND TAR

	Joint ventures		Associates		FR1 and TAR	
	2007 R millions	2006 R millions	2007 R millions	2006 R millions	2007 R millions	2006 R millions
Abridged balance sheets						
Non-current assets	366	70	10	4	650	660
Current assets (excluding cash)	637	287	27	38	23	34
Cash and cash equivalents	65	132	17	11	134	161
Current liabilities	(408)	(204)	(29)	(31)	(37)	(50)
Non-current liabilities	(50)	—	(4)	(6)	(751)	(750)
Equity	610	285	21	16	19	55
Abridged income statements						
Revenue	1 165	863	94	72	234	365
Expenditure	(1 007)	(763)	(83)	(53)	(208)	(338)
Profit before taxation	158	100	11	19	26	27
Taxation	(45)	(33)	(4)	(6)	(13)	(7)
Profit for the year	113	67	7	13	13	20

NATURE OF BUSINESS

Aeromaritime International Management Services (Pty) Limited

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.

Alcon Marepha (Pty) Limited

Manufacturer of medium voltage power cable.

FR1 and TAR

Securitisation vehicles used to house leases predominantly related to equipment sold by the group.

Izingwe Aberdare Cables Investments (Pty) Limited

Investment holding company with a 30% equity interest in Aberdare Cables (Pty) Limited (refer note 12.3).

ABB Powertech Transformers

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

Tridonic SA

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

CBi electric Aberdare ATC Telecom Cables

A telecom cable manufacturing joint venture with Reunert.

Annexure 2

for the year ended 28 February 2007

SEGMENT INFORMATION - INCOME STATEMENT

	Consolidated	
	2007 R millions	2006 R millions
BUSINESS SEGMENTATION		
Revenue		
Goods sold	11 539	8 700
Services rendered	5 540	5 169
Rental finance income	47	44
Inter segment revenue	—	—
Total segment revenue	17 126	13 913
Expenditure	(15 363)	(12 660)
Depreciation and amortisation	(235)	(213)
Segment operating profit/(loss)	1 528	1 040
Financial income	132	112
Financial expenses	(56)	(53)
Share of profit from associates	4	32
Profit before capital items and taxation	1 608	1 131
GEOGRAPHIC SEGMENTATION		
Revenue by market		
South Africa	13 918	11 651
Rest of Africa	849	670
Europe	2 020	1 359
Rest of world	339	233
Segment operating profit by location	1 528	1 040
South Africa	1 371	987
Rest of Africa	54	29
Europe	94	22
Rest of world	9	2

Segment revenue and expenses

Revenue 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 profit is stated before goodwill adjusted/impaired 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.

Telecommunications		Multi-media and Electronics		Information Technology		Corporate and eliminations	
2007 R millions	2006 R millions	2007 R millions	2006 R millions	2007 R millions	2006 R millions	2007 R millions	2006 R millions
2 420	1 988	6 377	4 215	2 793	2 519	(51)	(22)
3 545	3 385	80	74	1 915	1 710	—	—
—	—	—	—	27	30	20	14
7	14	77	57	6	11	(90)	(82)
5 972	5 387	6 534	4 346	4 741	4 270	(121)	(90)
(5 405)	(4 905)	(5 786)	(3 987)	(4 285)	(3 853)	113	85
(28)	(33)	(97)	(83)	(106)	(96)	(4)	(1)
539	449	651	276	350	321	(12)	(6)
57	31	10	4	54	22	11	55
(5)	(4)	(29)	(13)	(73)	(39)	51	3
—	26	2	2	—	—	2	4
591	502	634	269	331	304	52	56
5 972	5 387	6 534	4 346	4 741	4 270	(121)	(90)
5 297	4 783	5 394	3 590	3 348	3 368	(121)	(90)
54	127	392	275	403	268	—	—
564	420	469	305	987	634	—	—
57	57	279	176	3	—	—	—
539	449	651	276	350	321	(12)	(6)
490	435	595	263	298	295	(12)	(6)
7	8	30	13	17	8	—	—
40	6	19	(2)	35	18	—	—
2	—	7	2	—	—	—	—

for the year ended 28 February 2007

SEGMENT INFORMATION – BALANCE SHEET

	Consolidated	
	2007 R millions	2006 R millions
BUSINESS SEGMENTATION		
ASSETS		
Property, plant and equipment	954	905
Intangible assets	844	773
Associates and other investments	254	228
Rental finance advances	77	90
Inventories	2 013	1 295
Trade and other receivables	2 513	1 976
Operating assets	6 655	5 267
Deferred tax assets	182	118
Cash and cash equivalents	1 613	2 152
Total assets per balance sheet	8 450	7 537
LIABILITIES		
Trade and other payables	2 955	2 680
Provisions	104	80
Non-interest-bearing liabilities	3 059	2 760
Non-current loans	321	297
Current loans	65	238
Bank overdraft	24	—
Taxation payable	205	187
Deferred tax liabilities	30	21
Total liabilities per balance sheet	3 704	3 503
GEOGRAPHIC SEGMENTATION		
Operating assets		
South Africa	5 880	4 671
Rest of Africa	167	121
Europe	597	448
Rest of world	11	27
Non-interest-bearing liabilities	3 059	2 760
South Africa	2 512	2 402
Rest of Africa	51	31
Europe	489	320
Rest of world	7	7
Capital expenditure	240	315
South Africa	213	235
Rest of Africa	20	68
Europe	7	11
Rest of world	—	1

Segment assets and liabilities

Segment assets include operating assets used by a segment and consist principally of trade and other receivables, assets held-for-sale, inventories, investments, property, plant and equipment and intangible 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 trade and other payables, provisions and liabilities held-for-sale.

Telecommunications		Multi-media and Electronics		Information Technology		Corporate and eliminations	
2007 R millions	2006 R millions	2007 R millions	2006 R millions	2007 R millions	2006 R millions	2007 R millions	2006 R millions
193	110	445	469	274	299	42	27
39	21	21	21	783	731	1	—
—	—	11	11	115	53	128	164
—	—	—	—	77	68	—	22
192	147	1 565	898	258	250	(2)	—
576	432	1 091	709	807	732	39	103
1 000	710	3 133	2 108	2 314	2 133	208	316
1 001	951	864	661	1 030	924	60	144
9	7	61	42	29	29	5	2
1 010	958	925	703	1 059	953	65	146
1 000	710	3 133	2 108	2 314	2 133	208	316
643	463	2 905	1 948	2 124	1 944	208	316
—	—	—	—	167	121	—	—
357	247	217	133	23	68	—	—
—	—	11	27	—	—	—	—
1 010	958	925	703	1 059	953	65	146
793	811	857	636	797	809	65	146
—	—	—	—	51	31	—	—
217	147	61	60	211	113	—	—
—	—	7	7	—	—	—	—
48	28	92	101	91	178	9	8
45	23	90	98	69	106	9	8
—	—	—	—	20	68	—	—
3	5	2	2	2	4	—	—
—	—	—	1	—	—	—	—

Balance sheet

at 28 February 2007

		COMPANY	
		2007	2006
		R'000	R'000
	Notes		
ASSETS			
<i>Non-current assets</i>		1 049 103	1 016 633
Property	2	50	50
Investment in subsidiaries	3	1 042 837	1 016 583
Group share scheme recharge receivable	6	6 216	—
<i>Current assets</i>		389 077	356 673
Receivables		—	11
Amounts receivable from subsidiary	3	389 077	356 565
Cash at bank		—	97
Total assets		1 438 180	1 373 306
EQUITY AND LIABILITIES			
<i>Shareholders' equity</i>		1 437 542	1 372 776
<i>Current liabilities</i>		638	530
Accounts payable		615	507
Taxation payable		23	23
Total equity and liabilities		1 438 180	1 373 306

Income statement

for the year ended 28 February 2007

	Notes	COMPANY	
		2007 R'000	2006 R'000
Operating expenditure		(223)	(428)
Dividends received from subsidiaries		290 993	193 195
Profit before taxation		290 770	192 767
Taxation	5	—	—
Profit for the year		290 770	192 767

Statement of changes in equity

for the year ended 28 February 2007

R'000	COMPANY					
	Ordinary share capital (Note 4)	Preference share capital (Note 4)	Share premium (Note 4)	Share-based payment reserve	Retained earnings	Total equity
Balance at 28 February 2005	1 943	21	804 844	524	544 751	1 352 083
Profit for the year	—	—	—	—	192 767	192 767
Share-based payments	—	—	—	886	—	886
Dividends paid	—	—	—	—	(193 187)	(193 187)
Share issue	—	—	20 227	—	—	20 227
Balance at 28 February 2006	1 943	21	825 071	1 410	544 331	1 372 776
Profit for the year	—	—	—	—	290 770	290 770
Share-based payments	—	—	—	7 096	—	7 096
Dividends paid	—	—	—	—	(241 536)	(241 536)
Share issue	—	—	8 436	—	—	8 436
Balance at 28 February 2007	1 943	21	833 507	8 506	593 565	1 437 542

Cash flow statement

for the year ended 28 February 2007

	COMPANY	
	2007 R'000	2006 R'000
Operating activities	16 841	98 459
Cash utilised by operations	(223)	(428)
Dividends received	290 993	193 195
Changes in working capital	119	87
Movement of loan with subsidiary	(32 512)	98 792
Cash available from operating activities	258 377	291 646
Dividends paid	(241 536)	(193 187)
Investing activities		
Increase of investment in subsidiaries	(25 374)	(118 658)
Financing activities		
Shares issued	8 436	20 227
Cash resources		
Net cash (utilised)/generated	(97)	28
Cash and cash equivalents		
– at beginning of year	97	69
– at end of year	—	97

COMPANY

2007
R'000

2006
R'000

1. ACCOUNTING POLICIES

Please refer to the group accounting policies on pages 144 to 155.

Change in accounting policy

The company has early adopted the requirements of IFRIC 11 – Group and Treasury Share Transactions (refer accounting policies “Group share-based payment transactions”).

In order to present the comparative period on a consistent basis the following restatements have been made:

	28 February 2006 R'000	28 February 2005 R'000
Increase in investment in subsidiaries	1 410	524
Increase in share-based payment reserve	1 410	524

The restatement had no effect on the previously reported earnings nor the group consolidated financial position or results.

2. PROPERTY

50

50

Consists of stand portions 331 and 51 of farm, Turffontein 961R.

3. INTEREST IN SUBSIDIARIES

	Issued capital R millions	Effective holding		Shares at cost less amounts written off		Indebtedness	
		2007 %	2006 %	2007 R'000	2006 R'000	2007 R'000	2006 R'000
Allied Technologies Limited	64	57	57	48 541	48 541	—	—
Bytes Technology Group Limited	729	58	57	620 390	595 017	—	—
Power Technologies (Pty) Limited	411	100	100	249 869	249 869	—	—
Altron Finance (Pty) Limited – ordinary shares	—	100	100	235	235	389 077	356 565
Altron Finance (Pty) Limited – preference shares	—	—	—	121 509	121 509	—	—
Investment in subsidiaries – share-based payments	—	—	—	2 290	1 410	—	—
Other	3	100	100	3	2	—	—
				1 042 837	1 016 583	389 077	356 565

Notes:

The above details are given in respect of interests in subsidiaries, where material. A full list of South African subsidiaries is available on request, at the registered office of the company.

All subsidiaries are incorporated in South Africa.

4. SHARE CAPITAL AND PREMIUM

Please refer to the group note 10 on page 166.

5. TAXATION

The company had no taxable income during the year. Secondary taxation on companies (STC) credits on dividends received exceeded STC payable on dividends paid. Unutilised STC credits amounting to R79.2 million (2006: R29.8 million) have not been recognised as a deferred tax asset at 12.5% in the absence of a change to the existing dividend policy of the group, that would give rise to the utilisation of the STC credits.

6. GROUP SHARE-BASED PAYMENTS

Details of employee share options granted by the company are reflected in notes 10.6 to 10.8 on pages 168 to 172.

Options granted under the “Conditional Rights Scheme” are subject to a recharge arrangement with participating subsidiaries upon exercise of the options by employees of those companies and have been accounted for as follows:

	2007 R'000	2006 R'000
Group share scheme recharge receivable at fair value	20 096	—
Deferred group share scheme recharge pending settlement	(13 880)	—
Equity settled charge recognised by subsidiaries and receivable per balance sheet	6 216	—
The fair value of the recharge receivable under the Conditional Rights Scheme is determined based upon the Black Scholes Model. The fair value of the receivable is remeasured at each balance sheet date and at settlement date. The model inputs at 28 February 2007 were as follows:		
Share price (Rand)	42.00	
Exercise price (Rand)	22.50 to 30.75	
Terms (years)	3.5 to 5.2	
Volatility	20.54% to 23.50%	
Dividend yield	1.86%	
Risk-free interest rate	7.99%	—

7. Related parties

The company has a related party relationship with its subsidiaries (see note 3)

Dividends

The company received dividends from subsidiaries

290 993	193 195
----------------	---------

Shareholders

The principal shareholders of the company are detailed in the analyses of shareholders on pages 110 to 113 of the annual report.

During the year a subsidiary, Altron Finance (Pty) Limited, purchased additional shares in the company for R77 million. Refer note 10 of the group accounts.

Directors

The company has a related party relationship with its directors (see note 20 of the group accounts).

Directors’ interests are disclosed in the directors’ report.

G3	Indicator	Description	Page/s
STRATEGY	1.	Statement from senior decision-maker about the relevance and importance of sustainability to Altron, the overall vision and strategy for the short-term, medium-term and long-term particularly with regard to managing the key challenges associated with economic, environmental and social performance.	32 50 – 55
ORGANISATIONAL PROFILE	2.1	Name of the organisation	IFC
	2.2	Primary products, brands, and/or services	34 – 45, 56 – 57
	2.3	Operational structure of the organisation	2 – 3
	2.4	Head office location	IBC
	2.5	Number of countries where Altron operates, and names of countries with major operations relevant to the sustainability issues covered in this report	12 – 13, 34 – 45
	2.6	Nature of ownership and legal form	110 – 113
	2.7	Markets served	56 – 57
	2.8	Scale of reporting organisation including: <ul style="list-style-type: none"> ➤ number of employees ➤ net sales ➤ total capitalisation broken down in terms of debt and equity ➤ quantity of products or services provided 	58 58, 10 – 11 10 – 11 56 – 57
	2.9	Significant changes in the reporting organisation during period under review	n/a
	2.10	Awards received during the reporting period	25, 116
REPORT SCOPE AND BOUNDARY	3.1	Reporting period	1
	3.2	Date of most recent previous report	IBC
	3.3	Reporting cycle	1, IBC
	3.4	Contact details for further information about this report	109
	3.5	Process for: <ul style="list-style-type: none"> ➤ determining materiality ➤ process for prioritising topics in the report ➤ identifying stakeholders expected to use this report 	50 – 51 63 – 71
	3.6	Report boundary	50 – 51
	3.7	Limitations on the scope or boundary of the report	50
	3.8	Basis for reporting on joint ventures, subsidiaries, leased facilities and outsourced operations	50
	3.10	Explanation of the effect of any re-statements of information in earlier reports, and reasons for such restatement	n/a
	3.12	GRI table	203 – 204

G3	Indicator	Description	Page/s
GOVERNANCE	4.1	Governance structure of the organisation	116 – 128
	4.2	Indicate whether the chairman is also an executive officer, and if so, reasons for this arrangement	118
	4.3	Number of independent and/or non-executive members	117
	4.4	Mechanisms for shareholders and employees to provide recommendations or direction to the Board	69, 127
	4.14	List of stakeholder groups engaged by the organisation	63 – 70
	4.15	Basis for identification and selection of stakeholders with whom to engage	63 – 70, 127
PERFORMANCE INDICATORS	EC1	Direct economic value generated and distribution, including revenue, operating cost, employee compensation, donation and other community investments, retained earnings and payments to capital providers and governments	58
	EC 7	Procedures for local hiring and proportion of senior management hired from the local community	76, 79
	EN 10	Percentage and total volume of water recycled and reused	102 – 103
	EN23	Total number and volume of significant spills	104
	EN 26	Initiatives to mitigate environmental impacts of products and services and extent of impact mitigation	104 – 108
	EN30	Total environmental protection expenditures and investments by type	107
	LA3	Benefits provided to full-time employees that are not provided to part-time or temporary employees	80 – 81
	LA7	Rates of injury, occupational diseases, lost days, absenteeism and fatalities	96
	LA8	Education, training, counselling, prevention and risk-control programmes in place to assist workforce members, their families or community members, regarding serious diseases	97 – 99
	LA11	Programmes for skills management and lifelong learning that support the continued employability of employees and assist them in managing career endings	77 – 81
	LA12	Percentage of employees receiving regular performance and career development reviews	79
	LA13	Composition of governance bodies in terms of diversity and breakdown of employees per category according to gender and other relevant indicators of diversity	76

DR WP (BILL) VENTER



Date of birth: 29 July 1934

Qualifications: CEng; Fellow IEE (UK); D.Phil (Bus.Man.)(UJ); MPhil (Bus. Man.) (UJ – Cum laude); MBA (Wales); DCom (hc) (UP, UFS and UPE); DSc (Eng) (hc) (Natal); DEng (hc) (Wits)

A UK Chartered Engineer and founder of Altron, through Allied Electric in 1965 and recipient of the Order of Meritorious Service (Gold), as awarded by the State President of South Africa for his significant contribution to South Africa's electronics industry.

- Titles:**
- ▶ Chairman of Altron and Bytes
 - ▶ Director of Altech, Bytes and Powertech, Former Chairman of the CSIR, and past director of AMIC Limited and Nedcor Bank Limited
 - ▶ Member of the Altron Nomination Committee and Remuneration Committee

Experience: Some 42 years devoted to entrepreneurial endeavours and initiatives in the electronics, telecommunications and power electrical industries, both in South Africa and offshore, firstly as design engineer, then marketing manager at STC (SA) and thereafter Chief Executive and latterly as Chairman of the Altron group. Dr Venter has played an important role in developing the South African electronics and electrical industry into the key component of the national economy that it is today. He is a Trustee of The Nelson Mandela Children's Fund and a member of the Finance Committee.

Recently awarded the *Sunday Times Lifetime Achievement Award* in recognition of his significant contribution to the country and the business community.

RE (ROBERT) VENTER



Date of birth: 7 May 1960

Qualifications: BSc (Econ) (UCLA); MBA (UCLA) (Dean's List)

- Titles:**
- ▶ Chief Executive of Altron
 - ▶ Director of Altech, Bytes, Powertech, Zetex plc (formerly Telemetrix plc) and various other group companies
 - ▶ Chairman of Aberdare Cables
 - ▶ Chairman of the Altron Executive Committee
 - ▶ Member of the Altron Risk Management Committee

Experience: Four years' merchant banking experience in the United States, the latter part as Vice-President, Bear Stearns and Co. Inc (1987 – 1990). 17 years' experience in senior management positions in the Altron group (1990 – current), including Chief Executive Officer Aberdare Cables (1993 – 1996), Chief Executive Officer of Powertech (1994 – 2001) before joining Altron as Chief Executive (2001 – current).

MC (MYRON) BERZACK



Date of birth: 30 May 1949

- Titles:**
- Non-executive Director of Altron
 - Chairman of Voltex Holdings and Non-executive Director of Amap
 - Executive Director of the Bidvest Group and numerous subsidiaries thereof
 - Member of the Altron Nomination Committee and Remuneration Committee

Experience: 36 years' experience in the cable manufacturing industry. 15 years' experience in the electrical distribution industry.

PMO (PETER) CURLE



Date of birth: 19 May 1946

Qualifications: MA (Oxon)

- Titles:**
- Executive Director of Altron
 - Executive Director of Altech: Corporate Finance
 - Member of the Altron Executive Committee

Experience: 37 years in merchant banking/corporate finance activities in South Africa and internationally.

Rejoined the Altron group in 1997, having previously served the group in a senior executive capacity from 1979 to 1986.

N (NORBERT) CLAUSSEN



Date of birth: 10 December 1960

Qualifications: BEng (Stellenbosch), MEng (UP); MBA (UCT); PrEng (ECSA)

Titles:

- ▶ Executive Director of Altron
- ▶ Chief Executive Officer of Powertech
- ▶ Director of ABB Powertech Transformers, Aberdare Cables and Powertech Industries
- ▶ Member of the Altron executive committee and risk management committee

Experience: Joined the Altron group in 1996 as the Chief Executive Officer of Willard Batteries which expanded over five years to become the Powertech Battery Group, comprising Willard Batteries, Dynamic Batteries, Sabat Batteries and Battery Technologies.

In March 2001, was appointed Chief Executive Officer of Powertech. Since 1989, he has been a registered professional engineer with the Engineering Council of South Africa.

MJ (MARK) LAMBERTI



Date of birth: 4 August 1950

Qualifications: BCom (Wits); MBA (Wits); PPL (Harvard)

Titles:

- ▶ Independent Non-executive Director of Altron
- ▶ Chief Executive Officer and Deputy Chairman of Massmart Holdings Limited
- ▶ Member of the Altron audit committee

Experience: In 1988 was appointed Managing Director of Makro. With the successfully repositioned Makro as a base, he founded Massmart in 1990 as a vehicle for multi-chain growth in food, liquor and general merchandise distribution. Massmart was listed on the JSE Limited on 4 July 2000. In 1984, Mark won the *IMM Raymond Ackerman Marketing Director* of the year award. In 2001 he was the winner of the *Ernst & Young South Africa's Best Entrepreneur Award* and was one of 22 finalists in the 2001 *Ernst & Young World Entrepreneur* competition. Mark was also the 2001 winner of the *Institute of Marketing Management's Marketer of the Year* award and in 2004 was named the *Italian – South African Businessman of the Year* by the Italian South African Chamber of Commerce.

MJ (MIKE) LEEMING



Date of birth: 26 October 1943

Qualifications: BCom (Rhodes); MCom (Wits); FIBSA (Wits); FCMA; AMP (Harvard)

- Titles:
- Independent Non-executive Director of Altron
 - Chairman of the Altron Risk Management Committee
 - Member of the Altron Audit and Nomination Committees

Experience: Retired banker and a director of AECI Limited, Imperial Holdings Limited, Real Africa Holdings Limited and Woolworths Holdings Limited.

DR PM (PENUELL) MADUNA



Date of birth: 29 December 1952

Qualifications: Bluris (Unisa); LLB (Zimbabwe); LLM (Wits); HDip Tax Law (Wits); LLD (Unisa)

- Titles:
- Independent Non-executive Director of Altron
 - Chairman of the Altron Nomination Committee

Experience: Former Deputy Minister of the Department of Home Affairs (1994 – 1996) and former Minister of the Departments of Minerals and Energy (1996 – 1999) and Justice and Constitutional Development (1999 – 2004). Attorney, notary and conveyancer. Visiting Scholar of Constitutional Law at Columbia University Law School (New York). Founder member of the ANC's Constitutional Committee. Currently an active partner at Bowman Gilfillan Attorneys as well as a member of the Executive Committee at Bowman Gilfillan Attorneys and a senior special advisor of Sasol Limited. He is a non-executive director of Eland Platinum Holdings Limited.

JRD (JACOB) MODISE



Date of birth: 9 September 1966

Qualifications: BCom (Wits); BAcc (Wits); CA(SA); MBA (Wits); AMP (Samford); AMP (Harvard)

- Titles:**
- ▶ Independent Non-executive Director of Altron
 - ▶ Member of the Altron Audit Committee
 - ▶ Chairman of the Altron Remuneration Committee
 - ▶ Executive Chairman of Batsomi Investments (Pty) Limited

Experience: Past Chief Operating Officer of Johnnic Holdings Limited. Prior to that he held various senior financial executive positions at Eskom, Teljoy and JCI. Qualified as a Chartered Accountant while serving his articles at Deloitte & Touche.

Current board member of Blue IQ Holdings Limited and Eskom Holdings Limited and finance and audit committee of the Development Bank of South Africa. Serves on the Advisory Board of the Nelson Mandela Children's Fund. Member of the South African Institute of Chartered Accountants and Association of Black Accountants of South Africa. Previous board memberships include MTN and M-Net.

DC (DIANE) RADLEY



Date of birth: 7 February 1966

Qualifications: BCom (Rhodes); BCompt (Hons) (Unisa); CA(SA); MBA (Wits)

- Titles:**
- ▶ Chief Financial Officer of Altron
 - ▶ Director of Altech, Bytes and Powertech
 - ▶ Member of the Altron Executive Committee and Risk Management Committee
 - ▶ Chairman of the Powertech Audit Committee

Experience: Some 15 years as an accounting professional and was the former Partner-in-charge: Transaction Services at PricewaterhouseCoopers in South Africa.

Currently serves as an Independent non-executive Director on the board of Omnia Holdings Limited and Chairman of their Audit Committee.

PD (DAVID) REDSHAW



Date of birth: 29 January 1942

Qualifications: BA (Hons) (Birmingham); ACMA

- Titles:**
- Executive Director of Altron
 - Chief Executive Officer of Bytes
 - Executive Chairman Bytes SA
 - Member of the Altron Executive Committee and Risk Management Committee

Experience: 42 years in senior financial and general management positions.

DR HA (HAROLD) SEREBRO



Date of birth: 12 October 1938

Qualifications: MBBCh (Wits); MD (Rand) ; FCRP (Canada); FACP (USA); PhD (Economics)(hc) (UFS)

- Titles:**
- Senior Altron Executive Director
 - Director of Altech, Bytes, and Bytes Specialised Solutions
 - Chairman of the Altron Group Purchasing and Export Councils
 - Member of the Altron Risk Management Committee
 - Trustee of the State President Empowerment Award Programme and of the Duke of Edinburgh Trust

Experience: 25 years' in the electronics industry with the Altron group.

CG (CRAIG) VENTER



Date of birth: 4 July 1962

Qualifications: BSc (Econ) (UCLA); BA (Psychology) (UCLA); MBA (USC); MSc (Mgmt Science) (USC)

- Titles:**
- ▶ Executive Director of Altron
 - ▶ Chief Executive Officer of Altech
 - ▶ Director of Altech Netstar, Altech Autopage Cellular and various other wholly-owned subsidiaries of Altech
 - ▶ Chairman of Altech Autopage Holdings; Altech Arrow Altech Holdings, Altech Alcom Matomo, Altech UEC Multi-media and Altech NamITech
 - ▶ Member of the Altron Executive Committee and Risk Management Committee

Experience: 18 years in senior management positions in the Altech group.

PL (PETER) WILMOT



Date of birth: 13 March 1940

Qualifications: CA(SA)

- Titles:**
- ▶ Independent Non-executive Director of Altron
 - ▶ Non-executive Director of Altech and Bytes
 - ▶ Chairman of the Altron Audit Committee
 - ▶ Member of the Altron Remuneration Committee and Risk Management Committee

Experience: Past Deputy Chairman of The Standards Advisory Council of the International Accounting Standards Board, past Chairman of the SA Accounting Practices Board, past Chairman of SAICA and past Chairman of Deloitte and Touche. He is a director of Brait and a former director of Edcon.

Letter from the chairman

Altron House
4 Sherborne Road
Parktown
2193

31 May 2007

Dear Shareholder

ALLIED ELECTRONICS CORPORATION LIMITED (“Altron”) ANNUAL GENERAL MEETING

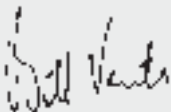
On behalf of the board of directors of Altron, I have pleasure in extending an invitation to you to attend Altron’s annual general meeting, which will be held on Friday, 13 July 2007 at 09:30 in the Boardroom, Altech Corporate Offices, 79 Central Street, Houghton. If you are unable to attend, please arrange to vote by proxy in accordance with the instructions on the proxy form.

The board recognises the importance of its shareholders’ presence at the annual general meeting. This is an opportunity for shareholders to participate in discussion relating to items included in the notice of meeting. In addition, the chairmen of board-appointed committees as well as senior members of management will be present to respond to questions from shareholders.

The notice of meeting, which is set out on pages 213 to 216 of the annual report, is accompanied by explanatory notes setting out the effects of all proposed resolutions included in the notice.

I look forward to your presence at the meeting.

Yours faithfully



Dr WP Venter

Chairman

Allied Electronics Corporation Limited

Incorporated in the Republic of South Africa

(Registration number 1947/024583/06)

(Share code: ATN) (ISIN: ZAE000029658)

(Share code: ATNP) (ISIN: ZAE000029666)

("Altron" or "the company")

Notice is hereby given that the sixty-first annual general meeting of the shareholders of Altron will be held in the Boardroom, Altech Corporate Offices, 79 Central Street, Houghton, Johannesburg, on Friday, 13 July 2007 at 09:30 to conduct the following business:

1. To receive, consider and adopt the annual financial statements of the company and of the Altron group for the year ended 28 February 2007.
2. To re-elect by way of separate resolutions directors in the place of those retiring in accordance with the company's articles of association. The directors retiring are:
Dr WP Venter, Dr HA Serebro and Messrs PD Redshaw, PL Wilmot and JRD Modise, all of whom, being eligible offer themselves for re-election.

An abbreviated *curriculum vitae* in respect of each director offering himself for re-election is contained on pages ■■ to ■■ of this annual report.

3. To ratify the fees paid to non-executive directors during the past financial year.
4. To reappoint KPMG Inc as independent auditors of the company and to authorise the directors to determine the remuneration of the auditors for the past year's audit as reflected in note 20.1 of the annual financial statements.

As special business, to consider and, if deemed fit, pass with or without modification the following resolutions that numbered 5 as a special resolution and those, numbered 6, 7 and 8 as ordinary resolutions:

5. SPECIAL RESOLUTION NUMBER 1: GENERAL AUTHORITY TO REPURCHASE SHARES

That the company be and it is hereby authorised, by way of a general approval, to acquire ordinary and/or participating preference shares issued by the company, in terms of sections 85(2) and 85(3) of the Companies Act No 61 of 1973, as amended (the Companies Act), and in terms of the JSE Limited (the JSE) Listings Requirements, being that:

- any such acquisition of ordinary and/or participating preference shares shall be effected through the order book operated by the JSE trading system and done without any prior understanding or arrangement between the company and the counter-party;
- this general authority shall be valid until the company's next annual general meeting, provided that it shall not extend beyond 15 (fifteen) months from the date of passing of this special resolution number 1;
- an announcement will be published as soon as the company has acquired ordinary and/or participating preference shares constituting, on a cumulative basis, 3% of the number of ordinary and/or participating preference shares in issue and for each 3% in aggregate of the initial number acquired thereafter, in compliance with Rule 11.27 of the JSE Listings Requirements;
- acquisitions of shares in aggregate in any one financial year may not exceed 20% of the company's ordinary and/or participating

preference issued share capital, as the case may be, as at the date of passing of this special resolution number 1;

- ▶ ordinary and/or participating preference shares may not be acquired at a price greater than 10% above the weighted average of the market value at which such ordinary and/or participating preference shares are traded on the JSE as determined over the five business days immediately preceding the date of repurchase of such ordinary and/or participating preference shares;
- ▶ the company has been given authority by its articles of association;
- ▶ at any point in time, the company may only appoint one agent to effect any repurchase on the company's behalf;
- ▶ the company undertaking that it will not enter the market to repurchase the company's securities until the company's sponsor has provided written confirmation to the JSE regarding the adequacy of the company's working capital in accordance with Schedule 25 of the JSE Listings Requirements;
- ▶ the company remaining in compliance with the shareholder spread requirements of the JSE Listings Requirements; and
- ▶ the company not repurchasing any shares during a prohibited period as defined by the JSE Listings Requirements.

Before entering the market to effect the general repurchase, the directors, having considered the effects of the repurchase of the maximum number of ordinary and/or participating preference shares in terms of the foregoing general authority, will ensure that for a period of 12 (twelve) months after the date of the notice of annual general meeting:

- ▶ the company and the Altron group will be able, in the ordinary course of business, to pay its debts;

- ▶ the assets of the company and the Altron group, fairly valued in accordance with International Financial Reporting Standards, will exceed the liabilities of the company and the Altron group;
- ▶ the company and the Altron group's ordinary and/or participating preference share capital, reserves and working capital will be adequate for ordinary business purposes; and
- ▶ the working capital of the company and the Altron group will be adequate for the purposes of the business of the company and the Altron group.

The following additional information, some of which may appear elsewhere in the annual report of which this notice forms part, is provided in terms of the JSE Listings Requirements for purposes of the general authority:

- ▶ directors and management – pages ■■ to ■■
- ▶ major beneficial shareholders – page ■■
- ▶ directors' interests in shares – page ■■
- ▶ share capital of the company – page ■■

Litigation statement

In terms of section 11.26 of the JSE Listings Requirements, the directors, whose names appear on pages ■■ to ■■ of this annual report of which this notice forms part, are not aware of any legal or arbitration proceedings that are pending or threatened, that may have or had in the recent past, being at least the previous 12 (twelve) months, a material effect on the Altron group's financial position.

Directors' responsibility statement

The directors, whose names appear on pages ■■ to ■■ of this annual report, collectively and individually accept full responsibility for the accuracy of the information pertaining to this special resolution and certify that, to the best of their knowledge and belief, there are no facts that have been omitted which would make any statements false or misleading, and that all

reasonable enquiries to ascertain such facts have been made and that this special resolution contains all information required by law and the JSE Listings Requirements.

Material changes

Other than the facts and developments reported on in this annual report, there have been no material changes in the affairs or financial position of the company and its subsidiaries since the date of signature of the audit report and up to the date of this notice.

The reason for and effect of this special resolution is to grant the directors of the company a general authority in terms of the Companies Act and the JSE Listings Requirements for the repurchase by the company of the company's shares.

The directors have no specific intention, at present, for the company to repurchase any of its shares but consider that such a general authority should be put in place should an opportunity present itself to do so during the year, which is in the best interests of the company and its shareholders.

6. ORDINARY RESOLUTION NUMBER 1: CONTROL OF AUTHORISED BUT UNISSUED SHARES

That the general authority granted to directors to allot and issue the unissued ordinary and participating preference shares of the company be renewed after providing for the allotment and issue of ordinary and participating preference shares in terms of the company's share schemes, which authority shall be restricted to 10% of the issued ordinary and/or participating preference shares as at 28 February 2007 upon such terms and conditions as they in their sole discretion may determine; subject to the provisions of the Companies Act and the JSE Listings Requirements.

7. ORDINARY RESOLUTION NUMBER 2: GENERAL AUTHORITY TO ISSUE SHARES FOR CASH

That, subject to renewal of the general authority proposed in terms of 6 above, and in terms of the JSE Listings Requirements, shareholders to grant a waiver in favour of the directors for the allotment and issue of ordinary and/or participating preference shares in the capital of the company for cash other than in the normal course by way of a rights offer or pursuant to the company's share schemes or acquisitions utilising such securities.

The allotment and issue of shares for cash, as and when suitable situations arise, shall be subject to the following limitations:

- Any issue of securities shall be to public shareholders as defined by the JSE Listings Requirements
- This authority shall only be valid until the next annual general meeting of the company but shall not endure beyond the period of 15 (fifteen) months from the date set down for the sixty-first annual general meeting
- A paid press announcement giving details, including the impact on net asset value and earnings per share, will be published at the time of any such allotment and issue of shares representing, on a cumulative basis within one year, 5% or more of the number of shares of that class in issue prior to any such issues
- That issues in the aggregate in any one financial year shall not exceed 10% of the number of shares of any class of the company's issued share capital less any shares that may be issued during the financial year arising from the exercise of share options in the normal course

- ▶ That, in determining the price at which an allotment and issue of shares will be made in terms of this authority, the maximum discount permitted will be 10% of the weighted average traded price of the class of shares to be issued over the 30 days prior to the date that the price of issue is determined or agreed by the directors of the company.

In terms of the JSE Listings Requirements, the approval of 75% majority of the votes cast by shareholders present or represented by proxy at this annual general meeting will be required for this authority to become effective.

8. ORDINARY RESOLUTION NUMBER 3: SIGNATURE OF DOCUMENTS

That any one director or the secretary of the company be and is hereby authorised to do all such things and sign all documents and take all such action as they consider necessary to implement the resolutions set out in the notice convening this annual general meeting at which this ordinary resolution will be considered.

VOTING AND PROXIES

Ordinary and participating preference shareholders are entitled to attend and speak at the annual general meeting and, with the exception of special resolution number 1 where both ordinary and participating preference shareholders are entitled to vote, only ordinary shareholders are entitled to vote in respect of the remaining resolutions.

Ordinary and participating preference shareholders may appoint a proxy to attend, speak and, in respect of the applicable resolution/s, vote in their stead. Shareholders holding dematerialised shares but not in their own name must furnish their Central Securities Depository Participant (CSDP) or broker with their instructions for voting at the annual general meeting should they wish to vote. If your CSDP or broker, as the case may be, does not obtain instructions from you, it will be obliged to act in terms of your mandate furnished to it, or

if the mandate is silent in this regard, to complete the relevant form of proxy attached. Unless you advise your CSDP or broker, in terms of the agreement between you and your CSDP or broker by the cut-off time stipulated therein, that you wish to attend the annual general meeting or send a proxy to represent you at the annual general meeting, your CSDP or broker will assume you do not wish to attend the annual general meeting or send a proxy. If you wish to attend the annual general meeting or send a proxy, you must request your CSDP or broker to issue the necessary letter of representation to you.

Shareholders holding dematerialised shares in their own name, or who hold shares that are not dematerialised, and who are unable to attend the annual general meeting and wish to be represented thereat, must complete the relevant form of proxy attached in accordance with the instructions therein and lodge it with, or mail it to, the transfer secretaries.

Forms of proxy should be forwarded to reach the company's transfer secretaries at the address given below by not later than 09:30 on Thursday, 12 July 2007. The completion of a form of proxy will not preclude a shareholder from attending the annual general meeting.

By order of the board

Altron Management Services (Pty) Limited
Secretaries



per: **AG Johnston**
Group company secretary

31 May 2007

TRANSFER SECRETARIES

Computershare Investor Services 2004
(Pty) Limited
70 Marshall Street
Johannesburg, 2001
(PO Box 61051, Marshalltown, 2107)

1. ADOPTION OF ANNUAL FINANCIAL STATEMENTS

At the annual general meeting, the directors must present the annual financial statements for the year ended 28 February 2007 to shareholders, together with the reports of the directors and the auditors. These are contained within the annual report.

2. RE-ELECTION OF DIRECTORS

In accordance with the company's articles of association, one third of the directors are required to retire at each annual general meeting and may offer themselves for re-election. In addition, any person appointed to the board of directors is similarly required to retire and is eligible for re-election at the next annual general meeting. Dr WP Venter, Dr HA Serebro and Messrs PD Redshaw, PL Wilmot and JRD Modise retire by rotation at the annual general meeting.

An abbreviated *curriculum vitae* in respect of each director offering himself for re-election is contained on pages 205 to 211 of this annual report.

The performance of retiring directors was formally evaluated. This process culminated in the company's board, on the recommendation of the Altron nomination committee, considering whether the retiring directors should be recommended for re-election. Having considered the inputs of the Altron nomination committee, the board recommends the re-election of the retiring directors.

3. FEES OF NON-EXECUTIVE DIRECTORS

Shareholders are requested to ratify the fees paid to non-executive directors during the past financial year. Full particulars of all fees for the past financial year are contained on pages 133 to 134 of the annual report.

4. RE-APPOINTMENT OF INDEPENDENT AUDITORS

KPMG Inc has indicated its willingness to continue in office and resolution number 4 proposes the reappointment of that firm as the company's auditors until the next annual general meeting. The resolution also gives authority to the directors to fix the auditors' remuneration.

In accordance with section 270A of the Corporate Laws Amendment Bill, the Altron audit committee has satisfied itself that the proposed auditor, KPMG Inc, is independent of the company.

5. SPECIAL RESOLUTION NUMBER 1 – GENERAL AUTHORITY TO REPURCHASE SHARES

The effect of special resolution number 1 and the reason therefore is to grant the company a general approval in terms of the Companies Act No 61 of 1973, as amended (the Companies Act), for the acquisition by the company of the company's shares, which general approval shall be valid until the earlier of such next annual general meeting of the company or its variation or revocation of such general

authority by special resolution at any subsequent annual general meeting of the company, provided that the general authority shall not extend beyond 15 months from the date of the annual general meeting.

6. ORDINARY RESOLUTIONS NUMBERS 1 AND 2 – CONTROL OF AUTHORISED BUT UNISSUED SHARES AND GENERAL AUTHORITY TO ISSUE SHARES FOR CASH

In terms of sections 221 and 222 of the Companies Act the shareholders have to approve the placement of the unissued shares under the control of the directors. The existing authorities granted by the shareholders at the previous annual general meeting on 14 July 2006 expire at the 2007

annual general meeting unless renewed. The authorities will be subject to the Companies Act and the JSE Listings Requirements.

The effect of ordinary resolution number 2 and the reason thereof is that as more than 35% of the company's issued shares are in the hands of the public as defined by the JSE Limited, the approval of 75% majority of the votes cast by shareholders present or represented by proxy at this annual general meeting is required for this ordinary resolution to become effective.

The directors consider it advantageous to renew this authority to enable the company to take advantage of any business opportunity that may arise in future.

Allied Electronics Corporation Limited

(Incorporated in the Republic of South Africa)
 (Registration No 1947/024583/06) (Share code: ATN) (ISIN: ZAE000029666)
 ("Altron" or "the company")

FORM OF PROXY FOR THE SIXTY-FIRST ANNUAL GENERAL MEETING TO BE HELD IN THE BOARDROOM, ALTECH CORPORATE OFFICES, 79 CENTRAL STREET, HOUGHTON, JOHANNESBURG, ON FRIDAY, 13 JULY 2007 AT 09:30 – FOR USE BY CERTIFICATED ORDINARY SHAREHOLDERS AND DEMATERIALISED ORDINARY SHAREHOLDERS WITH OWN NAME REGISTRATION ONLY

Holders of dematerialised ordinary shares other than "own name" registration must inform their CSDP or broker of their intention to attend the annual general meeting and request their CSDP or broker to issue them with the necessary authorisation to attend the annual general meeting in person or provide their CSDP or broker with their voting instructions should they not wish to attend the annual general meeting in person but wish to be represented thereat.

I/We

(PLEASE PRINT)

of address

being the registered holder(s) of _____ ordinary shares in the capital of the company do hereby appoint

1. _____ or failing him/her,

2. _____ or failing him/her,

the Chairman of the annual general meeting as my/our proxy to act for me/us and on my/our behalf at the sixty-first annual general meeting which will be held on Friday, 13 July 2007 at 09:30 for the purpose of considering and, if deemed fit, passing, with or without modification, the resolutions to be proposed thereat and at any adjournment thereof, and to vote for and/or against the resolutions and/or abstain from voting in respect of the shares registered in my/our name/s, in accordance with the following instructions:

	Number of ordinary shares		
	For	Against	Abstain
1. Adoption of annual financial statements			
2. Re-election of directors			
2.1 Dr WP Venter			
2.2 Dr HA Serebro			
2.3 Mr PD Redshaw			
2.4 Mr PL Wilmot			
2.5 Mr JRD Modise			
3. Fees of non-executive directors			
4. Reappointment of independent auditors			
5. Special Resolution Number 1: General authority to repurchase shares			
6. Ordinary Resolution Number 1: Control of authorised but unissued shares			
7. Ordinary Resolution Number 2: General authority to issue shares for cash			
8. Ordinary Resolution Number 3: Signature of documents			

Signed at _____ on _____ 2007

Signature _____

Assisted by me (where applicable) _____

Notes:

1. An ordinary shareholder may insert the name of a proxy or the names of two alternative proxies of the ordinary shareholder's choice in the space provided and any such proxy need not be a shareholder of the company. Should a proxy not be specified, this will be exercised by the Chairman of the annual general meeting.
2. An ordinary shareholder is entitled to one vote on a show of hands and, on a poll, one vote in respect of each ordinary share held. An ordinary shareholder's instructions to the proxy must be indicated by inserting the relevant number of votes exercisable by the ordinary shareholder in the appropriate box(es). An ordinary shareholder or his proxy is not obliged to use all the votes exercisable by the ordinary shareholder, or to cast all those votes exercised in the same way, but the total of the votes cast and in respect whereof abstention is recorded may not exceed the total of the votes exercisable by the ordinary shareholder.
3. If any ordinary shareholder does not indicate on this instrument that his proxy is to vote in favour of or against any resolution or to abstain from voting, or give contradictory instructions, or should any further resolution(s) or any amendment(s) which may be properly put before the annual general meeting be proposed, the proxy shall be entitled to vote as he/she thinks fit.
4. Documentary evidence establishing the authority of a person signing the proxy form in a representative capacity must be attached to this form, unless previously recorded by the company or waived by the Chairman of the annual general meeting.
5. This proxy form should be completed and returned to the company's transfer secretaries, Computershare Investor Services 2004 (Pty) Limited, 70 Marshall Street, Johannesburg, 2001 (PO Box 61051, Marshalltown 2107), so as to reach them by not later than Thursday, 12 July 2007 at 09:30.

ADDITIONAL FORMS OF PROXY ARE AVAILABLE FROM THE TRANSFER SECRETARIES ON REQUEST.

Allied Electronics Corporation Limited

(Incorporated in the Republic of South Africa)
(Registration No 1947/024583/06) (Share code: ATNP) (ISIN: ZAE000029666)
("Altron" or "the company")

FORM OF PROXY FOR THE SIXTY-FIRST ANNUAL GENERAL MEETING TO BE HELD IN THE BOARDROOM, ALTECH CORPORATE OFFICES, 79 CENTRAL STREET, HOUGHTON, JOHANNESBURG, ON FRIDAY, 13 JULY 2007 AT 09:30 – FOR USE BY CERTIFICATED PARTICIPATING PREFERENCE SHAREHOLDERS AND DEMATERIALIZED PARTICIPATING PREFERENCE SHAREHOLDERS WITH OWN NAME REGISTRATION ONLY

Holders of dematerialised participating preference shares other than "own name" registration must inform their CSDP or broker of their intention to attend the annual general meeting and request their CSDP or broker to issue them with the necessary authorisation to attend the annual general meeting in person or provide their CSDP or broker with their voting instructions in respect of special resolution number 1 should they not wish to attend the annual general meeting in person but wish to be represented thereat.

I/We

(PLEASE PRINT)

of (address)

being the holder(s) of _____ participating preference shares in the capital of the company do hereby appoint

1. _____ or failing him/her,

2. _____ or failing him/her,

the Chairman of the annual general meeting as my/our proxy to act for me/us and on my/our behalf at the sixty-first annual general meeting of the company which will be held on Friday, 13 July 2007 at 09:30 and at any adjournment thereof, for the purpose of considering and, if deemed fit, passing, with or without modification, the special resolution to be proposed thereat and to vote for and/or against the special resolution and/or abstain from voting in respect of the shares registered in my/our name/s, in accordance with the following instructions and otherwise to attend and speak for me/us at the sixty-first annual general meeting of the company and at any adjournment thereof:

	Number of participating preference shares		
	For	Against	Abstain
1. Special Resolution Number 1: General authority to repurchase shares			

Signed at _____ on _____ 2007

Signature _____

Assisted by me (where applicable) _____

Notes:

1. A participating preference shareholder may insert the name of a proxy or the names of two alternative proxies of the participating preference shareholder's choice in the space provided and any such proxy need not be a shareholder of the company. Should a proxy not be specified, this will be exercised by the Chairman of the annual general meeting.
2. A participating preference shareholder or his proxy is entitled to attendance at the annual general meeting, and to speak but not vote thereat (excepting in respect of special resolution number 1) in terms of the company's articles of association. A participating preference shareholder will be entitled, on a poll, to that proportion of the total votes of the company which the aggregate of the nominal value of the participating preference shares held by him/her bears to the aggregate nominal value of all the shares, both ordinary and participating preference shares, in the company.
3. If a participating preference shareholder does not indicate on this instrument that his proxy is to vote in favour of or against special resolution number 1, or any amendment thereto, or to abstain from voting, or give contradictory instructions, the proxy shall be entitled to vote as he/she thinks fit.
4. Documentary evidence establishing the authority of a person signing the proxy form in a representative capacity must be attached to this form, unless previously recorded by the company or waived by the Chairman of the annual general meeting.
5. This proxy form should be completed and returned to the company's transfer secretaries, Computershare Investor Services 2004 (Pty) Limited, 70 Marshall Street, Johannesburg, 2001 (PO Box 61051, Marshalltown, 2107), so as to reach them by not later than Thursday, 12 July 2007 at 09:30.

ADDITIONAL FORMS OF PROXY ARE AVAILABLE FROM THE TRANSFER SECRETARIES ON REQUEST.

SHAREHOLDERS' DIARY

Financial year end 28 February 2007
 Annual general meeting 13 July 2007

Reports and financial statements

Preliminary report and dividend announcement (published) 8 May 2007
 Annual financial statements (mailed to shareholders) June 2007
 Interim report October 2007

Dividend details

Dividends declared 7 May 2007
 Last day of trading (cum dividend) 22 June 2007
 Record date 29 June 2007
 Payable 2 July 2007

ADMINISTRATION

Business, secretaries and registered address

Altron House
 4 Sherborne Road
 Parktown, 2193
 (PO Box 981, Houghton, 2041) South Africa
 Telephone: National 011 645 3600
 International 27 11 645 3600
 Telefax: 011 482 6489

Transfer Secretaries

Computershare Investor Services 2004 (Pty) Limited
 70 Marshall Street
 Johannesburg, 2001
 (PO Box 61051, Marshalltown, 2107) South Africa
 Telephone: National 011 370 5000
 International 27 11 370 5000
 Telefax: 011 370 5271/2

CURRENCY

To facilitate the interpretation of this report by readers not familiar with the South African rand, we provide the following conversion guide:

At 28 February 2007 one rand was equal to:

	2007	2006
£	0.07013	0.08912
US\$	0.1378	0.1713
Euro	0.1043	0.1294
Yen	16.42	18.07

Auditors

KPMG Inc

Bankers

ABSA Bank Limited
 FNB Corporate Bank
 (a division of FirstRand Bank Limited)
 Nedbank, a division of Nedcor Bank Limited
 The Standard Bank of South Africa Limited

Sponsor

Investec Bank Limited