

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
1. PROPERTY, PLANT AND EQUIPMENT					
Cost					
Balance at 28 February 2006	218	1 565	287	575	2 645
Additions at cost	14	75	81	53	223
Arising on business combinations	3	—	7	—	10
Arising on acquisition of joint venture	32	25	1	—	58
Disposals	(9)	(148)	(54)	(65)	(276)
Transfer to assets held-for-sale	(1)	(4)	(1)	(1)	(7)
Transfer to intangible assets	—	—	—	(24)	(24)
Translation	64	38	42	(1)	143
Balance at 28 February 2007	321	1 551	363	537	2 772
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
Balance at 29 February 2008	427	1 890	389	596	3 302
Depreciation and impairment losses					
Balance at 28 February 2006	57	1 093	178	412	1 740
Depreciation for the year	12	77	52	75	216
Impairment losses	—	5	—	—	5
Arising on business combinations	1	—	4	—	5
Disposals	(1)	(135)	(35)	(57)	(228)
Transfer to assets held-for-sale	(1)	(3)	(1)	—	(5)
Transfer to intangible assets	—	—	—	(23)	(23)
Translation	33	77	(8)	6	108
Balance at 28 February 2007	101	1 114	190	413	1 818
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
Balance at 29 February 2008	125	1 235	233	445	2 038
Carrying amount at 28 February 2006	161	472	109	163	905
Carrying amount at 28 February 2007	220	437	173	124	954
Carrying amount at 29 February 2008	302	655	156	151	1 264

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

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	2008 R millions	2007 R millions
1. PROPERTY, PLANT AND EQUIPMENT (continued)		
Land and buildings		
Details of land and buildings are available, on request, for inspection at the registered office of the company.		
Encumbered assets		
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	—
	203	21
Assets under construction		
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
	206	66

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
2. INTANGIBLE ASSETS, INCLUDING GOODWILL						
Cost						
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
Balance at 28 February 2007	1 087	43	66	26	10	1 232
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
Balance at 29 February 2008	1 394	136	179	26	17	1 752

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
2. INTANGIBLE ASSETS, INCLUDING GOODWILL <i>(continued)</i>						
Amortisation and impairment losses						
Balance at 28 February 2006	281	9	3	4	2	299
Amortisation for the year	—	12	6	—	1	19
Impairment losses	50	—	—	—	—	50
Transfer from property, plant and equipment	—	—	23	—	—	23
Translation	—	—	(3)	—	—	(3)
Balance at 28 February 2007	331	21	29	4	3	388
Amortisation for the year	—	24	12	—	4	40
Impairment losses	86	—	—	—	—	86
Disposals	(267)	—	—	—	—	(267)
Translation	—	2	1	—	—	3
Balance at 29 February 2008	150	47	42	4	7	250
Carrying amount at 28 February 2006	727	17	5	20	4	773
Carrying amount at 28 February 2007	756	22	37	22	7	844
Carrying amount at 29 February 2008	1 244	89	137	22	10	1 502

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

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	2008 R millions	2007 R millions
2. INTANGIBLE ASSETS, INCLUDING GOODWILL <i>(continued)</i>		
Impairment tests for cash-generating units containing goodwill		
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
	1 244	756

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
3. ASSOCIATES AND OTHER INVESTMENTS		
Associates	20	15
Other investments		
Non-current loans receivable at amortised cost		
Participation loan to Fintech Receivables 1 (Pty) Limited	27	27
Participation loan to Technology Acceptances Receivables (Pty) Limited	192	152
Non-current available-for-sale investments at fair value		
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	—
	294	239

Refer to Annexure 1 on page 176 for details.

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

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		GROUP	
		2008	2007
		R millions	R millions
4. RENTAL FINANCE ADVANCES			
Assets at amortised cost			
	Present value of minimum lease payments receivable	128	127
	Less: Current portion (note 7)	(42)	(50)
	Non-current finance lease asset	86	77
Liabilities at amortised cost (included under loans)			
	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:				
Less than 1 year	58	42	41	37
Between 1 and 5 years	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
4. RENTAL FINANCE ADVANCES (continued)		
Exposure to credit risk		
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
Non-derivative financial assets						
Finance lease assets	128	157	29	29	50	49
Non-derivative financial liabilities						
Finance lease liabilities	(128)	(157)	(29)	(29)	(50)	(49)
28 February 2007						
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
Non-derivative financial liabilities						
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
5. DEFERRED TAXATION		
5.1 Deferred tax movement		
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)
5.2 Deferred tax balances		
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)
Tax losses		
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

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	2008 R millions	2007 R millions
6. INVENTORIES		
Raw materials	749	639
Work in progress	278	316
Finished goods	875	849
Merchandise	189	180
Consumable stores	39	29
	2 130	2 013
Inventories carried at cost	1 936	1 549
Inventories carried at net realisable value	194	464
	2 130	2 013
7. TRADE AND OTHER RECEIVABLES, INCLUDING DERIVATIVES		
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
	3 371	2 494
Exposure to credit risk		
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:		
	2008	2007
	Gross	Gross
Parastatals/government	429	297
Corporates	1 996	1 480
SMMEs	526	503
Individuals	238	153
	3 189	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
	3 189	2 433

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)
	3 189	(115)	2 433	(96)

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	115	96
Currency risk		
Currency risk positions are reflected in note 30.		
Derivative assets at fair value		
Derivative assets at fair value include:		
Forward exchange contracts used for hedging		
– Fair value hedge	48	6
Commodity forward contracts	6	5
	54	11

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

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	2008 R millions	2007 R millions
7. TRADE AND OTHER RECEIVABLES, INCLUDING DERIVATIVES <i>(continued)</i>		
Credit risk on derivative assets		
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.		
8. ASSETS AND LIABILITIES CLASSIFIED AS HELD-FOR-SALE		
On 24 October 2006 the decision to sell the group's shareholding in Plato Computer Services Limited was taken and the operation was subsequently sold (refer to note 38). This operation did not constitute a discontinued operation.		
Assets classified as held-for-sale		
Property, plant and equipment	—	2
Deferred taxation	—	1
Inventories	—	1
Trade and other receivables	—	15
	—	19
Liabilities classified as held-for-sale		
Trade and other payables	—	9
Bank overdraft	—	6
	—	15
9. CASH AND CASH EQUIVALENTS		
Cash at bank	1 638	1 110
Cash on deposit	478	503
	2 116	1 613
Bank overdraft	(33)	(24)
Net cash and cash equivalents per the cash flow statement	2 083	1 589

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

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GROUP AND COMPANY				
	2008 Number of shares	2007 Number of shares	2008 R millions	2007 R millions
10. SHARE CAPITAL AND PREMIUM				
10.1 Authorised				
Ordinary shares of 2 cents each	247 500 000	247 500 000	5	5
Participating preference shares of 0.01 cent each	500 000 000	500 000 000	—	—
			5	5
10.2 Issued				
<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		
10.3 Share premium				
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.				
10.4 Total issued share capital and premium			2 210	835

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

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	2008 Number of shares	2007 Number of shares
10. SHARE CAPITAL AND PREMIUM <i>(continued)</i>		
10.5 Unissued		
Ordinary shares		
Shares reserved for allocation under employee share schemes	4 847 855	4 847 855
Shares under the control of the directors until the forthcoming annual general meeting	136 983 014	145 478 030
	141 830 869	150 325 885
Participating preference shares		
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
	262 461 723	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

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	Conditional Rights Scheme	Allied Electronics Corporation Limited Share Trust	Altron Group Share Incentive Trust	Total share options
10. SHARE CAPITAL AND PREMIUM <i>(continued)</i>				
10.6 Employee share options – participating preference shares				
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)
Number of options allocated at 29 February 2008	11 039 018	1 169 506	2 375 374	14 583 898

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

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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
10. SHARE CAPITAL AND PREMIUM <i>(continued)</i>				
10.8 Share-based payments				
The number and weighted average exercise prices of share options accounted for under IFRS 2 are as follows:				
Altech				
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).				
Bytes				
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.				
Altron				
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.		
Total reserves	2 558	2 992

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
13. LOANS		
13.1 Non-current loans		
Interest-bearing loans at amortised cost		
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	—
Non-interest-bearing loans at amortised cost		
Spanish Government loans	14	2
	997	214
<i>Less: Payable within one year, shown as current loans</i>	(213)	(65)
Total non-current loans	784	149
13.2 Current loans		
Current portion of interest-bearing loans at amortised cost		
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	—
Current portion of non-interest-bearing loans at amortised cost		
Current portion of Spanish Government loans	14	1
Current portion of long-term loans	213	65

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 amount	Con-tractual cash flows	6 months or less	6 – 12 months	1 – 2 years	2 – 5 years	More than 5 years
		R millions	R millions	R millions	R millions	R millions	R millions	R millions
Non-derivative financial liabilities								
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
28 February 2007								
28 February 2007	Currency	Carrying amount	Con-tractual cash flows	6 months or less	6 – 12 months	1 – 2 years	2 – 5 years	More than 5 years
		R millions	R millions	R millions	R millions	R millions	R millions	R millions
Non-derivative financial liabilities								
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
Variable-rate instruments			
Financial liabilities	ZAR	818	162
	GBP	84	50
	NGN	81	—
		983	212

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>			
29 February 2008			
Variable-rate loans		(10)	10
28 February 2007			
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
Borrowing facilities			
In terms of the articles of association, the borrowing powers of the group are unlimited.			
Unutilised banking facilities		2 418	2 871
14. EMPOWERMENT FUNDING OBLIGATION			
At amortised cost			
Opening balance		172	173
Interest accrued		16	16
Repayments		(16)	(15)
Capital costs adjustment		—	(2)
		172	172
Current portion		(16)	—
		156	172

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	Contractual 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
15. PROVISIONS			
Long-term provisions	28	10	38
Current portion included in current liabilities	66	—	66
Total provisions at 28 February 2007	94	10	104
Provisions raised during the year	53	1	54
Provisions utilised during the year	(53)	—	(53)
Total provisions at 29 February 2008	94	11	105
Long-term provisions	13	11	24
Current portion included in current liabilities	81	—	81
	94	11	105

Refer to accounting policies for a description of provisions.

	2008 R millions	2007 R millions
16. TRADE AND OTHER PAYABLES, INCLUDING DERIVATIVES		
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
	3 903	2 940

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
17. RETIREMENT BENEFIT PLANS <i>(continued)</i>		
Defined benefit plans		
17.1 Value of obligations		
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	—	—
17.2 Components of income statement expense		
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
17.3 Reconciliation of the net asset recognised on the balance sheet		
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	—	—
17.4 Reconciliation of fair value of plan assets		
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
17.5 Reconciliation of defined benefit obligation		
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
17. RETIREMENT BENEFIT PLANS (continued)	
17.6 Expected 2009 contributions	
Service cost	76
Interest cost	176
Expected return on assets	(227)
Paragraph 58 limitations	—
	25

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
17.7 Principal actuarial assumptions		
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)
Net identifiable assets and liabilities	(38)	94	56
Goodwill on acquisition			448
Total consideration			504
Less: Cash balances acquired			(6)
Consideration paid in cash			498

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
Total cost of shares, assets and liabilities		136

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)
Net identifiable assets and liabilities	29	49	78
Goodwill on acquisition			58
Total consideration			136
Less: Deferred purchase consideration			(9)
Less: Cash balances acquired			(6)
Total cash consideration			121

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

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

continued

	GROUP	
	2008 R millions	2007 R millions
20. OPERATING PROFIT BEFORE CAPITAL ITEMS <i>(continued)</i>		
20.8 Operating lease charges		
Property	118	114
Plant, equipment and vehicles	38	25
Additional cost of straight-lining of leases	7	2
	163	141
20.9 Research and development expenditure	128	114
(Comparative restated according to current definition of research and development expenditure)		
21. CAPITAL ITEMS		
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)
22. FINANCIAL INCOME		
Recognised in profit or loss		
Interest income on financial assets carried at amortised cost	160	114
Dividend income on available-for-sale financial assets	22	18
	182	132
Recognised directly in equity		
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
Recognised in:		
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
23. FINANCIAL EXPENSE			
	Recognised in profit or loss		
	Interest expense on financial liabilities measured at amortised cost	89	56
		89	56
	Recognised directly in equity		
	Fair value of cash flow hedges transferred to profit or loss	1	—
	Recognised in hedging reserve	1	—
24. SHARE OF PROFITS FROM ASSOCIATES			
	Attributable earnings	4	4
25. TAXATION			
25.1 Taxation charge			
	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
25.2 Reconciliation of rate of taxation		%	%
	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	2008	2007	2007
		Gross	Net of tax	Gross	Net of tax
		R millions	and minorities	R millions	and minorities
			R millions		R millions
26. EARNINGS PER SHARE					
26.1 Reconciliation between earnings and headline earnings					
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
Headline earnings per share (cents)			375		283*

*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	2007
		Number of	Number of
		shares	shares
26.2 Reconciliation of weighted average number of shares			
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	2007
		Number of shares	Number of shares
26.	EARNINGS PER SHARE (continued)		
26.3	Reconciliation between number of shares used for earnings per share and diluted earnings per share		
	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
26.4	Reconciliation between earnings attributable to Altron equity holders and fully diluted earnings	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	Net of tax	Gross	Net of tax
		R millions	and minorities	R millions	and minorities
			R millions		R millions
26.5	Reconciliation between headline earnings attributable to Altron equity holders and fully diluted headline earnings				
	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
26.6	Reconciliation between headline earnings and adjusted headline earnings				
	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
	Adjusted headline earnings per share (cents)		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
27. DIVIDENDS PROPOSED		
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
	487	331
28. COMMITMENTS AND CONTINGENT LIABILITIES		
COMMITMENTS		
28.1 Capital expenditure		
Contracts for capital expenditure not provided for in the financial statements	64	18
Capital expenditure authorised but not contracted for	47	43
	111	61
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).		
28.2 Amounts outstanding under operating lease agreements		
At the balance sheet date the group had outstanding commitments under non-cancellable operating leases, which fall due as follows:		
Within one year		
Property	117	96
Plant, equipment and vehicles	54	35
	171	131
One to five years		
Property	324	286
Plant, equipment and vehicles	26	22
	350	308
Thereafter		
Property	104	151
	625	590
CONTINGENT LIABILITIES		
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)
Net identifiable assets and liabilities	256

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)
Net identifiable assets and liabilities	141

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
29 February 2008		
British pound	—	—
Euro	(0.2)	0.2
US dollar	(0.8)	0.8
28 February 2007		
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)
Contracts in respect of forecast transactions				
The group has entered into certain forward exchange contracts, included above, which do not relate to specific items appearing on the balance sheet, but were entered into to cover foreign commitments not yet due. The contracts will be utilised for purposes of inventory procurement 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
31.1 Associates and joint ventures		
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	—
31.2 Directors		
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.		
31.3 Key management personnel		
Key management personnel are defined as directors of the company and its principal subsidiary companies, Allied Technologies Limited, Bytes Technology Group Limited and Power Technologies (Pty) Limited.		
The key management personnel compensations were as follows:		
Short-term employee benefits, including salaries and bonuses	51	48
Post-employment benefits	3	3
Equity compensation benefits	9	6
	63	57

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
34. CASH GENERATED BY OPERATIONS		
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
35. DIVIDENDS RECEIVED FROM ASSOCIATES AND OTHER INVESTMENTS		
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
36. TAXATION PAID		
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)
37. ACQUISITION OF SUBSIDIARIES AND JOINT VENTURE		
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
38. PROCEEDS ON DISPOSAL OF SUBSIDIARY		
Assets classified as held-for-sale	19	—
Liabilities classified as held-for-sale	(15)	—
	4	—
Loss on disposal	—	—
Proceeds on disposal	4	—
39. PROCEEDS ON DISPOSAL OF PROPERTY, PLANT AND EQUIPMENT		
Carrying amount	25	48
Less: Assets disposed of to joint venture	—	(22)
	25	26
Surplus on disposal	2	1
Proceeds on disposal	27	27
40. OTHER INVESTING ACTIVITIES		
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)
41. SUBSIDIARIES' EQUITY CONTRIBUTIONS FROM MINORITIES		
Proceeds on shares issued in subsidiaries	—	14
Capital introduced by minorities	—	7
	—	21