

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
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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 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						
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	Altron	Altron
	13.88	5.27	8.14
	to 15.37	to 5.86	to 8.83
	57.75	23.5	30.75
	57.75	23.5	30.75
	22.6%	19.43%	20.5%
	to 23.8%	to 19.89%	to 21.7%
	4.5 to 5.5	4.5 to 5.5	4.5 to 5.5
	3.62%	3.32%	2.54%
	8.17%	7.95%	8.17%

	Altech	Bytes	Altron
	12.20	3.12	5.09
	to 13.85	to 3.42	to 5.69
	50.99	11.56	22.50
	50.99	11.56	22.50
	24.5%		19.4%
	to 26.4%	26.60%	to 19.9%
	4.5 to 5.5	4.5 to 5.5	4.5 to 5.5
	3.41%	2.67%	2.80%
	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

	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