

## Financial statements

Certificate from the company secretaries	114	Trade and other payables, including derivatives	155
Independent auditor's report	115	Retirement benefit plans	156
Directors' report	116	Acquisition of subsidiaries	158
Accounting policies	120	Revenue	160
Balance sheet	128	Operating profit before capital items	160
Income statement	129	Capital items	161
Statement of changes in equity	130	Financial income	161
Cash flow statement	132	Financial expense	162
Property, plant and equipment	133	Share of profit from associates	162
Intangible assets, including goodwill	134	Taxation	162
Associates and other investments	136	Earnings per share	163
Rental finance advances	137	Dividends proposed	165
Deferred taxation	139	Commitments and contingent liabilities	165
Inventories	140	Post balance sheet events	166
Trade and other receivables, including derivatives	140	Financial risk management	166
Assets and liabilities classified as held-for-sale	142	Related party transactions	171
Cash and cash equivalents	142	Judgements made by management	172
Share capital and premium	143	Standards and interpretations in issue but not yet effective	172
Reserves	149	Notes to the cash flow statement	174
BBBEE transactions	150	Associates, other investments and joint ventures	Annexure 1
Loans	151	Segment information	Annexure 2
Empowerment funding obligation	154	Allied Electronics Corporation Limited	184
Provisions	155		

## Certificate from the company secretaries

In terms of section 268G(d) of the Companies Act, 1973, as amended, we certify that, to the best of our knowledge and belief, the company has lodged with the Registrar of Companies for the financial year ended 29 February 2008, 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

5 May 2008



## Independent auditor's 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 29 February 2008, 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 116 to 188.

### 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.

### Auditor's 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 29 February 2008, 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  
5 May 2008

## 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 29 February 2008.

#### NATURE OF BUSINESS

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

#### FINANCIAL RESULTS

Group attributable earnings for the year ended 29 February 2008 were R1 019 million (2007: R805 million), representing earnings per share of 357 cents (2007: 287 cents). Headline earnings per share were at 375 cents (2007: 283 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 29 February 2008:

- ▶ Ordinary dividend number 60 of 156 cents per share (2007: 118 cents).
- ▶ Participating preference dividend number 14 of 156 cents per share (2007: 118 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 187 while particulars of the associate companies, joint ventures and other investments are provided in Annexure 1 on page 176.

The attributable interest of the group in the income and losses of its subsidiaries for the year ended 29 February 2008 is:

	2008 R million	2007 R million
Aggregate amount of profit after taxation	1 401	1 186
Aggregate amount of losses after taxation	84	97

#### ACQUISITION OF 0.82% OF BYTES ORDINARY SHARES

During the period under review and prior to the Bytes scheme of arrangement, Altron took advantage of several opportunities to purchase 0.82% of the issued share capital of Bytes on the open market at a cost of R21.9 million.

#### ACQUISITION OF 3.71% OF ALTECH ORDINARY SHARES

During the period under review, Altron took advantage of several opportunities to purchase 3.71% of the issued share capital of Altech on the open market at a cost of R186.5 million.

#### BYTES SCHEME OF ARRANGEMENT

On 11 December 2007, the High Court sanctioned the Bytes scheme of arrangement whereby Altron acquired 42.3% of the ordinary share capital of Bytes that Altron and its subsidiaries did not already own from all shareholders of Bytes other than the Altron group in accordance with and as contemplated by the Securities Regulation Code on Takeovers and Mergers. In settlement of the Bytes scheme consideration, Altron issued 8 495 016 Altron ordinary shares and 22 110 410 Altron participating preference shares as consideration for the Bytes ordinary shares. The listing of Bytes on the JSE Limited was terminated on 15 January 2008.

#### IST GROUP

On 22 August 2007, the Competition Tribunal unconditionally approved the acquisition of the IST Group (Pty) Limited by Powertech for a purchase consideration totalling R504 million. The five IST divisions acquired by Powertech were Energy, Otokon, Data, Telecom and Industrial. The Defence and Nuclear divisions were excluded from the acquisition.

#### CABLES DE COMUNICACIONES ZARAGOZA

During the period under review, Powertech acquired the 25% minority shareholder interest in Cables de Comunicaciones Zaragoza for an amount of €7.6 million (approximately R74.2 million) from the company's management in Spain. A further €1 million was received by the minority shareholders as a dividend. Cables de Comunicaciones Zaragoza is a manufacturer of copper telecommunications, instrumentation and railway signalling cables serving the Spanish and European markets.

### COMTECH (PTY) LIMITED

On 27 June 2007, Altech concluded an agreement to acquire fleet management company ComTech (Pty) Limited for Altech Netstar Fleet Management Services for a purchase consideration of up to R74.2 million. The Competition Authorities unconditionally approved this acquisition on 1 January 2008.

### SAMEER ICT GROUP

On 1 March 2008, Altech acquired a controlling interest in three subsidiaries of Kenya's Sameer ICT Group for US\$75 million. The transaction sees Altech acquire a 51% controlling interest in Kenya Data Networks Limited, Swift Global (Kenya) Limited and Infocom Limited.

### ABB POWERTECH TRANSFORMERS

On 26 March 2008, the Competition Tribunal unconditionally approved the acquisition by Powertech of the 50% shareholding that it did not already own in its joint venture company, ABB Powertech Transformers, from ABB South Africa for a purchase consideration of R320 million.

### SHARE CAPITAL

Full details of the authorised, issued and unissued capital of the company at 29 February 2008 are contained in note 10 to the financial statements.

#### Share schemes

Particulars relating to the Altron Group Share Incentive Trust 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 7 584 445 participating preference shares remain reserved for the purposes of the company's employee share schemes.

#### General authority to issue shares

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 Tuesday, 15 July 2008. 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

<b>Appointments</b>	
1 February 2008	Ms BJM Masekela
<b>Resignations</b>	
29 February 2008	Ms DC Radley

In terms of the company's articles of association, Messrs BJM Masekela, MJ Leeming, MC Berzack, CG Venter and Dr PM Maduna retire by rotation. All the retiring directors are eligible and available for re-election. Their profiles appear on pages 189 to 193.

### SECRETARIES

Altron Management Services (Pty) Limited act as secretaries to the company. The secretaries' business and postal addresses appear on the inside back cover of this annual report (page 203).

### 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 180 .

Headline earnings contributions to Altron were as follows:

	2008 R million	2007 R million
Altech	288	236
Bytes	170	116
Powertech	577	415
Corporate	37	26

### DIRECTORS' INTERESTS

At 29 February 2008, the present directors of the company held direct and indirect interests, including family interests, in 60 035 576 of the company's issued ordinary shares (2007: 59 881 073 ordinary shares) and 23 432 336 of the company's issued participating preference shares (2007: 34 486 558). Details of shares held per individual director are listed below. A total of 3 979 280 participating preference share options and conditional rights are allocated to directors in terms of the company's employee share schemes.

## Directors' report *continued*

2008

Name of director	Direct beneficial		Direct non-beneficial	
	Ordinary shares	Participating preference shares	Ordinary shares	Participating preference shares
Dr WP Venter	8 694 070	6 246 731	—	—
RE Venter	—	90 732	—	—
MC Berzack	—	302 690	—	—
PD Redshaw	—	8 713 <sup>†</sup>	—	—
Dr HA Serebro	627 600	1 555	—	—
PL Wilmot	—	3 971 <sup>†</sup>	—	—
MJ Leeming	2 500	—	—	—

Name of director	Indirect beneficial		Indirect non-beneficial	
	Ordinary shares	Participating preference shares	Ordinary shares	Participating preference shares
Dr WP Venter	31 263 527	34 055	19 367 000*	16 741 572*
Dr HA Serebro	8 379	1 010	—	—
MJ Leeming	2 500	1 307 <sup>†</sup>	—	—
MJ Lamberti	—	—	70 000	—

<sup>†</sup>Messrs Redshaw, Wilmot and Leeming obtained Altron participating preference shares in accordance with the Bytes scheme of arrangement, sanctioned by the High Court on 11 December 2007.

\*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.

2007

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.

## RESOLUTIONS

The company passed and registered one special resolution on 8 August 2007, 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 18 July 2007, approving the acquisition by Altech or any of its subsidiaries of Altech's shares.

At subsidiary level, Powertech passed and registered one special resolution on 18 October 2007, adopting new articles of association.

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.

## AUDIT COMMITTEE

In terms of section 270 A(f) of the Corporate Laws Amendment Act of 2006 ("the Act"), the Altron audit committee has discharged all of those functions delegated to it in terms of the Altron audit committee mandate and terms of reference, and ascribed to it in terms of the Act.

During the period under review, the Altron audit committee:

- a) met on three separate occasions to review *inter alia* the year-end and interim results of the Altron group, as well as to consider regulatory and accounting standard compliance insofar as the same pertained to the audit committee and the Altron group respectively;
- b) considered and satisfied itself that the external auditors are independent auditors (see page 101 of the annual report), determined the external auditors' fees for the 2007/8 financial year and nominated the external auditors for appointment for the financial year ending 28 February 2009;
- c) determined the non-audit-related services which the external auditors are permitted to provide to Altron and revised the policy for the use of the external auditors for non-audit-related services. This included preapproving all non-audit-related service agreements concluded between Altron and the external auditors;
- d) confirmed the internal audit charter and the audit plan for the 2007/8 financial year;
- e) ensured that the audit committee complied with the membership criteria specified in the Act;
- f) reviewed the Altron group's code of conduct and recommended changes thereto to the Altron board; and
- g) held separate meetings with management and the external auditors to discuss any problems and reservations arising from the year-end audit and any related matters which management and the external auditors wished to discuss.

For further details in this regard, shareholders are referred to page 100 of the 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' responsibilities also include 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 29 February 2008 which appear on pages 116 to 188 were approved by the board and signed on its behalf on 5 May 2008.

For: Allied Electronics Corporation Limited



Dr WP Venter

Chairman



RE Venter

Chief executive

## 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 29 February 2008 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 costs 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 accounting 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.

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 interest sold or recognition of equity instruments issued in the underlying subsidiary by the parent shareholder is postponed until the accounting recognition criteria have been satisfied. A dilution in the earnings attributable to the parent shareholders (in the interim period) is adjusted for in the diluted earnings per share calculation by an appropriate adjustment to the earnings used in such calculation.

### 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, subsidiaries and intangible assets.

### EMPLOYEE BENEFITS

#### Short-term employee benefits

The cost of all short-term employee benefits is recognised during the period in which the employee renders the related service. The 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.

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.

## Accounting policies *continued*

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

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

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

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

Non derivative 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 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. Derivatives are initially measured at fair value and attributable transaction costs are recognised in profit or loss when incurred. 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 cash flow 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 to "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

## Accounting policies *continued*

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:

▶ Trade names, patents and trademarks	5 to 10 years
▶ Customer relationships	2 to 6 years
▶ Distribution rights and licence agreements	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 costs 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.

Purchased software that is integral to the functionality of the related equipment is capitalised as part of that 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 to 50 years
▶ Plant and equipment	3 to 20 years
▶ Furniture and fittings	5 to 20 years
▶ Motor vehicles	4 to 8 years
▶ Software and IT systems	2 to 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 conditional rights 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 conditional rights 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.

### 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

## Accounting policies *continued*

classified as equity settled in the financial statements of the subsidiary, provided the share-based payment is classified as equity settled in the consolidated financial statements of the parent.

The subsidiary recognises the services acquired with the share-based payment 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 share-based payment 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 share-based payment 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 share-based payment.
- ▶ 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 remeasured 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 share-based payment, 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 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 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

#### Ordinary shares

Ordinary shares are classified as equity. Incremental costs directly attributable to the issue of ordinary shares and share options are recognised as a deduction from equity, net of any tax effects.

#### 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 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 tax 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 29 February 2008

		GROUP	
	Notes	2008 R millions	2007 R millions
<b>ASSETS</b>			
<i>Non-current assets</i>			
		3 362	2 311
Property, plant and equipment	1	1 264	954
Intangible assets, including goodwill	2	1 502	844
Associates	3	20	15
Other investments	3	294	239
Rental finance advances	4	86	77
Deferred taxation	5	196	182
<i>Current assets</i>			
		7 617	6 139
Inventories	6	2 130	2 013
Trade and other receivables, including derivatives	7	3 371	2 494
Assets classified as held-for-sale	8	—	19
Cash and cash equivalents	9	2 116	1 613
<b>Total assets</b>			
		10 979	8 450
<b>EQUITY AND LIABILITIES</b>			
<i>Total equity</i>			
		5 346	4 746
Altron equity holders		4 469	3 528
Minority interest		877	1 218
<i>Non-current liabilities</i>			
		1 047	389
Loans	13	784	149
Empowerment funding obligation	14	156	172
Provisions	15	24	38
Deferred taxation	5	83	30
<i>Current liabilities</i>			
		4 586	3 315
Loans	13	213	65
Empowerment funding obligation	14	16	—
Bank overdraft	9	33	24
Provisions	15	81	66
Trade and other payables, including derivatives	16	3 903	2 940
Liabilities classified as held-for-sale	8	—	15
Taxation payable		340	205
<b>Total equity and liabilities</b>			
		10 979	8 450
<b>Net asset value per share (cents)</b>			
		1 431	1 261

## Income statement for the year ended 29 February 2008

		GROUP	
	Notes	2008 R millions	2007 R millions
<b>REVENUE</b>	19	21 431	17 126
Operating costs before capital items		(19 494)	(15 598)
Material and services consumed		(16 053)	(11 917)
Employees' remuneration	20.3	(3 053)	(2 728)
Depreciation and amortisation		(272)	(235)
Net change in inventories		(116)	(718)
<b>Operating profit before capital items</b>	20	1 937	1 528
Capital items	21	(90)	(38)
<b>Result from operating activities</b>		1 847	1 490
Financial income	22	182	132
Financial expense	23	(89)	(56)
Share of profit from associates	24	4	4
<b>Profit before taxation</b>		1 944	1 570
Taxation	25	(625)	(481)
<b>Profit for the year</b>		1 319	1 089
Attributable to:			
Minority interest		300	284
Altron equity holders		1 019	805
<b>Basic earnings per share (cents)</b>	26	357	287
<b>Diluted basic earnings per share (cents)</b>	26	310	250
<b>Dividends per share (cents) – paid</b>		118	78
– proposed	27	156	118

## Statement of changes in equity for the year ended 29 February 2008

GROUP	Attributable to Altron equity holders			
	Share capital and premium (note 10) R millions	Treasury shares (note 10) R millions	Foreign currency translation reserve (note 11) R millions	Premium/discount on minority equity transactions (note 11) R millions
<b>Balance at 28 February 2006</b>	<b>827</b>	<b>(222)</b>	<b>18</b>	<b>(92)</b>
<b>Recognised income and expense</b>				
Profit for the year	—	—	—	—
Foreign currency translation differences	—	—	56	—
Cash flow hedging reserve	—	—	—	—
Fair value adjustments	—	—	—	—
<b>Transactions with shareholders</b>				
Dividends	—	—	—	—
Issue of share capital	8	—	—	—
Share-based payments	—	—	—	—
Changes in shareholding of subsidiaries	—	—	—	(1)
Purchase of own shares	—	(77)	—	—
<b>Balance at 28 February 2007</b>	<b>835</b>	<b>(299)</b>	<b>74</b>	<b>(93)</b>
<b>Recognised income and expense</b>				
Profit for the year	—	—	—	—
Foreign currency translation differences	—	—	106	—
Release of foreign currency translation deficits on disposal	—	—	4	—
Cash flow hedging reserve	—	—	—	—
Fair value adjustments	—	—	—	—
<b>Transactions with shareholders</b>				
Dividends	—	—	—	—
Issue of share capital	1 375	—	—	—
Share-based payments	—	—	—	—
Changes in shareholding of subsidiaries	—	—	—	(1 262)
<b>Balance at 29 February 2008</b>	<b>2 210</b>	<b>(299)</b>	<b>184</b>	<b>(1 355)</b>

## Attributable to Altron equity holders

Cash flow hedging reserve (note 11) R millions	Share- based payments reserve (note 11) R millions	Statutory reserves (note 11) R millions	Fair value reserve (note 11) R millions	Retained earnings (note 11) R millions	Total R millions	Minority interest R millions	Total equity R millions
(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
—	—	—	—	1 019	1 019	300	1 319
—	—	—	—	—	106	27	133
—	—	—	—	—	4	3	7
(1)	—	—	—	—	(1)	—	(1)
—	—	—	8	—	8	—	8
—	—	—	—	(331)	(331)	(164)	(495)
—	—	—	—	—	1 375	—	1 375
—	23	—	—	—	23	5	28
—	—	—	—	—	(1 262)	(512)	(1 774)
(1)	44	9	43	3 634	4 469	877	5 346

## Cash flow statement for the year ended 29 February 2008

		GROUP	
	Notes	2008 R millions	2007 R millions
<b>CASH FLOWS FROM OPERATING ACTIVITIES</b>		1 304	10
<b>Cash generated by operations</b>	34	2 220	799
Interest received		160	114
Dividends received	35	28	55
Interest paid		(72)	(38)
Taxation paid	36	(537)	(531)
<b>Cash available from operating activities</b>		1 799	399
Dividends paid			
– to Altron equity holders		(331)	(216)
– to minority interest		(164)	(173)
<b>CASH FLOWS UTILISED IN INVESTING ACTIVITIES</b>		(1 532)	(467)
Acquisition of subsidiaries and joint venture	37	(619)	(86)
Proceeds on disposal of subsidiary	38	4	—
Proceeds on disposal of property, plant and equipment	39	27	27
Net (advance)/repayment of rental finance advances		(1)	19
Acquisition of property, plant, equipment and intangibles		(479)	(240)
Other investing activities	40	(464)	(187)
<b>CASH FLOWS FROM FINANCING ACTIVITIES</b>		704	(120)
Loans raised/(repaid)		692	(149)
Proceeds on share issue		12	8
Subsidiaries' equity contributions from minorities	41	—	21
<b>NET INCREASE/(DECREASE) IN CASH AND CASH EQUIVALENTS</b>		476	(577)
Cash and cash equivalents at the beginning of the year		1 589	2 152
Effect of foreign exchange translation on cash balances		18	14
<b>CASH AND CASH EQUIVALENTS AT THE END OF THE YEAR</b>		2 083	1 589

## Notes to the group financial statements for the year ended 29 February 2008

	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
<b>1. PROPERTY, PLANT AND EQUIPMENT</b>					
<b>Cost</b>					
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
<b>Balance at 28 February 2007</b>	<b>321</b>	<b>1 551</b>	<b>363</b>	<b>537</b>	<b>2 772</b>
Additions at cost	38	296	30	109	473
Arising on business combinations	57	10	20	21	108
Disposals	(7)	(60)	(29)	(79)	(175)
Translation	18	93	5	8	124
<b>Balance at 29 February 2008</b>	<b>427</b>	<b>1 890</b>	<b>389</b>	<b>596</b>	<b>3 302</b>
<b>Depreciation and impairment losses</b>					
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
<b>Balance at 28 February 2007</b>	<b>101</b>	<b>1 114</b>	<b>190</b>	<b>413</b>	<b>1 818</b>
Depreciation for the year	12	102	42	76	232
Arising on business combinations	1	2	13	18	34
Disposals	(1)	(64)	(16)	(69)	(150)
Translation	12	81	4	7	104
<b>Balance at 29 February 2008</b>	<b>125</b>	<b>1 235</b>	<b>233</b>	<b>445</b>	<b>2 038</b>
<b>Carrying amount at 28 February 2006</b>	<b>161</b>	<b>472</b>	<b>109</b>	<b>163</b>	<b>905</b>
<b>Carrying amount at 28 February 2007</b>	<b>220</b>	<b>437</b>	<b>173</b>	<b>124</b>	<b>954</b>
<b>Carrying amount at 29 February 2008</b>	<b>302</b>	<b>655</b>	<b>156</b>	<b>151</b>	<b>1 264</b>

## Notes to the group financial statements for the year ended 29 February 2008

continued

	2008 R millions	2007 R millions
<b>1. PROPERTY, PLANT AND EQUIPMENT</b> <i>(continued)</i>		
<b>Land and buildings</b>		
Details of land and buildings are available, on request, for inspection at the registered office of the company.		
<b>Encumbered assets</b>		
Certain property, plant and equipment, included in the above amounts, is encumbered as security for finance leases and secured bank loans (refer to note 13) as follows:		
Finance leases	14	21
Secured bank loans	189	—
	<b>203</b>	<b>21</b>
<b>Assets under construction</b>		
Included in the cost of assets are the following items of capital work in progress:		
Plant and machinery	186	43
IT equipment and software	17	12
Other equipment	3	11
	<b>206</b>	<b>66</b>

### Impairment losses

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

### Useful lives

Useful lives are reflected under accounting policies on page 125.

	Goodwill R millions	Customer relationships R millions	Trade names, patents and trademarks R millions	Distribution rights and licence agreements R millions	Proprietary software R millions	Total R millions
<b>2. INTANGIBLE ASSETS, INCLUDING GOODWILL</b>						
<b>Cost</b>						
Balance at 28 February 2006	1 008	26	8	24	6	1 072
Additions at cost	—	—	11	2	—	13
Development costs 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
<b>Balance at 28 February 2007</b>	<b>1 087</b>	<b>43</b>	<b>66</b>	<b>26</b>	<b>10</b>	<b>1 232</b>
Additions at cost	—	—	4	—	—	4
Development costs capitalised	—	—	—	—	2	2
Disposals	(267)	—	—	—	—	(267)
Arising on business combinations	506	91	105	—	5	707
Adjustments	2	—	—	—	—	2
Translation	66	2	4	—	—	72
<b>Balance at 29 February 2008</b>	<b>1 394</b>	<b>136</b>	<b>179</b>	<b>26</b>	<b>17</b>	<b>1 752</b>

## Notes to the group financial statements for the year ended 29 February 2008

*continued*

	Goodwill R millions	Customer relationships R millions	Trade names, patents and trademarks R millions	Distribution rights and licence agreements R millions	Proprietary software R millions	Total R millions
<b>2. INTANGIBLE ASSETS, INCLUDING GOODWILL</b> <i>(continued)</i>						
<b>Amortisation and impairment losses</b>						
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)
<b>Balance at 28 February 2007</b>	<b>331</b>	<b>21</b>	<b>29</b>	<b>4</b>	<b>3</b>	<b>388</b>
Amortisation for the year	—	24	12	—	4	40
Impairment losses	86	—	—	—	—	86
Disposals	(267)	—	—	—	—	(267)
Translation	—	2	1	—	—	3
<b>Balance at 29 February 2008</b>	<b>150</b>	<b>47</b>	<b>42</b>	<b>4</b>	<b>7</b>	<b>250</b>
<b>Carrying amount at 28 February 2006</b>	<b>727</b>	<b>17</b>	<b>5</b>	<b>20</b>	<b>4</b>	<b>773</b>
<b>Carrying amount at 28 February 2007</b>	<b>756</b>	<b>22</b>	<b>37</b>	<b>22</b>	<b>7</b>	<b>844</b>
<b>Carrying amount at 29 February 2008</b>	<b>1 244</b>	<b>89</b>	<b>137</b>	<b>22</b>	<b>10</b>	<b>1 502</b>

**Adjustments to goodwill**

A reduction of goodwill was made in the prior year in respect of tax losses and deductible temporary differences realised or recognised as deferred tax assets after the acquisition of a subsidiary that did not meet the recognition criteria of a deferred tax asset at acquisition. In the current year a portion of the tax losses was disallowed giving rise to a reduction in the recognised deferred tax asset of R2 million and a contra adjustment to goodwill.

**Distribution rights and 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% (2007:15%). 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 6% (2007: 5%). The group's budgeted profit has historically been in line with actual performance.

**Proprietary software**

The Bytes group is replacing its existing healthcare switching technology with enhanced technology and has capitalised R2 million of its development cost in the current year (2007: R4 million). The new technology was commissioned in the current year and no further costs will be incurred on the development of this technology.

Through the acquisition of IST, software utilised in the demand-side management business, to the value of R3.5 million, was recognised as an intangible asset in accordance with IFRS 3.

## Notes to the group financial statements for the year ended 29 February 2008

continued

	2008 R millions	2007 R millions
<b>2. INTANGIBLE ASSETS, INCLUDING GOODWILL</b> <i>(continued)</i>		
<b>Impairment tests for cash-generating units containing goodwill</b>		
The following units have significant carrying amounts of goodwill:		
Altech NamITech	306	332
Bytes Document Solutions	135	135
CS Holdings	107	105
Bytes Healthcare Solutions	64	64
Xclusive Solutions	44	40
Vantage Business Systems	30	28
ComTech	18	—
IST	448	—
Swanib Cables	24	—
Multiple units without significant goodwill	68	52
	<b>1 244</b>	<b>756</b>

### 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 trading loss incurred by Altech NamITech South Africa, the directors concluded that the remaining carrying value of goodwill of R86 million attributable to these operations be fully impaired.

### Useful lives

Useful lives are reflected under accounting policies on page 124.

	GROUP	
	2008 R millions	2007 R millions
<b>3. ASSOCIATES AND OTHER INVESTMENTS</b>		
<b>Associates</b>	20	15
<b>Other investments</b>		
<b>Non-current loans receivable at amortised cost</b>		
Participation loan to Fintech Receivables 1 (Pty) Limited	27	27
Participation loan to Technology Acceptances Receivables (Pty) Limited	192	152
<b>Non-current available-for-sale investments at fair value</b>		
Preference shares in Fintech Receivables 1 (Pty) Limited	36	36
Preference shares in Technology Acceptances Receivables (Pty) Limited	26	23
Investment in Izingwe Aberdare Cables Investments (Pty) Limited	1	1
Izingwe Aberdare Cables Investments (Pty) Limited – cash on deposit	12	—
	<b>294</b>	<b>239</b>

Refer to Annexure 1 on page 176 for details.

## Notes to the group financial statements for the year ended 29 February 2008

continued

		GROUP	
		2008	2007
		R millions	R millions
<b>4. RENTAL FINANCE ADVANCES</b>			
<b>Assets at amortised cost</b>			
	Present value of minimum lease payments receivable	128	127
	Less: Current portion (note 7)	(42)	(50)
	Non-current finance lease asset	86	77
<b>Liabilities at amortised cost (included under loans)</b>			
	Present value of minimum lease payments payable (note 13)	128	114
	Less: Current portion (note 13)	(42)	(37)
	Non-current finance lease liability	86	77
<p>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.</p> <p>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 overdraft rate. The loans are secured by the underlying equipment sold.</p> <p>The relationship between the gross investment in the lease at the balance sheet date, and the present value of the minimum lease payments receivable at the balance sheet date, is as follows:</p>			
Non-derivative financial assets			
Finance lease assets			
	Present value of minimum lease payments receivable	128	127
	Interest receivable	29	23
	Future minimum lease payments receivable	157	150

	2008 Future minimum lease payments R millions	2008 Present value of minimum lease payments R millions	2007 Future minimum lease payments R millions	2007 Present value of minimum lease payments R millions
Non-derivative financial liabilities				
Finance lease liabilities are payable as follows:				
	58	42	41	37
	99	86	96	77
	157	128	137	114

## Notes to the group financial statements for the year ended 29 February 2008

continued

	2008 R millions	2007 R millions
<b>4. RENTAL FINANCE ADVANCES</b> (continued)		
<b>Exposure to credit risk</b>		
The carrying amount of finance lease assets represents the maximum credit exposure. The maximum exposure to credit risk at the reporting date was:		
Finance lease assets	128	127
The maximum exposure to, and concentration of, credit risk for finance lease assets at the reporting date by type of customer was:		
	2008 Gross R millions	2007 Gross R millions
Parastatals/government	28	30
Corporates	97	95
SMMs	3	2
	128	127
The maximum exposure to, and concentration of, credit risk for finance lease assets at the reporting date by geographical region was:		
South Africa	128	127

All customers are subjected to stringent credit vetting. It is our experience that only large corporates avail themselves of the document outsourcing services rendered by the group and hence there is a reduced risk of default. Lease payments are due 30 days after invoice. The percentage of delinquent leases at the balance sheet date was 3.27% of the total lease book. This compares to the historical average delinquency ratio of 4.44% of the lease book. In the event of a default on lease receivable payments the exposure to financial loss to the group is limited as the equipment is repossessed and resold.

In the 16 years that the group has been operating the document outsource model it has not incurred losses on default/delinquency as the capital amount has always been recovered upon resale of the equipment. Accordingly no impairment allowance is maintained (2007: Rnil).

### Exposure to liquidity risk

The following are the contractual maturities of finance lease assets and liabilities, including interest payments and excluding the impact of netting agreements:

29 February 2008	Contractual					
	Carrying amount	cash flows	6 months or less	6 – 12 months	1 – 2 years	2 – 5 years
<b>Non-derivative financial assets</b>						
Finance lease assets	128	157	29	29	50	49
<b>Non-derivative financial liabilities</b>						
Finance lease liabilities	(128)	(157)	(29)	(29)	(50)	(49)
<b>28 February 2007</b>	Contractual					
Non-derivative financial assets	Carrying amount	cash flows	6 months or less	6 – 12 months	1 – 2 years	2 – 5 years
Finance lease assets	127	150	28	28	46	48
<b>Non-derivative financial liabilities</b>						
Finance lease liabilities	(114)	(137)	(21)	(20)	(40)	(56)

## Notes to the group financial statements for the year ended 29 February 2008

*continued*4. RENTAL FINANCE ADVANCES (*continued*)

## Exposure to interest rate risk

All finance leases are entered into on a back-to-back basis with financial institutions. The interest rate payable to financial institutions on the finance lease liability is equal to the rate being charged to the customer on the finance lease asset. These rates are automatically adjusted as and when the prime overdraft rate is amended. Accordingly the group does not have any exposure to interest rate risk as a result of these arrangements.

	2008 R millions	2007 R millions
<b>5. DEFERRED TAXATION</b>		
<b>5.1 Deferred tax movement</b>		
Balance at the beginning of the year	(152)	(97)
Charged to the income statement	(20)	(70)
Charged directly in equity	(2)	(5)
Transfer to assets held-for-sale	—	1
Acquisitions and disposals of subsidiaries	61	20
Translation differences	—	(1)
Balance at the end of the year	(113)	(152)
<b>5.2 Deferred tax balances</b>		
Attributable to the following temporary differences recognised at the normal tax rate in South Africa of 28% (2007: 29%) or the normal tax rate for foreign jurisdictions, unless otherwise indicated:		
Property, plant and equipment	67	67
Intangible assets	26	2
Construction work in progress	7	—
Prepaid expenditure	10	7
Receipts in advance	(37)	(25)
Receivables	(11)	(9)
Contract allowances	11	1
Provisions, accruals and allowances	(106)	(89)
Tax losses	(73)	(70)
Investments and other	(9)	(22)
Share scheme recharge liabilities	17	—
Fair value adjustments (at 14%) (2007: 14.5%)	(7)	6
Secondary tax credits (at 10%)	(8)	(20)
	(113)	(152)
The above balance comprises:		
Deferred tax liabilities	83	30
Deferred tax assets	(196)	(182)
	(113)	(152)
<b>Tax losses</b>		
Estimated tax losses available for set-off against future taxable income	277	362
Applied to reduce deferred tax	(260)	(244)
	17	118
Attributable to minority interest	—	(2)
	17	116

## Notes to the group financial statements for the year ended 29 February 2008

continued

	2008 R millions	2007 R millions
<b>6. INVENTORIES</b>		
Raw materials	749	639
Work in progress	278	316
Finished goods	875	849
Merchandise	189	180
Consumable stores	39	29
	<b>2 130</b>	2 013
Inventories carried at cost	1 936	1 549
Inventories carried at net realisable value	194	464
	<b>2 130</b>	2 013
<b>7. TRADE AND OTHER RECEIVABLES, INCLUDING DERIVATIVES</b>		
Gross trade receivables	3 189	2 433
Less: Allowance for impairment losses	(115)	(96)
Less: Other allowances	(77)	(37)
Current portion of rental finance advances (note 4)	42	50
Derivative assets at fair value: used for hedging	54	11
Prepayments	47	35
Other receivables	231	98
	<b>3 371</b>	2 494
<b>Exposure to credit risk</b>		
Gross trade receivables represents the maximum credit exposure. The maximum exposure to credit risk at the reporting date was:		
Gross trade receivables	3 189	2 433
The maximum exposure to credit risk for gross trade receivables at the reporting date by type of customer was:		
	<b>2008</b>	2007
	<b>Gross</b>	Gross
Parastatals/government	429	297
Corporates	1 996	1 480
SMMEs	526	503
Individuals	238	153
	<b>3 189</b>	2 433

The group's exposure to parastatals and government has increased in the last year, primarily as a result of the increased infrastructural spend of these bodies. This is not expected to increase the group's credit risk profile.

The group generally deals with the larger corporates who have a sound credit standing. Collateral is generally not held for blue-chip companies as their payment history does not warrant it, but collateral is obtained for other entities as security where possible.

Credit risk in respect of corporates and SMMEs is controlled through the use of credit vetting agencies and the setting of credit limits by experienced personnel. Credit limits are typically reviewed annually.

The increase in the group's exposure to individuals is a reflection of the growth in the group's consumer businesses, principally Altech Autopage Cellular and Altech Netstar. Credit risk increases in this area as interest rates go up, but this is closely monitored by management.

## Notes to the group financial statements for the year ended 29 February 2008

*continued***7. TRADE AND OTHER RECEIVABLES, INCLUDING DERIVATIVES** *(continued)*

The maximum exposure to credit risk for gross trade receivables at the reporting date by geographical region was:

	2008 Gross R millions	2007 Gross R millions
South Africa	2 179	1 621
Rest of Africa	211	197
Europe	634	535
Rest of world	165	80
	<b>3 189</b>	<b>2 433</b>

Most of the receivables outside of South Africa are in respect of our international operations who are experienced in managing their own local credit risk. As regards cross-border trade, credit risk is managed through the use of letters of credit and credit insurance as considered necessary.

**Impairment losses**

The following table illustrates the relationship between aged debt and the impairment allowance:

	2008 Gross R millions	2008 Impairment allowance R millions	2007 Gross R millions	2007 Impairment allowance R millions
Not past due	2 514	(3)	1 865	(1)
Past due 0 – 30 days	271	(1)	263	(6)
Past due 31 – 120 days	249	(24)	185	(20)
Past due 121 – 365 days	87	(22)	72	(22)
Past due 365+ days	68	(65)	48	(47)
	<b>3 189</b>	<b>(115)</b>	<b>2 433</b>	<b>(96)</b>

Listings of overdue customer balances are reviewed monthly and reviewed against their credit terms/limits. Any customer exceeding their credit terms/limits must settle their overdue balances before any further credit is extended. Appropriate action is taken to recover long overdue debts.

The movement in the impairment allowance in respect of trade receivables during the year was as follows:

	2008 R millions	2007 R millions
Balance at the beginning of the year	96	129
Impairment loss recognised	69	8
Allowance utilised	(50)	(41)
Balance at the end of the year	<b>115</b>	<b>96</b>
<b>Currency risk</b>		
Currency risk positions are reflected in note 30.		
<b>Derivative assets at fair value</b>		
Derivative assets at fair value include:		
Forward exchange contracts used for hedging		
– Fair value hedge	48	6
Commodity forward contracts	6	5
	<b>54</b>	<b>11</b>

## Notes to the group financial statements for the year ended 29 February 2008

*continued*

	2008 R millions	2007 R millions
<b>7. TRADE AND OTHER RECEIVABLES, INCLUDING DERIVATIVES</b> <i>(continued)</i>		
<b>Credit risk on derivative assets</b>		
The group limits its exposure to credit risk by only entering into forward contracts with counterparties that have a credit rating of at least A1 from Standard and Poor's. Given these high credit ratings, management does not expect any counterparty to fail to meet its obligations.		
<b>8. ASSETS AND LIABILITIES CLASSIFIED AS HELD-FOR-SALE</b>		
On 24 October 2006 the decision to sell the group's shareholding in Plato Computer Services Limited was taken and the operation was subsequently sold (refer to note 38). This operation did not constitute a discontinued operation.		
<b>Assets classified as held-for-sale</b>		
Property, plant and equipment	—	2
Deferred taxation	—	1
Inventories	—	1
Trade and other receivables	—	15
	—	19
<b>Liabilities classified as held-for-sale</b>		
Trade and other payables	—	9
Bank overdraft	—	6
	—	15
<b>9. CASH AND CASH EQUIVALENTS</b>		
Cash at bank	1 638	1 110
Cash on deposit	478	503
	2 116	1 613
Bank overdraft	(33)	(24)
<b>Net cash and cash equivalents per the cash flow statement</b>	<b>2 083</b>	<b>1 589</b>

### Credit risk

The group limits its credit risk exposure by investing only with financial institutions that have a minimum short-term Standard and Poor's rating of A1. Management monitors these financial institutions' ratings on an active basis. Management does not expect any counterparty to fail to meet its obligations.

### Interest risk

The group limits its interest risk by managing the term of its deposits to coincide with possible changes to interest rates as determined by the Monetary Policy Committee of the South African Reserve Bank.

### Currency risk

Currency risk positions are reflected in note 30.

## Notes to the group financial statements for the year ended 29 February 2008

continued

GROUP AND COMPANY				
	2008 Number of shares	2007 Number of shares	2008 R millions	2007 R millions
<b>10. SHARE CAPITAL AND PREMIUM</b>				
<b>10.1 Authorised</b>				
Ordinary shares of 2 cents each	247 500 000	247 500 000	5	5
Participating preference shares of 0.01 cent each	500 000 000	500 000 000	—	—
			5	5
<b>10.2 Issued</b>				
<i>Ordinary shares</i>				
In issue at the beginning of the year	97 174 115	97 174 115	2	2
Issued in terms of scheme of arrangement with Bytes shareholders	8 495 016	—	—	—
In issue at the end of the year	105 669 131	97 174 115	2	2
Less: Own shares acquired by subsidiary	(3 246 469)	(3 246 469)		
Net ordinary shares	102 422 662	93 927 646		
<i>Participating preference shares</i>				
In issue at the beginning of the year	213 654 725	212 322 502	—	—
Issued in terms of share schemes	1 773 142	1 332 223	—	—
Issued in terms of scheme of arrangement with Bytes shareholders	22 110 410	—	—	—
In issue at the end of the year	237 538 277	213 654 725	—	—
Less: Own shares acquired by subsidiary	(27 698 875)	(27 698 875)		
Net participating preference shares	209 839 402	185 955 850		
Total number of shares in issue at the end of the year, net of own shares acquired	312 262 064	279 883 496		
<b>10.3 Share premium</b>				
Balance at the beginning of the year			833	825
Share premium arising from issue of shares in terms of:				
– Share schemes			12	8
– Scheme of arrangement with Bytes shareholders			1 363	—
Balance at the end of the year			2 208	833
The issue price of shares issued in satisfaction of the scheme of arrangement with Bytes shareholders was measured in accordance with the market value of such shares on the effective date of the transaction in December 2007.				
<b>10.4 Total issued share capital and premium</b>			2 210	835

## Notes to the group financial statements for the year ended 29 February 2008

*continued*

	2008 Number of shares	2007 Number of shares
<b>10. SHARE CAPITAL AND PREMIUM</b> <i>(continued)</i>		
<b>10.5 Unissued</b>		
<b>Ordinary shares</b>		
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	136 983 014	145 478 030
	<b>141 830 869</b>	150 325 885
<b>Participating preference shares</b>		
Shares reserved to meet the requirements of:		
Allied Electronics Corporation Limited Share Trust	1 169 506	1 835 480
Altron Group Share Incentive Trust	2 375 374	2 933 085
Conditional Rights Scheme	11 039 018	5 432 472
Shares reserved for allocation under employee share schemes	7 584 445	14 458 257
Shares under the control of the directors until the forthcoming annual general meeting	240 293 380	261 685 981
	<b>262 461 723</b>	286 345 275

Shares reserved for allocation under employee share schemes that were approved at a previous general meeting of the members are reflected in the table above.

### 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 to page 94).

#### 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 effective until the next annual general meeting.

## Notes to the group financial statements for the year ended 29 February 2008

*continued*

	Conditional Rights Scheme	Allied Electronics Corporation Limited Share Trust	Altron Group Share Incentive Trust	Total share options
<b>10. SHARE CAPITAL AND PREMIUM</b> <i>(continued)</i>				
<b>10.6 Employee share options – participating preference shares</b>				
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
Options converted as a result of the Bytes scheme of arrangement	2 406 545	—	1 042 170	3 448 715
Number of options granted	4 491 435	—	—	4 491 435
Number of options lapsed/forfeited/ reinstated	(890 447)	(38 648)	(137 243)	(1 066 338)
Number of options exercised	(400 987)	(627 326)	(1 462 638)	(2 490 951)
<b>Number of options allocated at 29 February 2008</b>	<b>11 039 018</b>	<b>1 169 506</b>	<b>2 375 374</b>	<b>14 583 898</b>

Of the 2 490 951 options exercised, 400 987 relate to conditional rights exercised. Conditional rights are net settled and as a result only 104 776 shares were issued in satisfaction of those conditional rights. A further 421 598 of the exercised share options had not been issued and listed at the year end and so are not included in issued share capital at that date.

## Notes to the group financial statements for the year ended 29 February 2008

continued

### 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.

The details of rights outstanding at the financial year end are as follows:

Date granted	Exercise price per share	Options and deferred delivery shares outstanding at 29 February 2008		
		Allied Electronics Corporation Limited Share Trust	Altron Group Share Incentive Trust	Conditional Rights Scheme
20 December 1996	R4.80	500		
6 March 1997	R5.05	3 600		
12 January 1998	R8.30	20 000		
15 September 1998	R3.49	296 328		
26 January 1999	R4.70	39 400		
5 March 1999	R5.25	201 404		
30 May 2000	R5.00	95 572		
28 June 2000	R4.85	475 462		
10 April 2001	R7.00	17 040		
7 June 2002	R7.40	20 200		
1 October 2002	R7.25		418 225	
The following options are subject to IFRS 2:				
1 April 2003	R7.00		13 668	
11 December 2003	R10.00		10 000	
27 July 2004	R11.20		947 168	
9 February 2006	R22.50			3 420 830
13 June 2006	R23.50			412 000
23 November 2006	R30.75			709 194
14 January 2008	R6.66		218 771*	
14 January 2008	R7.64		69 992*	
14 January 2008	R7.80		21 783	
14 January 2008	R8.84		43 565*	
14 January 2008	R12.80		632 202	
14 January 2008	R26.54			2 005 559
4 February 2008	R36.10			716 919
25 February 2008	R35.00			754 438
27 February 2008	R35.00			2 122 300
28 February 2008	R35.50			897 778
		1 169 506	2 375 374	11 039 018

The awards dated 14 January 2008 are in respect of the conversion of Bytes share options into Altron participating preference share options in accordance with the terms of the Bytes scheme of arrangement. Existing share options were converted using the swap ratio of 0.43565 Altron participating preference shares for each Bytes ordinary share. The awards marked with the asterisk represent old awards not subject to IFRS 2.

#### Terms of schemes

##### Allied Electronics Corporation Limited Share Trust

The Allied Electronics Corporation Limited Share Trust is a 10-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 whereafter 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 on page 113 for details of options held by directors.

## Notes to the group financial statements for the year ended 29 February 2008

*continued*

	Weighted average exercise price Rand 2008	Number of options (000s) 2008	Weighted average exercise price Rand 2007	Number of options (000s) 2007
<b>10. SHARE CAPITAL AND PREMIUM</b> <i>(continued)</i>				
<b>10.8 Share-based payments</b>				
The number and weighted average exercise prices of share options accounted for under IFRS 2 are as follows:				
<b>Altech</b>				
Outstanding at the beginning of the year	50.39	3 312	48.07	2 649
Forfeited during the year	52.72	(352)	49.45	(120)
Exercised during the year	34.21	(53)	30.00	(10)
Granted during the year	50.28	497	57.75	793
Outstanding at the end of the year	50.39	3 404	50.39	3 312
Exercisable at the end of the year		100		—
The weighted average market price on exercised options was R71.40 (2007: R60.60).				
Exercise prices on outstanding options at the end of the year ranged from R30.00 to R66.00 (2007: R30.00 to R57.75).				
The weighted average remaining period to vesting on outstanding options at the end of the year was 27 months (2007: 34 months).				
<b>Bytes</b>				
Outstanding at the beginning of the year	10.06	7 881	9.93	8 724
Forfeited during the year	11.56	(460)	11.56	(540)
Exercised during the year	4.71	(396)	3.63	(303)
Transferred to the Altron scheme	10.27	(7 025)	—	—
Outstanding at the end of the year		—	10.06	7 881
Exercisable at the end of the year		—		1 340
The weighted average market price on exercised options was R15.40 (2007: R12.57).				
Exercise prices on outstanding options at the end of the previous year was R3.40 to R11.56.				
In accordance with the scheme of arrangement with Bytes shareholders all outstanding options were transferred and converted to the Altron share option schemes.				
<b>Altron</b>				
Outstanding at the beginning of the year	21.27	6 787	19.58	5 679
Forfeited during the year	22.23	(996)	22.50	(52)
Exercised during the year	20.07	(679)	9.62	(80)
Transferred and converted from the Bytes scheme	23.57	3 061	—	—
Granted during the year	35.28	4 491	28.34	1 240
Outstanding at the end of the year	26.78	12 664	21.27	6 787
Exercisable at the end of the year		1 245		17

## Notes to the group financial statements for the year ended 29 February 2008

continued

### 10. SHARE CAPITAL AND PREMIUM (continued)

#### 10.8 Share-based payments (continued)

The weighted average market price on exercised options was R37.48 (2007: R27.04).

Exercise prices on outstanding options at the end of the year ranged from R7.00 to R36.10 (2007: R7.00 to R30.75).

The weighted average remaining period to vesting on outstanding options at the end of the year was 30 months (2007: 33 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 using the Black-Scholes model. Up until the current year options were assumed to be exercised midway between the vesting date and the expiry date. Evidence now indicates that most options are exercised on or shortly after the vesting date and the assumptions have been adjusted accordingly.

There is no difference between the conditions of 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.

#### Fair value of share options and assumptions

Fair value at grant date:

##### 2008

#### Conditional rights

	Altech	Altron
Fair value at grant date (Rand)	10.12 to 12.04	7.83 to 10.08
Share price (Rand)	49.00	35.00 to 36.10
Exercise price (Rand)	49.00	35.00 to 36.10
Expected volatility	25.0% to 26.3%	21.3% to 24.2%
Option life (years)	3 to 5	3 to 5
Dividend yield	4.90%	3.27% to 3.37%
Risk-free interest rate	9.38%	9.32% to 9.46%

##### 2007

#### Conditional rights

	Altech	Altron	Altron
Fair value at grant date (Rand)	13.88 to 15.37	5.27 to 5.86	8.14 to 8.83
Share price (Rand)	57.75	23.50	30.75
Exercise price (Rand)	57.75	23.50	30.75
Expected volatility	22.6% to 23.8%	19.4% to 19.9%	20.5% 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%

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 2006 financial year had a service condition attached. The new conditional rights scheme implemented in the 2006 financial year includes both a service condition and a non-market performance condition.

The non-market performance condition is not taken into account in the grant date fair value measurement of the services received. There are no market conditions associated with any of the share option grants.

#### Employee expenses

##### GROUP

	2008 R millions	2007 R millions
Share options granted between 7 November 2002 and 28 February 2006	1	3
Conditional rights granted subsequently	21	17
Expense arising from share appreciation rights granted	24	40
Total expense recognised as employee costs	46	60
Total carrying amount of cash-settled transaction liabilities	31	46

## Notes to the group financial statements for the year ended 29 February 2008

*continued*

## 10. SHARE CAPITAL AND PREMIUM (continued)

## 10.8 Share-based payments (continued)

The fair value of the share appreciation rights at grant date is determined using 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 29 February 2008 were as follows:

	Altech 2008	Altech 2007	Altron 2008	Altron 2007
Share price (Rand)	50.75	65.70	36.00	42.00
Exercise price (Rand)	32.25	32.25	11.20 and 12.80	11.20
Term (years)	0.4 to 1.4	0.4 to 2.4	0.4 to 1.4	0.4 to 2.4
Volatility	31% to 44%	11.9% to 23.1%	24% to 27%	15.1% to 25.7%
Dividend yield	4.73%	3.13%	3.28%	1.86%
Risk-free interest rate	9.60%	7.99%	9.60%	7.99%

	2008 R millions	2007 R millions
10.9 Share-based payments expense arising on BBEE transactions	3	—

Arising on the acquisition of 25.1% of IST by Izingwe – refer to note 12.3.

## GROUP

	2008 R millions	2007 R millions
11. RESERVES		
11.1 Retained earnings	3 634	2 946
Are distributable and would be subject to secondary tax on companies.		
11.2 Foreign currency translation reserve	184	74
Comprises all foreign exchange differences arising from the translation of the financial statements of foreign operations.		
11.3 Premium/discount on minority equity transactions	(1 355)	(93)
Comprises the premium or discount on the subsequent purchase or sale of equity instruments in existing subsidiaries.		
11.4 Cash flow hedging reserve	(1)	—
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	44	21
Comprises the net fair value of equity instruments granted to employees under share schemes expensed net of tax credits on deductible recharges in excess of expenses recognised.		
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	43	35
Comprises the cumulative net change in the fair value of available-for-sale investments, net of deferred taxation, until the investment is derecognised.		
<b>Total reserves</b>	<b>2 558</b>	<b>2 992</b>

## Notes to the group financial statements for the year ended 29 February 2008

*continued*

### 12. BBBEE TRANSACTIONS

The group has entered into the following material BBBEE transactions:

#### 12.1 Altech group – Altech Information Technology (Pty) Limited (Altech IT) – Pamodzi Investment Holdings (Pty) Limited (Pamodzi)

During the year under review the Altech group restructured its information technology businesses and simultaneously restructured the related BBBEE holdings.

Pamodzi disposed of its 25.01% interest in Altech Data (Pty) Limited (Altech Data) and its 28% interest in Altech NamITech Holdings Limited for R49 million. The businesses of Altech Data (Altech Card Solutions and Altech ISIS) were then sold into NamITech South Africa (Pty) Limited and the name of the company changed to Altech Information Technology (Pty) Limited. Pamodzi then acquired 25.01% of the issued share capital in Altech IT for R19 million, which equated to 25.01% of the net asset value of the company at that date. Since the transaction was completed at fair value and settled in cash, no IFRS 2 charge arose and the transaction and the relevant minorities have been fully recognised. The net R30 million paid to Pamodzi has been reflected as a transaction with minorities, directly in equity.

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

Powertech entered into an agreement with Izingwe Aberdare Cables 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 Aberdare Cables.

Although the rewards of ownership have fully vested in Izingwe Aberdare Cables, 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 previous financial year Powertech acquired a 10% equity interest in Izingwe Aberdare Cables for R1.3 million following the exit of one of the BBBEE consortium shareholders (refer to Annexure 1). A diluted headline earnings adjustment of R81 million (2007: R61 million) has been calculated based on the recognition of the net 27% (90% of 30%) minority interest and the settlement of the outstanding purchase price of R160 million (comprising the empowerment funding obligation net of excess cash deposits of R12 million) adjusted for the dilutive effect of the option price at the Aberdare level (refer to note 26.4).

#### 12.3 Powertech group – Powertech SA (Pty) Limited (Powertech SA) – Izingwe Investment Holdings (Pty) Limited (Izingwe)

Following the acquisition of IST by the Powertech group, the business of IST was sold to Powertech SA with the full purchase price being funded by borrowings. Izingwe acquired 25.1% of Powertech SA for an amount equal to the net asset value at that date. This 25.1% minority interest has been fully recognised as there are no conditional terms to their ownership of the shares. However, as Powertech SA incurred a loss for the current period there was no attribution of the loss to the minority interest.

A valuation was performed on the fair value of the shares acquired by Izingwe, and a charge of R3.1 million has been recognised in the group income statement in accordance with AC 503 and IFRS 2 (refer to note 20.4).

#### 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 headline earnings adjustment amounting to R33 million (2007: R26 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 to note 26.4).

## Notes to the group financial statements for the year ended 29 February 2008

*continued*

	2008 R millions	2007 R millions
<b>13. LOANS</b>		
<b>13.1 Non-current loans</b>		
<b>Interest-bearing loans at amortised cost</b>		
Rental finance liabilities (note 4)	128	114
Finance lease liabilities	14	18
Secured bank loans	146	50
Loans from minority shareholders	23	30
Unsecured bank loans	634	—
Deferred purchase considerations	9	—
Loan from joint-venture partner	29	—
<b>Non-interest-bearing loans at amortised cost</b>		
Spanish Government loans	14	2
	997	214
<i>Less: Payable within one year, shown as current loans</i>	(213)	(65)
<b>Total non-current loans</b>	<b>784</b>	<b>149</b>
<b>13.2 Current loans</b>		
<b>Current portion of interest-bearing loans at amortised cost</b>		
Current portion of rental finance liabilities	42	37
Current portion of finance lease liabilities	11	8
Current portion of secured bank loans	36	19
Current portion of unsecured bank loans	77	—
Current portion of deferred purchase considerations	4	—
Current portion of loan from joint-venture partner	29	—
<b>Current portion of non-interest-bearing loans at amortised cost</b>		
Current portion of Spanish Government loans	14	1
<b>Current portion of long-term loans</b>	<b>213</b>	<b>65</b>

## Notes to the group financial statements for the year ended 29 February 2008

*continued*

### 13. LOANS (continued)

#### Terms and debt repayment schedule

The terms and conditions of outstanding loans were as follows:

	Currency	Nominal interest rate	Year of maturity	29 February 2008		28 February 2007	
				Face value R millions	Carrying value R millions	Face value R millions	Carrying value R millions
Secured							
Rental finance liabilities	ZAR	Linked to prime	Various	157	128	137	114
Finance lease liabilities	ZAR	Linked to prime	Various	15	14	19	18
Secured bank loan	ZAR	13.3%	2017	37	37	—	—
Secured bank loan	ZAR	12.0%	2011	28	28	—	—
Secured bank loan	NGN	18.0%	2011	81	81	—	—
Unsecured							
Unsecured bank loan	GBP	6.6%	2008	50	50	—	—
Unsecured bank loan	GBP	7.7%	2015	34	34	50	50
Unsecured bank loan	ZAR	12.0%	2010	550	550	—	—
Loans from minority shareholders	ZAR	12.3%	No fixed term	23	23	30	30
Spanish Government loan	EUR	0.0%	2008	14	14	2	2
Loan from joint venture partner	ZAR	14.5%	2008	29	29	—	—
Deferred purchase considerations	ZAR	11.4%	2010	9	9	—	—
				1 027	997	238	214

#### Security

Bank loans are secured by property, plant and equipment with a book value of R189 million (2007: Rnil) and current assets with a book value of R101 million (2007: Rnil).

Finance lease liabilities are secured by property, plant and equipment with a book value of R14 million (2007: R21 million).

Rental finance liabilities are matched by reciprocal rental finance receivables (refer to note 4).

## Notes to the group financial statements for the year ended 29 February 2008

*continued*

## 13. LOANS (continued)

## Liquidity risk

The following are the contractual maturities of financial liabilities, including interest payments and excluding the impact of netting agreements:

29 February 2008	Currency	Carrying	Con- tractual	6 months	6 – 12	1 – 2	2 – 5	More
		amount	cash	or less	months	years	years	than
		R millions	flows	R millions	R millions	R millions	R millions	5 years
			R millions	R millions	R millions	R millions	R millions	R millions
<b>Non-derivative financial liabilities</b>								
Rental finance liabilities	ZAR	128	157	29	29	50	49	—
Finance lease liabilities	ZAR	14	15	8	6	1	—	—
Secured bank loan	ZAR	65	101	4	6	17	60	14
Secured bank loan	NGN	81	87	36	—	42	9	—
Unsecured bank loans	GBP	84	85	64	14	7	—	—
Unsecured bank loan	ZAR	550	715	33	33	66	583	—
Loans from minority shareholders	ZAR	23	26	—	3	3	20	—
Spanish Government loan	EUR	14	14	7	7	—	—	—
Loan from joint-venture partner	ZAR	29	32	17	15	—	—	—
Deferred purchase considerations	ZAR	9	11	—	6	5	—	—
		997	1 243	198	119	191	721	14
<b>28 February 2007</b>								
<b>Non-derivative financial liabilities</b>								
Rental finance liabilities	ZAR	114	137	21	20	40	56	—
Finance lease liabilities	ZAR	18	19	5	5	9	—	—
Unsecured bank loan	GBP	50	55	8	14	33	—	—
Loans from minority shareholders	ZAR	30	35	—	10	3	22	—
Spanish Government loan	EUR	2	2	1	1	—	—	—
		214	248	35	50	85	78	—

## Notes to the group financial statements for the year ended 29 February 2008

continued

### 13. LOANS (continued)

#### Interest rate risk

#### Profile

At the reporting date, the interest rate profile of the group's interest-bearing loans was:

		Carrying amount	
		2008	2007
		R millions	R millions
<b>Variable-rate instruments</b>			
Financial liabilities	ZAR	818	162
	GBP	84	50
	NGN	81	—
		<b>983</b>	<b>212</b>

#### Cash flow sensitivity analysis for variable-rate instruments

A change of 100 basis points in interest rates at the reporting date would have increased/(decreased) profit or loss by the amounts shown below for a period of one year compounded monthly. This analysis assumes that all other variables, in particular foreign exchange rates, remain constant. The analysis is performed on the same basis for 2007.

		Profit or loss	
		100 bp increase	100 bp decrease
		R millions	R millions
<i>Effect</i>			
<b>29 February 2008</b>			
Variable-rate loans		(10)	10
<b>28 February 2007</b>			
Variable-rate loans		(2)	2

#### Currency risk

The principal and interest on borrowings is denominated in currencies that match the functional currencies of the underlying operations of the group, primarily GBP, but also Euro and NGN. Accordingly currency risk does not arise from these financial instruments.

		2008	2007
		R millions	R millions
<b>Borrowing facilities</b>			
In terms of the articles of association, the borrowing powers of the group are unlimited.			
Unutilised banking facilities		2 418	2 871
<b>14. EMPOWERMENT FUNDING OBLIGATION</b>			
<b>At amortised cost</b>			
Opening balance		172	173
Interest accrued		16	16
Repayments		(16)	(15)
Capital costs adjustment		—	(2)
		<b>172</b>	<b>172</b>
Current portion		(16)	—
		<b>156</b>	<b>172</b>

## Notes to the group financial statements for the year ended 29 February 2008

*continued*

### 14. EMPOWERMENT FUNDING OBLIGATION *(continued)*

#### Liquidity risk

The following are the contractual maturities of the empowerment funding obligation liability, including interest payments and excluding the impact of netting agreements:

	Currency	Carrying amount R millions	Contractual cash flows R millions	6 months or less R millions	6 – 12 months R millions	1 – 2 years R millions	2 – 5 years R millions	More than 5 years R millions
29 February 2008	Rand	172	235	12	13	28	111	71
28 February 2007	Rand	172	251	8	8	25	95	115

#### Interest rate risk

The dividends on the preference shares bear an indicative dividend rate of 9.61% (2007: 9.61%). This interest rate has been fixed for the period of the funding and is not subject to variation as market rates alter.

	Warranties and contract losses R millions	Post retirement medical aid benefits R millions	Total R millions
<b>15. PROVISIONS</b>			
Long-term provisions	28	10	38
Current portion included in current liabilities	66	—	66
<b>Total provisions at 28 February 2007</b>	<b>94</b>	<b>10</b>	<b>104</b>
Provisions raised during the year	53	1	54
Provisions utilised during the year	(53)	—	(53)
<b>Total provisions at 29 February 2008</b>	<b>94</b>	<b>11</b>	<b>105</b>
Long-term provisions	13	11	24
Current portion included in current liabilities	81	—	81
	<b>94</b>	<b>11</b>	<b>105</b>

Refer to accounting policies for a description of provisions.

	2008 R millions	2007 R millions
<b>16. TRADE AND OTHER PAYABLES, INCLUDING DERIVATIVES</b>		
Trade payables	3 280	2 490
Derivative liability at fair value: used for hedging	35	27
Payroll liabilities	176	161
Vat accrual	69	45
Receipts in advance	343	217
	<b>3 903</b>	<b>2 940</b>

## Notes to the group financial statements for the year ended 29 February 2008

continued

### 16. TRADE AND OTHER PAYABLES, INCLUDING DERIVATIVES (continued)

#### (a) Trade payables

##### Management of liquidity risk

The group has negotiated favourable credit terms with suppliers, which enable the group to utilise its operating cash flow to full effect. The suppliers' age-analysis is reviewed by management on a regular basis to ensure that credit terms are adhered to and suppliers are paid when due.

The group utilises multiple credit terms, most of which are less than one year.

##### Currency risk

Most amounts owed in foreign currency are covered by foreign exchange contracts, (refer to note 30).

##### Interest rate risk

The group has no material exposure to interest risk as there are no suppliers that charge interest.

#### (b) Receipts in advance

Revenue on receipts in advance is recognised as and when the goods are delivered or the services are rendered. Until the revenue recognition criteria are met these amounts remain payable to the respective customers.

	6 months or less R millions	6 –12 months R millions	1 – 2 years R millions	2 – 5 years R millions	More than 5 years R millions
Estimate of when revenues are expected to be earned on these receipts:	156	146	25	16	—

#### (c) Derivative liability at fair value

	2008 R millions	2007 R millions
Derivative liability at fair value includes:		
Forward exchange contracts used for fair value hedging	10	4
Commodity forward contracts	25	23
	35	27

### 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% (2007: 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 R125 million (2007: R124 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 R42 million (2007: R48 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. 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 and retirees with purchased defined benefit pensions.

During the previous financial 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.

## Notes to the group financial statements for the year ended 29 February 2008

*continued*

	2008 R millions	2007 R millions
<b>17. RETIREMENT BENEFIT PLANS</b> <i>(continued)</i>		
Defined benefit plans		
<b>17.1 Value of obligations</b>		
Fair value of plan assets	2 228	2 084
Present value of funded obligations	(2 101)	(1 983)
Surplus at year end (including unrecognised actuarial gains)	127	101
Unrecognised due to paragraph 58 limit	(127)	(101)
Asset recognised on the balance sheet	—	—
<b>17.2 Components of income statement expense</b>		
Current service cost	70	90
Interest cost	154	93
Settlement cost of medical assistance reserve	—	24
Contributions to underlying defined contribution plan funding and expected return on plan assets (limited by paragraph 58)	(213)	(166)
Income statement expense	11	41
<b>17.3 Reconciliation of the net asset recognised on the balance sheet</b>		
Amount recognised at the beginning of the year	—	—
Unrecognised due to paragraph 58 limit at the beginning of the year	101	538
Net expense recognised in the income statement	(11)	(41)
Contributions (net of contribution holiday)	11	41
Current year movement on unrecognised asset due to paragraph 58 limit	26	(437)
Net asset at the end of the year	127	101
Unrecognised due to paragraph 58 limit at the end of the year	(127)	(101)
Amount recognised at the end of the year	—	—
<b>17.4 Reconciliation of fair value of plan assets</b>		
Assets at fair market value at the beginning of the year	2 084	1 809
Expected return on assets	223	159
Contributions (net of contribution holiday)	11	41
Benefits paid	(67)	(50)
Actuarial (loss)/gain (including fund transfers and defined contribution plan contributions)	(23)	300
Settlement cost – medical assistance	—	(175)
Assets at fair market value at the end of the year	2 228	2 084
<b>17.5 Reconciliation of defined benefit obligation</b>		
Defined benefit obligation at the beginning of the year	1 983	1 271
Service cost	70	90
Interest cost	154	93
Actuarial (gain)/loss	(39)	730
Benefits paid	(67)	(50)
Settlement cost – medical assistance	—	(151)
Defined benefit obligation at the end of the year	2 101	1 983

## Notes to the group financial statements for the year ended 29 February 2008

continued

	R millions
<b>17. RETIREMENT BENEFIT PLANS</b> (continued)	
<b>17.6 Expected 2009 contributions</b>	
Service cost	76
Interest cost	176
Expected return on assets	(227)
Paragraph 58 limitations	—
	<b>25</b>

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 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 31 October 2007 in lieu of the surpluses accumulated on the defined benefit plans (2007: six months to 28 February 2007). The contribution holiday was made available to all participating group employer companies.

	2008	2007
<b>17.7 Principal actuarial assumptions</b>		
Discount rate	8.50%	8.00%
Inflation rate	5.25%	5.00%
Salary increase rate	6.25%	6.00%
Expected return on assets	10.50%	11.00%
Pension increase allowance	5.25%	5.00%
Actual return on the Altron Group Pension Fund	13.27%	29.40%

## 18. ACQUISITION OF SUBSIDIARIES

### IST

With effect from 3 September 2007, Powertech acquired 100% of IST for a cash consideration of R504 million. IST is a technology and solutions-driven business that offers engineering solutions to its customers in the power utilities, telecoms, mining and material processing industries. In the year to 29 February 2008, IST contributed R248 million to revenue and a loss after tax of R20 million after the amortisation of intangibles and interest charges following the gearing introduced. If the acquisition had taken place on 1 March 2007, IST would have contributed revenue of R454 million and a loss after tax of R39 million for the year to 29 February 2008. In determining these amounts, management has used the group's accounting policies and adjusted for the interest cost associated with the borrowings introduced as well as the amortisation charges, net of tax, assuming that the fair value adjustments and gearing had taken place on 1 March 2007.

### Fair value of assets acquired

	Carrying values R millions	Fair value adjustments R millions	Recognised values R millions
Non-current assets	64	133	197
Current assets	124	—	124
Non-current liabilities	(93)	(39)	(132)
Current liabilities	(133)	—	(133)
<b>Net identifiable assets and liabilities</b>	<b>(38)</b>	<b>94</b>	<b>56</b>
Goodwill on acquisition			448
<b>Total consideration</b>			<b>504</b>
Less: Cash balances acquired			(6)
<b>Consideration paid in cash</b>			<b>498</b>

## Notes to the group financial statements for the year ended 29 February 2008

*continued*

### 18. ACQUISITION OF SUBSIDIARIES (continued)

The recognised values were determined based on the requirements of the applicable IFRSs immediately before the acquisition. The fair value adjustments made relate to intangible assets identified on acquisition. In determining their fair values, the group applied discount rates of between 15.6% and 16.1% to the relevant forecast cash flows.

Goodwill arising was attributed to factors that did not meet the recognition criteria for intangible assets at the date of acquisition, being primarily the skills and knowledge of the personnel of the business.

The following other acquisitions were made during the year:

	Date of acquisition	Purchase consideration R millions
A controlling 50% interest in East Rand Document Solutions (Xerox dealership)	March 2007	6
The entire shareholding in Mastermed (Switching technology)	March 2007	10
The entire shareholding in Swanib Cables (Power Cable distributor)	March 2007	43
The business of Mailing Facilities (Mailing services)	June 2007	8
The entire shareholding in Netstar's Rustenburg franchise (Onseller of Netstar services)	August 2007	11
The entire shareholding of Papergeni (Envelope manufacturer)	December 2007	5
The entire shareholding in ComTech (Fleet management services)	January 2008	53
<b>Total cost of shares, assets and liabilities</b>		<b>136</b>

In the year to 29 February 2008, these acquisitions contributed R207 million to revenue and R18 million to the consolidated profit after tax. If the acquisitions had taken place on 1 March 2007, the acquired businesses would have contributed revenue of R298 million and profit after tax of R17 million for the year to 29 February 2008. In determining these amounts, management has used the group's accounting policies and adjusted for amortisation charges, net of tax, assuming that the fair value adjustments had occurred on 1 March 2007.

#### Fair value of assets acquired

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

	Carrying values R millions	Fair value adjustments R millions	Recognised values R millions
Non-current assets	13	64	77
Current assets	74	—	74
Non-current liabilities	—	(15)	(15)
Current liabilities	(58)	—	(58)
<b>Net identifiable assets and liabilities</b>	<b>29</b>	<b>49</b>	<b>78</b>
Goodwill on acquisition			58
<b>Total consideration</b>			<b>136</b>
Less: Deferred purchase consideration			(9)
Less: Cash balances acquired			(6)
<b>Total cash consideration</b>			<b>121</b>

The recognised values were determined based on the requirements of the applicable IFRSs immediately before the acquisition. The fair value adjustments made relate to intangible assets identified on acquisition. In determining their fair values, the group applied discount rates appropriate to each business to the relevant cash flows.

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

## Notes to the group financial statements for the year ended 29 February 2008

continued

		GROUP	
		2008	2007
		R millions	R millions
<b>19. REVENUE</b>			
	Goods sold	14 950	11 539
	Services rendered	6 451	5 540
	Rental finance income	30	47
		<b>21 431</b>	<b>17 126</b>
<b>20. OPERATING PROFIT BEFORE CAPITAL ITEMS</b>			
	Is stated after taking account of the following items:		
<b>20.1 Auditors' remuneration</b>			
	Audit fees	24	21
	Fees for other services	3	1
		<b>27</b>	<b>22</b>
<b>20.2 Directors' remuneration</b>			
	Refer to remuneration report on page 112	49	44
<b>20.3 Employee remuneration (including directors' remuneration)</b>			
	Salaries and wages	2 840	2 435
	Share-based payments – equity settled (note 10.8)	22	20
	Share-based payments – cash settled (note 10.8)	24	40
	Retirement and provident funds	167	172
	Medical aid and other	—	61
		<b>3 053</b>	<b>2 728</b>
<b>20.4 Share-based payments expense arising on BBBEE transactions (note 10.9)</b>		<b>3</b>	<b>—</b>
<b>20.5 Fees paid</b>			
	Managerial fees	24	18
	Technical, consultancy and administration	127	93
		<b>151</b>	<b>111</b>
<b>20.6 Foreign exchange gains/(losses)</b>			
	Gains	97	135
	Losses	(63)	(73)
	Forward exchange contracts – fair value adjustments	30	3
		<b>64</b>	<b>65</b>
	Being:		
	Realised	52	56
	Unrealised	12	9
<b>20.7 Net increase in provisions</b>		<b>1</b>	<b>24</b>

## Notes to the group financial statements for the year ended 29 February 2008

*continued*

	GROUP	
	2008 R millions	2007 R millions
<b>20. OPERATING PROFIT BEFORE CAPITAL ITEMS</b> <i>(continued)</i>		
<b>20.8 Operating lease charges</b>		
Property	118	114
Plant, equipment and vehicles	38	25
Additional cost of straight-lining of leases	7	2
	163	141
<b>20.9 Research and development expenditure</b>	128	114
(Comparative restated according to current definition of research and development expenditure)		
<b>21. CAPITAL ITEMS</b>		
Impairment of goodwill	(86)	(50)
Goodwill adjustment on reversal/(utilisation) of at acquisition tax losses	2	(19)
Foreign currency translation reserve released on disposal	(7)	—
Net (loss)/gain on disposal of businesses	(1)	8
Net gain on disposal of property, plant and equipment	2	1
Net gain on disposal of property, plant and equipment and intangibles to the joint venture	—	32
Impairment of property, plant and equipment	—	(5)
Fair value adjustment of assets held-for-sale	—	(6)
Profit on disposal of investments	—	1
	(90)	(38)
<b>22. FINANCIAL INCOME</b>		
<b>Recognised in profit or loss</b>		
Interest income on financial assets carried at amortised cost	160	114
Dividend income on available-for-sale financial assets	22	18
	182	132
<b>Recognised directly in equity</b>		
Net change in fair value of available-for-sale financial assets	8	2
Fair value of cash flow hedges transferred to profit or loss	—	5
Foreign currency translation differences in respect of foreign operations	133	71
	141	78
<b>Recognised in:</b>		
Fair value reserve	8	1
Hedging reserve	—	3
Translation reserve	106	56
Minority interest	27	18
	141	78

## Notes to the group financial statements for the year ended 29 February 2008

continued

		GROUP	
		2008 R millions	2007 R millions
<b>23. FINANCIAL EXPENSE</b>			
	<b>Recognised in profit or loss</b>		
	Interest expense on financial liabilities measured at amortised cost	89	56
		89	56
	<b>Recognised directly in equity</b>		
	Fair value of cash flow hedges transferred to profit or loss	1	—
	Recognised in hedging reserve	1	—
<b>24. SHARE OF PROFITS FROM ASSOCIATES</b>			
	Attributable earnings	4	4
<b>25. TAXATION</b>			
<b>25.1 Taxation charge</b>			
	Current tax		
	– current year	591	497
	Deferred tax		
	– current year	(25)	(73)
	– change in rate of taxation	4	—
	Adjustment to prior years		
	– current tax	—	(4)
	– deferred tax	(4)	12
		566	432
	Secondary tax on companies		
	– current tax	54	58
	– deferred tax	5	(9)
		625	481
<b>25.2 Reconciliation of rate of taxation</b>		%	%
	South African normal tax rate	29.0	29.0
	Adjusted for:		
	Disallowable expenditure	1.0	0.8
	Goodwill impaired and adjusted	1.4	1.3
	Non-taxable income	(2.1)	(3.0)
	Utilisation of previously unrecognised tax losses	—	(1.0)
	Income from associates	(0.1)	(0.1)
	Change in rate of taxation	0.2	—
	Prior year adjustments	(0.2)	0.5
		0.2	(1.5)
	Secondary tax on companies	3.0	3.1
	Net increase	3.2	1.6
	Effective tax rate	32.2	30.6

## Notes to the group financial statements for the year ended 29 February 2008

continued

	GROUP			
	2008 Gross R millions	2008 Net of tax and minorities R millions	2007 Gross R millions	2007 Net of tax and minorities R millions
<b>26. EARNINGS PER SHARE</b>				
<b>26.1 Reconciliation between earnings and headline earnings</b>				
Earnings attributable to Altron equity holders		1 019		805
Adjustments for:				
Impairment of goodwill	86	50	50	29
Goodwill adjustment on utilisation of at acquisition tax losses	(2)	(2)	19	11
Deferred tax assets reversed on at acquisition tax losses	—	2	—	(9)
Foreign currency translation reserve released on disposal	7	4	—	—
Net loss/(gain) on disposal of businesses	1	1	(8)	(10)
Net gain on disposal of property, plant and equipment	(2)	(2)	(1)	(1)
Net gain on disposal of property, plant and equipment and intangibles to the joint venture	—	—	(32)	(36)
Impairment of property, plant and equipment	—	—	5	2
Fair value adjustment of assets held-for-sale	—	—	6	3
Profit on disposal of investments	—	—	(1)	(1)
Headline earnings		1 072		793
<b>Headline earnings per share (cents)</b>		<b>375</b>		<b>283*</b>

\*The determination of headline earnings for the year ended 28 February 2007 has been restated following the issue of Circular 08/2007 on Headline Earnings. The income statement impact of the deferred taxation assets subsequently raised on tax losses not previously recognised in business combinations has now been excluded from headline earnings in accordance with the new circular.

	GROUP	
	2008 Number of shares	2007 Number of shares
<b>26.2 Reconciliation of weighted average number of shares</b>		
Issued shares at the beginning of the year (ordinary and participating preference shares)	310 828 840	309 496 617
Effect of own shares held at the beginning of the year	(30 945 344)	(27 556 961)
Effect of shares issued in March	—	1 403
Effect of shares issued in June	393 923	24 058
Effect of shares issued/own shares acquired in August	209 830	(522 236)
Effect of shares issued/own shares acquired in November	—	(861 131)
Effect of shares issued/own shares acquired in December	143 083	(105 569)
Effect of shares issued/own shares acquired in January	5 017 283	(77 674)
Effect of shares issued/own shares acquired in February	12 422	(40 313)
Weighted average number of shares	285 660 037	280 358 194

## Notes to the group financial statements for the year ended 29 February 2008

continued

	GROUP	
	2008 Number of shares	2007 Number of shares
<b>26. EARNINGS PER SHARE</b> (continued)		
<b>26.3 Reconciliation between number of shares used for earnings per share and diluted earnings per share</b>		
Weighted average number of shares	285 660 037	280 358 194
Dilutive options	3 153 490	6 264 393
Weighted average number of shares (diluted)	288 813 527	286 622 587
<b>26.4 Reconciliation between earnings attributable to Altron equity holders and fully diluted earnings</b>	R millions	R millions
Earnings attributable to Altron equity holders	1 019	805
Additional earnings attributable to BBBEE minorities in subsidiaries	(118)	(87)
Additional earnings attributable to dilutive options at subsidiary level	(14)	(21)
Minority interest in adjustments	7	20
Fully diluted earnings	894	717

	GROUP			
	2008		2007	
	Gross R millions	Net of tax and minorities R millions	Gross R millions	Net of tax and minorities R millions
<b>26.5 Reconciliation between headline earnings attributable to Altron equity holders and fully diluted headline earnings</b>				
Headline earnings		1 072		793
Additional earnings attributable to BBBEE minorities in subsidiaries	(118)	(116)	(82)	(69)
Additional earnings attributable to dilutive options at subsidiary level	(17)	(11)	(26)	(15)
Fully diluted headline earnings		945		709
Diluted headline earnings per share (cents)		327		247
<b>26.6 Reconciliation between headline earnings and adjusted headline earnings</b>				
Adjusted headline earnings have been presented to demonstrate the impact of some once-off events and accounting charges on the headline earnings of the group. Headline earnings are reconciled to adjusted headline earnings as follows:				
Headline earnings		1 072		793
Amortisation of intangibles	40	22	19	8
Expenses associated with proposed purchase of minorities in subsidiaries	13	9	—	—
IFRS 2 charge on BBBEE transactions	3	3	—	—
Fully diluted headline earnings		1 106		801
<b>Adjusted headline earnings per share (cents)</b>		387		286

## Notes to the group financial statements for the year ended 29 February 2008

continued

### 26. EARNINGS PER SHARE (continued)

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 shares is adjusted to assume conversion of all outstanding share options under the employee share option schemes, net of proceeds received on those options.

Fully diluted earnings and diluted headline earnings have been calculated in accordance with IAS 33 – Earnings per share 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 Technology Group SA level.
- The recognition of the deferred sale of a 30% interest in Aberdare Cables to the Izingwe Consortium based on the assumption that the purchase price will be settled in cash of R160 million (comprising the empowerment funding obligation net of excess cash deposits of R12 million), adjusted for the dilutive effect of the option price at the Aberdare level and after taking into account the 10% investment in the Izingwe Consortium by Power Technologies (Pty) Limited.
- The earnings effect of dilutive options at Allied Technologies Limited level.

	GROUP	
	2008 R millions	2007 R millions
<b>27. DIVIDENDS PROPOSED</b>		
Ordinary dividend number 60 of 156 cents (2007: 118 cents per share)	160	111
Preference dividend number 14 of 156 cents (2007: 118 cents per share)	327	220
	<b>487</b>	<b>331</b>
<b>28. COMMITMENTS AND CONTINGENT LIABILITIES</b>		
<b>COMMITMENTS</b>		
<b>28.1 Capital expenditure</b>		
Contracts for capital expenditure not provided for in the financial statements	64	18
Capital expenditure authorised but not contracted for	47	43
	<b>111</b>	<b>61</b>
This expenditure will be incurred in the ensuing year and will be financed from existing cash resources. Group companies have entered into contracts for certain business combinations that were effective after year end (refer to note 29).		
<b>28.2 Amounts outstanding under operating lease agreements</b>		
At the balance sheet date the group had outstanding commitments under non-cancellable operating leases, which fall due as follows:		
<b>Within one year</b>		
Property	117	96
Plant, equipment and vehicles	54	35
	<b>171</b>	<b>131</b>
<b>One to five years</b>		
Property	324	286
Plant, equipment and vehicles	26	22
	<b>350</b>	<b>308</b>
<b>Thereafter</b>		
Property	104	151
	<b>625</b>	<b>590</b>
<b>CONTINGENT LIABILITIES</b>		
Surety provided in respect of the liability of a Bytes Document Solutions dealer for its debt to a financing house	—	6

## Notes to the group financial statements for the year ended 29 February 2008

continued

### 29. POST-BALANCE SHEET EVENTS

#### Acquisition of 51% controlling interest in certain East African companies

With effect from 1 March 2008 Altech acquired a 51% controlling interest in the following entities that are involved in the provision of broadband and related services in Kenya, Uganda and Tanzania:

- Kenya Data Networks Limited, a full service data communications carrier, for US\$68 million.
- Swift Global (Kenya) Limited, an internet service provider in Kenya that utilises gateway and network capacity provided by Kenya Data Networks, for US\$5 million.
- Infocom Limited, a provider of internet and IT services in Uganda, for US\$2 million.

Of the total purchase price of US\$75 million, an amount of US\$10 million is held in escrow as a deferred purchase consideration, dependent on the achievement of a combined profit after tax of at least US\$11.7 million for the year ending 31 December 2008. This amount will be reduced proportionately to any shortfall on the warranted profit after tax.

Following the transaction, the shareholders injected a further US\$20 million into the three companies in proportion to their shareholdings. As a result, Altech has injected a further US\$10.2 million to fund expansion of the businesses.

The acquirees' combined balance sheet at the date of acquisition is as follows:

	Carrying amount R millions
Non-current assets	261
Current assets	119
Non-current liabilities	—
Current liabilities	(124)
<b>Net identifiable assets and liabilities</b>	<b>256</b>

#### Acquisition of the 50% of ABB Powertech Transformers not already owned by Powertech

With effect from 1 April 2008, Powertech acquired the remaining 50% of ABB Powertech Transformers (Pty) Limited that it did not already own for R320 million.

ABB Powertech Transformers manufactures distribution transformers, which it supplies primarily to Eskom and the municipalities.

Analysis of the balance sheet amounts acquired is as follows:

	Carrying amount R millions
Non-current assets	42
Current assets	190
Non-current liabilities	(1)
Current liabilities	(90)
<b>Net identifiable assets and liabilities</b>	<b>141</b>

The purchase price allocations for each of these acquisitions will be performed during the 2009 financial year, which will identify the fair value of all assets and liabilities and any recognisable intangible assets with the balance being recorded as goodwill.

### 30. FINANCIAL RISK MANAGEMENT

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

This note presents information about the group's exposure to each of the above risks, the group's objectives, policies and processes for measuring and managing risk, and the group's management of capital. Further quantitative disclosures are included throughout these consolidated financial statements.

The board of directors has overall responsibility for the establishment and oversight of the group's risk management framework. The board has established the risk management committee, which is responsible for developing and monitoring the group's risk management policies. The committee reports regularly to the board of directors on its activities.

## Notes to the group financial statements for the year ended 29 February 2008

*continued***30. FINANCIAL RISK MANAGEMENT** *(continued)*

The group's risk management policies are established to identify and analyse the risks faced by the group, to set appropriate risk limits and controls, and to monitor risks and adherence to limits. Risk management policies and systems are reviewed regularly to reflect changes in market conditions and the group's activities.

**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 entities' functional currency in respect of purchases, sales and borrowings. The currencies giving rise to currency risk in which the group primarily deals are British pounds (GBP), US dollars (USD) and euros. The group entities hedge payables, receivables and borrowings denominated in foreign currencies.

The settlement of these transactions takes place within a normal business cycle. The group has clearly defined policies for the management of foreign currency risks. Transactions which create foreign currency cash flows are hedged with forward exchange contracts. No uncovered foreign exchange commitments exist at balance sheet date. Speculative use of financial instruments or derivatives is not permitted and no such use occurred during any of the periods presented.

The group's exposure to foreign currency risk was as follows:

	29 February 2008 Foreign amount			28 February 2007 Foreign amount		
	GBP Millions	Euro Millions	USD Millions	GBP Millions	Euro Millions	USD Millions
Other investments	—	2	1	—	—	—
Trade and other receivables	—	7	12	2	2	7
Cash and cash equivalents	—	2	5	—	1	4
Trade and other payables	(10)	(47)	(23)	(9)	(16)	(17)
Gross balance sheet exposure	(10)	(36)	(5)	(7)	(13)	(6)
Forward exchange contracts	10	38	15	8	14	11
Net exposure	—	2	10	1	1	5

  

The following significant exchange rates were used for the conversion of foreign operations and transactional balances:	2008		2007	
	Average rate	Closing rate	Average rate	Closing rate
British pound	14.21	15.58	13.09	14.26
Euro	9.94	11.78	8.88	9.58
US dollar	7.10	7.84	6.97	7.26

**Sensitivity analysis**

A 1% strengthening/weakening in the rand against the net exposure to the following currencies at 29 February 2008 would have increased/(decreased) profit or loss by the amounts shown below. This analysis assumes that all other variables, in particular interest rates, remain constant. The analysis is performed on the same basis for 2007.

The exposure to other currencies is not material to the business and consequently is not elaborated on any further.

	Profit or loss strengthening Millions	Profit or loss weakening Millions
<b>29 February 2008</b>		
British pound	—	—
Euro	(0.2)	0.2
US dollar	(0.8)	0.8
<b>28 February 2007</b>		
British pound	(0.1)	0.1
Euro	(0.1)	0.1
US dollar	(0.4)	0.4

## Notes to the group financial statements for the year ended 29 February 2008

continued

### 30. FINANCIAL RISK MANAGEMENT (continued)

#### 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)

	2008		2007	
	Foreign amount Millions	Rand amount Millions	Foreign amount Millions	Rand amount Millions
British pounds	10.4	148.6	8.3	117.1
US dollars	38.4	289.1	13.5	98.0
Euros	14.5	151.8	11.2	107.1
Swedish krona	24.8	28.5	9.4	9.9
New Zealand dollars	—	—	—	0.2
Swiss francs	1.8	11.8	0.3	2.1
Japanese yen	5.1	0.4	2.0	0.1
		630.2		334.5
Comprising foreign exchange contracts:				
– to pay		958.3		762.1
– to receive		(328.1)		(427.6)
		630.2		334.5
Value of contracts at mark-to-market		668.4		336.5
Derivative asset at fair value (refer to note 7)		48		6
Derivative liability at fair value (refer to note 16)		(10)		(4)
<b>Contracts in respect of forecast transactions</b>				
The group has entered into certain forward exchange contracts, included above, which do not relate to specific items appearing on the balance sheet, but were entered into to cover foreign commitments not yet due. The contracts will be utilised for purposes of inventory procurement during the following year.				
– to pay		110		68
– to receive		—		—
		110		68

#### 30.3 Commodity contracts

Commodity forward contracts are entered into to hedge the variability in the price of forecast raw material purchases including copper, aluminium and lead.

#### 30.4 Interest rate risk

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

The group has no fixed rate financial assets or liabilities except for the empowerment funding obligation (refer to note 14).

## Notes to the group financial statements for the year ended 29 February 2008

*continued*

### 30. FINANCIAL RISK MANAGEMENT *(continued)*

#### 30.5 Credit risk

Credit risk is the risk of financial loss to the group if a customer or counterparty to a financial instrument fails to meet its contractual obligations, and arises principally from the group's trade receivables, rental finance advances, commodity and foreign exchange forward contracts and cash and cash equivalents.

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 group has no significant concentration of credit risk, with exposure spread over a large number of customers.

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

The group establishes an allowance for impairment that represents its estimate of incurred losses in respect of trade and other receivables. The main components of this allowance are a specific loss component that relates to individually significant exposures, and a collective loss component established for groups of similar assets in respect of losses that have been incurred but not yet identified, based on the historical trends, adjusted for current economic conditions.

#### Cash and cash equivalents

The group limits its exposure to credit risk by only investing in liquid investments and only with counterparties that have a credit rating of at least A1 from Standard and Poor's. Given these high credit ratings, management does not expect any counterparty to fail to meet its obligations.

Deposits and cash balances are all maintained at reputable financial institutions. Cash management is performed by a central corporate treasury.

#### Guarantees

The group's policy is to provide financial guarantees only to wholly owned subsidiaries. At 29 February 2008 no third-party guarantees were outstanding (2007: none).

#### 30.6 Liquidity risk

Liquidity risk is the risk that the group will not be able to meet its financial obligations as they fall due.

The group's approach to managing liquidity risk is to ensure that sufficient liquidity is available to meet its liabilities when due.

The group ensures it has sufficient cash on demand or access to facilities to meet expected operational expenses for the next 12 months, including the servicing of financial obligations; this excludes the potential impact of extreme circumstances that cannot reasonably be predicted, such as natural disasters. The group maintains the following lines of credit:

– R2 418 million of borrowing facilities that are unsecured. Interest payable is linked to the prime interest rate.

#### 30.7 Fair values

##### Fair values versus carrying amounts

The fair values of financial assets and liabilities, together with the carrying amounts shown in the balance sheet are as follows:

	29 February 2008		28 February 2007	
	Carrying amount R millions	Fair value R millions	Carrying amount R millions	Fair value R millions
Non-current loans receivable at amortised cost	219	219	179	179
Non-current available-for-sale investments at fair value	75	75	60	60
Rental finance advances	86	86	77	77
Trade and other receivables	3 317	3 317	2 483	2 483
Assets classified as held-for-sale	—	—	15	15
Derivative assets at fair value: used for hedging	54	54	11	11
Cash and cash equivalents	2 116	2 116	1 613	1 613
Loans	(997)	(997)	(214)	(214)
Empowerment funding obligation	(172)	(157)	(172)	(157)
Bank overdraft	(33)	(33)	(24)	(24)
Trade and other payables	(3 868)	(3 868)	(2 913)	(2 913)
Derivative liability at fair value: used for hedging	(35)	(35)	(27)	(27)
Liabilities classified as held-for-sale	—	—	(15)	(15)
	762	777	1 073	1 088

## Notes to the group financial statements for the year ended 29 February 2008

*continued*

### 30. FINANCIAL RISK MANAGEMENT (continued)

#### 30.7 Fair values (continued)

The following methods and assumptions were used to estimate the fair value of each class of financial instruments for which it is practicable to estimate that value:

##### Cash and short-term investments

The carrying amount approximates fair value because of the short maturity of those instruments.

##### Investment securities and trading account assets

The fair values of some investments are estimated based on quoted market prices for those or similar investments. Unlisted equity investments are fair valued based on directors' valuations using the discounted cash flow method.

##### Loan receivables/payables

Interest-bearing borrowings and receivables are generally at interest rates in line with those currently available in the market on a floating rate basis, and therefore the fair value of these financial assets and liabilities closely approximates their carrying values. Fixed interest rate instruments are fair valued based on the present value of future principal and interest cash flows, discounted at the market rate of interest at the reporting date.

##### Foreign exchange contracts

The fair value of foreign exchange contracts (used for hedging purposes) 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 rate used for determining fair value

The interest rates used to discount estimated cash flows, where applicable, are based on the government yield curve at the reporting date plus an adequate constant credit spread, and were as follows:

	2008	2007
Loans and borrowings	13%	11%

#### 30.8 Capital management

The board's policy is to maintain a strong capital base so as to maintain investor, creditor and market confidence and to sustain the future development of the business. The board of directors monitors both the demographic spread of shareholders and the return on capital, capital being defined as total shareholders' equity, excluding minority interests. The board of directors monitors and approves the level of dividends to shareholders.

The board seeks to maintain a balance between the higher returns that might be possible with higher levels of borrowings and the advantages and security afforded by a sound capital position. The board has a policy in place that the group's net debt (borrowings less cash and cash equivalents) does not exceed 25% of total equity. The group's target is to achieve a return on shareholders' equity of between 20% and 25%. The return in 2008 was 24.7% (2007: 23.0%).

Altron's share capital consists of 105.7 million ordinary shares and 237.5 million participating preference shares. Management does not make any distinction between the two types of equity in managing the capital of the company.

During the year ended 29 February 2008, Altron acquired the balance of the Bytes shares it did not already own in exchange for 8.5 million ordinary shares and 22.1 million participating preference shares, thereby increasing the share capital and premium of the group by R1.4 billion. However, the transaction only increased the capital base of the company by some R328 million as the excess of the consideration over the net asset value acquired was taken as a debit to equity in accordance with the group's accounting policy.

The group utilises share options in the form of conditional rights as a long term retention mechanism for senior executives and other key employees. The conditional rights are linked to the headline earnings performance of the group so that the interests of existing shareholders and management are aligned. The award of conditional rights is in accordance with a matrix and is approved by the board's remuneration committee.

## Notes to the group financial statements for the year ended 29 February 2008

*continued*

### 30. FINANCIAL RISK MANAGEMENT *(continued)*

#### 30.8 Capital management *(continued)*

The group does not have a defined share buy-back plan, but does from time to time purchase its shares on the market; the timing of these purchases depends on market prices. Shares acquired are either held as treasury shares or would be cancelled on repurchase. The group currently holds approximately 31 million treasury shares (see note 10) and there are restrictions on the rights of these shares under the JSE Listings Requirements. The group has a general authority in place to acquire up to 20% of the company's issued share capital in any one financial year, which expires at the next annual general meeting, but adheres to a 10% limit on its holding of treasury shares.

Altron's capital management is partially restricted by covenants given to lenders in respect of some borrowing obligations. In respect of borrowings totalling R710 million, the group's net debt to EBITDA ratio is limited to two times, while tangible net asset value cannot reduce below R2 billion. In the event that these parameters were exceeded the lenders would be able to require immediate repayment.

There were no changes in the group's approach to capital management during the year.

Refer to note 10 for a quantitative summary of authorised and issued capital.

### 31. RELATED-PARTY TRANSACTIONS

The group has a related-party relationship with its subsidiaries (see note 3 of the company's financial statements on page 187), associates and joint ventures (see Annexure 1) and with its directors (see page 108) and key management personnel (refer below).

	2008 R millions	2007 R millions
<b>31.1 Associates and joint ventures</b>		
Sale of goods and services to joint ventures	36	33
Services received from associates	20	20
Interest earned from joint ventures	1	—
Management fees earned from joint ventures	2	—
<b>31.2 Directors</b>		
Details relating to directors' emoluments and shareholdings in the company are disclosed in the remuneration report on page 112 and in the directors' report on page 118.		
<b>31.3 Key management personnel</b>		
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	51	48
Post-employment benefits	3	3
Equity compensation benefits	9	6
	<b>63</b>	<b>57</b>

#### 31.4 Shareholders

The principal shareholders of the company are detailed in the analyses of shareholders on pages 90 to 93 of the annual report. Directors' shareholdings are detailed in the directors' report on page 118.

## Notes to the group financial statements for the year ended 29 February 2008

*continued*

### 32. JUDGEMENTS MADE BY MANAGEMENT

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

#### ▶ Deferred tax assets

Deferred tax assets have been raised at year end on income tax losses and temporary differences in certain subsidiaries based on current profit forecasts for the businesses.

#### ▶ Asset lives and residual values

The useful lives and residual values of property, plant, equipment and intangible assets are reassessed annually based on current utilisation, prospects and market conditions.

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.

#### ▶ 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 the 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 available-for-sale

The investments in FR1 and TAR (refer to 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 30.7 a detailed analysis is given of the fair value methodologies applied.

### 33. 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 29 February 2008 and have not been applied in preparing these financial statements.

#### IFRS 2 amendment – Share-based Payments – Vesting Conditions and Cancellations

The amendments to the standard are effective for the group for the year ending 28 February 2010. The amendments to IFRS 2 clarify that vesting conditions are service conditions and performance conditions only. Other features of a share-based payment agreement should be treated as non-vesting conditions and should be included in the grant date fair value of the share-based payment. It also specifies that cancellations by parties other than the entity should be accounted for in the same way as cancellations by the entity. This amendment is not expected to impact the group's results significantly.

#### IFRS 3 – Business Combinations

The amendments to the standard are effective for the group for the year ending 28 February 2011.

The principal amendments to IFRS 3 include:

- the requirement to expense all acquisition-related costs;
- recognition of fair value gains and losses in the income statement on interests in an acquiree at the time at which control is lost;
- recognition of all increases and decreases in ownership interests over an acquiree within equity while control is held;
- the option to recognise any non-controlling interest in the acquiree either at fair value or at the non-controlling interest's proportionate share of the net identifiable assets of the entity acquired;
- restriction of adjustments to the initial measurement of contingent considerations on a business combination, with subsequent measurement of such items being recognised in the income statement; and
- the requirement at acquisition to reclassify and redesignate all contractual arrangements, excluding leases and insurance contracts.

The amendments are expected to affect the group's accounting for business combinations that arise after the date on which the amendments are adopted.

The effect on the financial statements will be a function of the number and value of any business combinations transacted after the effective date.

#### 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.

## Notes to the group financial statements for the year ended 29 February 2008

*continued*

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

#### IFRS 8 – Operating Segments *(continued)*

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 relating to revenues, 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.

#### IAS 1 – Presentation of Financial Statements

The revised IAS 1 supersedes the 2003 version of IAS 1 and is effective for the group for the year ending 28 February 2010. The main change in the revised IAS 1 is the requirement to present all non-owner changes in equity in either:

- a single statement of comprehensive income which includes income statement line items; or
- a statement of comprehensive income which includes only non-owner equity changes. In addition, an income statement is also disclosed.

A statement of financial position, preferred term for "balance sheet", also has to be presented at the beginning of the comparative period when the entity restates the comparatives as a result of a change in accounting policy, the correction of an error, or the reclassification of items in the financial statements. The revised IAS 1 will not impact the results of the group but will impact the format of the income statement and statement of changes in equity.

#### 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 on the group's results.

#### IAS 27 – Consolidated and Separate Financial Statements

The amendments to the standard are effective for the group for the year ending 28 February 2011.

The amendments to IAS 27 require changes in a parent's ownership interest in a subsidiary that does not result in a loss of control to be accounted for within equity as transactions with owners in their capacity as owners. At the time at which control is lost, a parent shall derecognise all assets, liabilities and non-controlling interest at their carrying amounts. Any retained interest in the former subsidiary is recognised at its fair value at the date control is lost. A gain or loss on the loss of control is recognised in profit or loss. The revised standard also requires an entity to attribute its share of total comprehensive income to the non-controlling interest even if this results in the non-controlling interest having a deficit balance.

The effect on the financial statements will be a function of the number and value of transactions that result in the loss of control over subsidiaries after the implementation of the new standard.

#### IAS 32 and IAS 1 amendments – Financial Instruments: Preparation and IAS 1 Presentation of Financial Statements – Puttable Financial Instruments and Obligations Arising on Liquidation

The amendments to the standards are effective for the group for the year ending 28 February 2010.

The amendment to IAS 32 requires the classification of certain puttable financial instruments and financial instruments that impose on the issuer an obligation to deliver a *pro rata* share of the entity only on liquidation as equity. The amendment sets out specific criteria that are to be met to present the instruments as equity together with related disclosure requirements. This amendment is not expected to have a significant impact on the group's results.

#### IFRIC 12 – Service Concession Arrangements

The interpretation is effective for the year ending 28 February 2009.

Service concessions are contractual service arrangements whereby a government or other public sector entity grants contracts for the supply of public services such as roads, airports, prison, energy and water supply distribution facilities to private sector operators. This interpretation provides guidance on how service concession operators should apply existing IFRS to account for the obligations they undertake and the rights they receive in service concession arrangements. This standard is not applicable to the business of the group.

#### IFRIC 13 – Customer Loyalty Programmes

This interpretation is effective for the group for the year ending 28 February 2010.

The interpretation addresses the recognition and measurement of obligations to provide customers with free or discounted goods or services if and when they choose to redeem their loyalty award credits. The interpretation requires entities to allocate some of the proceeds of the initial sale to the award credits and recognise these proceeds as revenue only when the obligations have been fulfilled. They may fulfil their obligations by supplying awards themselves, or engaging and paying a third party to do so. This interpretation is not expected to impact the group's results significantly.

#### IFRIC 14 – IAS 19 – The Limit on a Defined Benefit Asset, Minimum Funding Requirements and their Interaction

This interpretation is effective for the group for the year ending 28 February 2009.

IFRIC 14 provides a clearer interpretation of the amount of a pension fund surplus that can be recognised as an asset. The availability of a refund of surplus or a reduction in future contributions (economic benefits) is determined based on the terms and conditions of the plan and any relevant statutory requirements.

Any changes in the defined benefit asset will be recognised immediately in profit or loss. The impact of this interpretation has not yet been assessed.

## Notes to the group financial statements for the year ended 29 February 2008

continued

	GROUP	
	2008 R millions	2007 R millions
<b>34. CASH GENERATED BY OPERATIONS</b>		
Operating profit before capital items	1 937	1 528
Adjustments for:		
Depreciation and amortisation	272	235
Proceeds on closure of operations	—	10
Movement in provisions and other non-cash movements	15	24
Cash generated before movements in working capital	2 224	1 797
Increase in inventories	(38)	(686)
Increase in trade and other receivables	(736)	(442)
Increase in trade and other payables	770	130
	2 220	799
<b>35. DIVIDENDS RECEIVED FROM ASSOCIATES AND OTHER INVESTMENTS</b>		
Dividends receivable at the beginning of the year	19	56
Attributable income per the income statement	22	18
Dividends receivable at the end of the year	(13)	(19)
	28	55
<b>36. TAXATION PAID</b>		
Amounts unpaid at the beginning of the year	(205)	(187)
Amounts charged to the income statement	(645)	(551)
Translation differences	2	2
Amounts acquired in business combinations	(29)	—
Amounts unpaid at the end of the year	340	205
	(537)	(531)
<b>37. ACQUISITION OF SUBSIDIARIES AND JOINT VENTURE</b>		
Property, plant and equipment	(74)	(63)
Intangibles – fair value adjustment	(201)	(35)
Inventories	(59)	(13)
Trade and other receivables	(127)	(40)
Trade and other payables	167	41
Deferred tax	61	20
Net loans	82	—
Net cash	(12)	2
Taxation	29	—
Goodwill arising on acquisition	(506)	(86)
	(640)	(174)
Costs	—	(1)
Less: Deferred purchase consideration	9	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
Cash paid	(631)	(84)
Less: Cash acquired	12	(2)
	(619)	(86)

Refer to note 18 for details of acquisitions.

## Notes to the group financial statements for the year ended 29 February 2008

*continued*

	2008 R millions	2007 R millions
<b>38. PROCEEDS ON DISPOSAL OF SUBSIDIARY</b>		
Assets classified as held-for-sale	19	—
Liabilities classified as held-for-sale	(15)	—
	4	—
Loss on disposal	—	—
Proceeds on disposal	4	—
<b>39. PROCEEDS ON DISPOSAL OF PROPERTY, PLANT AND EQUIPMENT</b>		
Carrying amount	25	48
Less: Assets disposed of to joint venture	—	(22)
	25	26
Surplus on disposal	2	1
Proceeds on disposal	27	27
<b>40. OTHER INVESTING ACTIVITIES</b>		
Acquisition of additional shares in existing subsidiaries	(411)	(53)
Net increase of loans to associates and other investments	(52)	(56)
Increase in investment in associates	(1)	(1)
Acquisition of treasury shares in Altron	—	(77)
	(464)	(187)
<b>41. SUBSIDIARIES' EQUITY CONTRIBUTIONS FROM MINORITIES</b>		
Proceeds on shares issued in subsidiaries	—	14
Capital introduced by minorities	—	7
	—	21

## Annexure 1

### Associates, other investments and joint ventures

	Altron controlled interest	
	2008 %	2007 %
<b>ASSOCIATE COMPANIES</b>		
– Unlisted		
Aeromaritime International Management Services (Pty) Limited	50.0	50.0
Bytes Healthcare Solutions international operations	50.0	—
Namibian Cables (Pty) Limited	27.1	—
Alcon Marepha (Pty) Limited	49.9	49.9

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	10.0
Izingwe Aberdare Cables Investments (Pty) Limited – cash on deposit		
<b>Total</b>		

Fair value of FR1 and TAR is determined using the discounted cash flow method over a five to seven year period using discount rates of 13.0% to 20.0% (2007: 9.4% to 15.4%). The directors' valuation is equal to the fair value.

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

The FRI and TAR loans are repayable when cash is available in accordance with a prescribed priority of payments.

Cash on deposit held by Izingwe Aberdare Cables Investments (Pty) Limited can only be accessed for scheduled repayments of the empowerment funding obligation (refer to note 14).

#### Exposure to credit risk

The maximum exposure to credit risk for loans receivable at the balance sheet date was R223 million (2007: R183 million).

TAR and FR1 are exposed to the risk of customers defaulting on their lease rental payments.

All customers are credit vetted, credit is only extended to customers in accordance with the stipulations of the securitisation vehicle, and is effectively secured by the underlying assets.

Bad debt experience is in line with expectations given the nature of the book.

#### Exposure to interest rate risk

The TAR participation loan notes earn a minimum interest rate of JIBAR plus 2.5% and a maximum interest rate of prime plus 6%.

The FR1 participation loan earns interest at 15% with a variable return up to a maximum of 20%.

	2008 %	2007 %
<b>JOINT VENTURES</b>		
ABB Powertech Transformers	50.0	50.0
Tridonic.Atco SA	50.0	50.0
CBI electric Aberdare ATC Telecom Cables	50.0	50.0

Investment at cost less amounts written off		Attributable share of retained income		Indebtedness		Total investment	
2008	2007	2008	2007	2008	2007	2008	2007
R millions	R millions	R millions	R millions	R millions	R millions	R millions	R millions
—	—	6	5	—	—	6	5
1	—	—	—	—	—	1	—
—	—	—	—	3	—	3	—
1	1	8	5	1	4	10	10
2	1	14	10	4	4	20	15
						23	25

Investments at fair value		Preference dividend receivable		Indebtedness		Total investment	
24	18	12	18	27	27	63	63
25	22	1	1	192	152	218	175
1	1	—	—	—	—	1	1
12	—	—	—	—	—	12	—
62	41	13	19	219	179	294	239
						294	239

## Annexure 1 *continued*

Information in respect of interest in joint ventures, associates, FR1 and TAR

	Joint ventures		Associates		FR1 and TAR	
	2008 R millions	2007 R millions	2008 R millions	2007 R millions	2008 R millions	2007 R millions
<b>ABRIDGED BALANCE SHEETS</b>						
Non-current assets	375	366	14	10	719	650
Current assets (excluding cash)	908	637	44	27	67	23
Cash and cash equivalents	326	65	17	17	76	134
Current liabilities	(768)	(408)	(41)	(29)	(53)	(37)
Non-current liabilities	(63)	(50)	(4)	(4)	(799)	(751)
Equity	778	610	30	21	10	19
<b>ABRIDGED INCOME STATEMENTS</b>						
Revenue	2 274	1 165	110	94	134	234
Expenditure	(2 033)	(1 007)	(96)	(83)	(102)	(208)
Profit before tax	241	158	14	11	32	26
Taxation	(73)	(45)	(4)	(4)	(11)	(13)
Profit for the year	168	113	10	7	21	13

## 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.

### **Bytes Healthcare Solutions international operations**

Provides healthcare IT and eCommerce solutions in Saudi Arabia and Namibia.

### **Namibian Cables**

Distributor of telecom accessories and medium voltage power cables.

### **Alcon Marepha (Pty) Limited**

Manufacturer of medium voltage power cable.

### **FR1 and TAR**

Securitisation vehicles used to house leases predominately 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 to note 12.2).

### **ABB Powertech Transformers**

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

### **Tridonic.Atco SA**

Distributor of lighting control gear. Tridonic.Atco 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

### Segment information – Income statement

	Consolidated	
	2008	2007
	R millions	R millions
<b>BUSINESS SEGMENTATION</b>		
<b>REVENUE</b>		
Goods sold	14 950	11 539
Services rendered	6 451	5 540
Rental finance income	30	47
Inter segment revenue	—	—
<b>Total segment revenue</b>	<b>21 431</b>	<b>17 126</b>
Expenditure	(19 222)	(15 363)
Depreciation and amortisation	(272)	(235)
<b>Segment operating profit/(loss)</b>	<b>1 937</b>	<b>1 528</b>
Financial income	182	132
Financial expense	(89)	(56)
Share of profit from associates	4	4
<b>Profit before taxation and capital items</b>	<b>2 034</b>	<b>1 608</b>
<b>GEOGRAPHIC SEGMENTATION</b>		
<b>Revenue by market</b>	<b>21 431</b>	<b>17 126</b>
South Africa	16 519	13 918
Rest of Africa	1 219	849
Europe	3 095	2 020
Rest of world	598	339
<b>Segment operating profit by location</b>	<b>1 937</b>	<b>1 528</b>
South Africa	1 602	1 371
Rest of Africa	135	54
Europe	185	94
Rest of world	15	9

#### 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.

#### Inter segment transfers

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

These transfers are eliminated on consolidation.

	Telecommunications		Multi-media and Electronics		Information Technology		Corporate and eliminations	
	2008 R millions	2007 R millions	2008 R millions	2007 R millions	2008 R millions	2007 R millions	2008 R millions	2007 R millions
	3 081	2 420	8 013	6 377	3 881	2 793	(25)	(51)
	4 351	3 545	80	80	2 020	1 915	—	—
	—	—	—	—	16	27	14	20
	30	7	65	77	—	6	(95)	(90)
	7 462	5 972	8 158	6 534	5 917	4 741	(106)	(121)
	(6 772)	(5 405)	(7 167)	(5 786)	(5 401)	(4 285)	118	113
	(49)	(28)	(104)	(97)	(98)	(106)	(21)	(4)
	641	539	887	651	418	350	(9)	(12)
	96	57	9	10	69	54	8	11
	(60)	(5)	(27)	(29)	(66)	(73)	64	51
	—	—	4	2	—	—	—	2
	677	591	873	634	421	331	63	52
	7 462	5 972	8 158	6 534	5 917	4 741	(106)	(121)
	6 685	5 297	6 271	5 394	3 669	3 348	(106)	(121)
	122	54	736	392	361	403	—	—
	597	564	640	469	1 858	987	—	—
	58	57	511	279	29	3	—	—
	641	539	887	651	418	350	(9)	(12)
	570	490	750	595	291	298	(9)	(12)
	8	7	59	30	68	17	—	—
	59	40	67	19	59	35	—	—
	4	2	11	7	—	—	—	—

## Annexure 2

### Segment information – Balance sheet

	Consolidated	
	2008	2007
	R millions	R millions
<b>BUSINESS SEGMENTATION</b>		
<b>ASSETS</b>		
Property, plant and equipment	1 264	954
Intangible assets	1 502	844
Associates and other investments	314	254
Rental finance advances	86	77
Inventories	2 130	2 013
Trade and other receivables	3 371	2 513
<b>Operating assets</b>	<b>8 667</b>	<b>6 655</b>
Deferred tax assets	196	182
Cash and cash equivalents	2 116	1 613
<b>Total assets per balance sheet</b>	<b>10 979</b>	<b>8 450</b>
<b>LIABILITIES</b>		
Trade and other payables	3 903	2 955
Provisions	105	104
<b>Non-interest-bearing liabilities</b>	<b>4 008</b>	<b>3 059</b>
Non-current loans	940	321
Current loans	229	65
Bank overdraft	33	24
Taxation payable	340	205
Deferred tax liabilities	83	30
<b>Total liabilities per balance sheet</b>	<b>5 633</b>	<b>3 704</b>
<b>GEOGRAPHIC SEGMENTATION</b>		
<b>Operating assets</b>	<b>8 667</b>	<b>6 655</b>
South Africa	7 341	5 880
Rest of Africa	235	167
Europe	1 066	597
Rest of world	25	11
<b>Non-interest-bearing liabilities</b>	<b>4 008</b>	<b>3 059</b>
South Africa	3 209	2 512
Rest of Africa	208	51
Europe	572	489
Rest of world	19	7
<b>Capital expenditure</b>	<b>479</b>	<b>240</b>
South Africa	431	213
Rest of Africa	29	20
Europe	17	7
Rest of world	2	—

#### 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	
	2008 R millions	2007 R millions	2008 R millions	2007 R millions	2008 R millions	2007 R millions	2008 R millions	2007 R millions
	277	193	632	445	297	274	58	42
	671	39	38	21	793	783	—	1
	—	—	14	11	221	115	79	128
	—	—	—	—	85	77	1	—
	296	192	1 501	1 565	333	258	—	(2)
	967	576	1 363	1 091	1 014	807	27	39
	2 211	1 000	3 548	3 133	2 743	2 314	165	208
	1 281	1 001	1 329	864	1 280	1 030	13	60
	1	9	72	61	22	29	10	5
	1 282	1 010	1 401	925	1 302	1 059	23	65
	2 211	1 000	3 548	3 133	2 743	2 314	165	208
	1 825	643	3 250	2 905	2 101	2 124	165	208
	—	—	8	—	227	167	—	—
	386	357	265	217	415	23	—	—
	—	—	25	11	—	—	—	—
	1 282	1 010	1 401	925	1 302	1 059	23	65
	1 119	793	1 164	857	903	797	23	65
	—	—	91	—	117	51	—	—
	163	217	127	61	282	211	—	—
	—	—	19	7	—	—	—	—
	44	48	317	92	112	91	6	9
	43	45	312	90	70	69	6	9
	—	—	—	—	29	20	—	—
	1	3	3	2	13	2	—	—
	—	—	2	—	—	—	—	—

## Balance sheet at 29 February 2008

		COMPANY	
	Notes	2008 R'000	2007 R'000
<b>ASSETS</b>			
<i>Non-current assets</i>			
		3 189 461	1 049 103
Property	2	—	50
Investment in subsidiaries	3	2 614 297	1 042 837
Amount receivable from subsidiary	3	550 000	—
Group share scheme recharge receivable	7	25 164	6 216
<i>Current assets</i>			
		229 116	389 077
Amounts receivable from subsidiaries	3	228 926	389 077
Cash at bank		190	—
<b>Total assets</b>			
		3 418 577	1 438 180
<b>EQUITY AND LIABILITIES</b>			
<i>Shareholders' equity</i>			
		2 849 366	1 437 542
<i>Non-current liabilities</i>			
Loans	4	550 000	—
<i>Current liabilities</i>			
		19 211	638
Accounts payable		2 926	615
Current portion of loans	4	16 132	—
Taxation payable		153	23
<b>Total equity and liabilities</b>			
		3 418 577	1 438 180

## Income statement for the year ended 29 February 2008

	Notes	COMPANY	
		2008 R'000	2007 R'000
<b>Operating expenditure</b>		(540)	(223)
Interest income on financial assets measured at amortised cost		34 119	—
Interest expense on financial liabilities measured at amortised cost		(31 371)	—
Dividends received from subsidiaries		383 265	290 993
Net gain on disposal of property		801	—
<b>Profit before taxation</b>		<b>386 274</b>	290 770
Taxation	6	(796)	—
<b>Profit for the year</b>		<b>385 478</b>	290 770

## Statement of changes in equity for the year ended 29 February 2008

R'000	Ordinary share capital (Note 5)	Preference share capital (Note 5)	Share premium (Note 5)	Share-based payment reserve	Retained earnings	Total equity
<b>Balance at 28 February 2006</b>	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
<b>Balance at 28 February 2007</b>	1 943	21	833 507	8 506	593 565	1 437 542
Profit for the year	—	—	—	—	385 478	385 478
Share-based payments	—	—	—	19 251	—	19 251
Dividends paid	—	—	—	—	(367 451)	(367 451)
Share issue	170	3	1 374 373	—	—	1 374 546
<b>Balance at 29 February 2008</b>	2 113	24	2 207 880	27 757	611 592	2 849 366

## Cash flow statement for the year ended 29 February 2008

	Notes	COMPANY	
		2008 R'000	2007 R'000
<b>Operating activities</b>		196 801	16 841
Cash utilised by operations		(540)	(223)
Interest received		16 646	—
Interest paid		(15 239)	—
Dividends received		383 265	290 993
Changes in working capital		2 311	119
Proceeds on disposal of property		851	—
Movement in loans with subsidiaries		177 624	(32 512)
Cash available from operating activities		564 918	258 377
Dividends paid	8	(367 451)	(241 536)
Taxation paid		(666)	—
<b>Investing activities</b>		(758 402)	(25 374)
Cash outflow on increase of investment in subsidiaries		(208 402)	(25 374)
Loan advanced to subsidiary		(550 000)	—
<b>Financing activities</b>		561 791	8 436
Proceeds on issue of shares		11 791	8 436
Loan raised		550 000	—
<b>Cash resources</b>			
Net cash generated/(utilised)		190	(97)
Cash and cash equivalents at the beginning of the year		—	97
Cash and cash equivalents at the end of the year		190	—

## Notes to the financial statements for the year ended 29 February 2008

## COMPANY

					2008 R'000	2007 R'000	
<b>1. ACCOUNTING POLICIES</b>							
	Please refer to the group accounting policies on pages 120 to 127.						
<b>2. PROPERTY</b>					—	50	
	The property was disposed of during the year and consisted of stand portions 331 and 51 of farm, Turffontein 961R.						
<b>3. INTEREST IN SUBSIDIARIES</b>							
	Issued capital R millions	Effective holding 2008 %	2007 %	Shares at cost less amounts written off 2008 R'000	2007 R'000	Indebtedness 2008 R'000	2007 R'000
Allied Technologies Limited	3	62	57	223 225	48 541	—	—
Bytes Technology Group Limited	737	100	58	2 016 863	620 390	—	—
Power Technologies (Pty) Limited	411	100	100	249 869	249 869	567 473	—
Altron Finance (Pty) Limited – ordinary shares	—	100	100	235	235	211 453	389 077
Altron Finance (Pty) Limited – preference shares	—	—	—	121 509	121 509	—	—
Investment in subsidiaries – share-based payments				2 593	2 290	—	—
Other	3	100	100	3	3	—	—
				2 614 297	1 042 837	778 926	389 077
Less: Current portion disclosed as current assets						228 926	389 077
Non-current loans						550 000	—

**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.

	2008 R'000	2007 R'000
<b>4. LOANS</b>		
Unsecured bank loans at amortised cost	566 132	—
Current portion reflected as current liabilities	(16 132)	—
Non-current loans	550 000	—
The loan bears interest at the rate of JIBAR + 0.95% payable quarterly in arrears and the capital amount is repayable on 2 September 2010.		
<b>5. SHARE CAPITAL AND PREMIUM</b>		
Please refer to the group note 10 on page 143.		
<b>6. TAXATION</b>		
Current tax	796	—
<b>Reconciliation of rate of taxation</b>		
	%	%
South African normal tax rate	29.0	29.0
Non-taxable income	(28.8)	(29.0)
Effective tax rate	0.2	—

## Notes to the financial statements for the year ended 29 February 2008 *continued*

	COMPANY	
	2008 R'000	2007 R'000
<b>6. TAXATION (continued)</b>		
Unutilised STC credits amounting to R22.2 million (2007: R79.2 million) have not been recognised as deferred tax assets at 10% 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.		
<b>7. GROUP SHARE-BASED PAYMENTS</b>		
Details of employee share options granted by the company are reflected in group notes 10.6 to 10.8 on pages 145 to 149. 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:		
Group share scheme recharge receivable at fair value	45 333	20 096
Deferred group share scheme recharge pending settlement	(20 169)	(13 880)
Cumulative equity-settled charge recognised by subsidiaries and receivable per balance sheet	25 164	6 216
The fair value of the recharge receivable under the conditional rights scheme is determined using the Black-Scholes model. The fair value of the receivable is remeasured at each balance sheet date and at settlement date. The model inputs were as follows:		
Share price (Rand)	36.00	42.00
Exercise price (Rand)	22.50 to 30.75	22.50 to 30.75
Terms (years)	0.95 to 3.73	3.5 to 5.2
Volatility	23.35% to 26.97%	20.54% to 23.50%
Dividend yield	3.28%	1.86%
Risk-free interest rate	9.6%	7.99%
<b>8. TAXATION PAID</b>		
Taxation payable at the beginning of the year	23	23
Charge per income statement	796	—
Taxation payable at the end of the year	(153)	(23)
	666	—
<b>9. RELATED PARTIES</b>		
The company has a related-party relationship with its subsidiaries (refer to note 3).		
<b>Dividends</b>		
The company received dividends from subsidiaries	383 265	290 993
<b>Interest</b>		
The company received interest from subsidiaries	34 119	—
<b>Shareholders</b>		
The principal shareholders of the company are detailed in the analyses of shareholders on pages 90 to 93 of the annual report.		
<b>Directors</b>		
The company has a related-party relationship with its directors (refer to note 20 of the group accounts). Directors' interests are disclosed in the directors' report.		
<b>10. FINANCIAL RISK MANAGEMENT</b>		
Financial risk management and related disclosures have been dealt with in the group financial statements.		