

Notes to the group financial statements

for the year ended 28 February 2009

	Land and buildings R millions	Plant and machinery R millions	Data infra- structure, 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 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
Additions at cost	20	325	415	142	902
Arising on business combinations	98	236	141	21	496
Disposals	(19)	(36)	(32)	(48)	(135)
Disposals of subsidiaries	—	—	(5)	(2)	(7)
Transfer to assets held-for-sale	(11)	(93)	(14)	(17)	(135)
Translation	12	64	9	20	105
Balance at 28 February 2009	527	2 386	903	712	4 528
Depreciation and impairment losses					
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
Depreciation for the year	15	154	38	91	298
Impairment losses	1	11	—	—	12
Arising on business combinations	1	28	6	11	46
Disposals	(2)	(17)	(25)	(36)	(80)
Disposals of subsidiaries	—	—	(2)	(2)	(4)
Transfer to assets held-for-sale	(5)	(61)	(4)	(11)	(81)
Translation	6	59	3	10	78
Balance at 28 February 2009	141	1 409	249	508	2 307
Carrying amount at 28 February 2007	220	437	173	124	954
Carrying amount at 29 February 2008	302	655	156	151	1 264
Carrying amount at 28 February 2009	386	977	654	204	2 221

Notes to the group financial statements continued
for the year ended 28 February 2009

	2009 R millions	2008 R millions
1. PROPERTY, PLANT AND EQUIPMENT <i>(continued)</i>		
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	114	14
Secured bank loans	413	189
	527	203
Assets under construction		
Included in the cost of assets are the following items of capital work in progress:		
Plant and machinery	252	186
IT equipment and software	48	17
Data infrastructure and other equipment	387	3
	687	206

Impairment losses

The impairment losses relate to plant and machinery of businesses and divisions closed during the year or pending closure at year end.

Useful lives

Useful lives are reflected under accounting policies on page 135.

	Goodwill R millions	Customer relationships R millions	Trade names, designs, 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 2007	1 087	43	66	26	10	1 232
Additions at cost	—	—	4	—	—	4
Development costs capitalised	—	—	—	—	2	2
Disposals	(267)	—	—	—	—	(267)
Adjustments	2	—	—	—	—	2
Arising on business combinations and joint ventures	506	91	105	—	5	707
Translation	66	2	4	—	—	72
Balance at 29 February 2008	1 394	136	179	26	17	1 752
Development costs capitalised	—	—	106	—	—	106
Arising on business combinations	716	148	198	—	—	1 062
Translation	(3)	—	(1)	—	—	(4)
Balance at 28 February 2009	2 107	284	482	26	17	2 916

	Goodwill R millions	Customer relationships R millions	Trade names, designs, patents and trademarks R millions	Distribution rights and licence agreements R millions	Proprietary software R millions	Total R millions
2. INTANGIBLE ASSETS, INCLUDING GOODWILL (continued)						
Amortisation and impairment losses						
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
Amortisation for the year	—	60	76	—	4	140
Impairment losses	90	—	—	—	—	90
Translation	—	—	(1)	—	—	(1)
Balance at 28 February 2009	240	107	117	4	11	479
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
Carrying amount at 28 February 2009	1 867	177	365	22	6	2 437

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 18.5% (2008: 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 8% (2008: 6%). The group's budgeted profit has historically been in line with actual performance.

Development cost capitalised

Development costs on designs capitalised with a carrying value of R57 million have not yet been brought into use. Impairment tests were conducted on the carrying values based on forecast contributory cash flows on the underlying products and did not reveal any apparent impairment.

Notes to the group financial statements continued
for the year ended 28 February 2009

2. INTANGIBLE ASSETS, INCLUDING GOODWILL (continued)

Impairment tests for cash-generating units containing goodwill

The following units have significant carrying amounts of goodwill (net of impairment losses):

	2009 R millions	2008 R millions
Altech NamITech West Africa	332	306
Bytes Document Solutions	135	135
CS Holdings	107	107
Digital Healthcare Solutions	64	64
Xclusive Solutions	41	44
Vantage Business Systems	28	30
ComTech	30	18
IST	408	448
Swanib Cables	24	24
Kenya Data Networks, Swift Global (Kenya) and Infocom	471	—
Intelleca	26	—
NOR Paper	60	—
Powertech Transformers	69	—
Multiple units without significant goodwill	72	68
	1 867	1 244

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.

For the purpose of impairment testing, goodwill is allocated to the operating divisions which represent the lowest level within the group at which the goodwill is monitored for internal management purposes. The impairment tests are prepared on the basis of forecast profits generated by the underlying cash-generating units.

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 the cost structure based on business plans.

Discount rates used in the discounted cash flow models are calculated using the principles of the capital asset pricing model, taking account of current market conditions. The resulting weighted average cost of capital is then compared to industry and regional averages to ensure reasonableness. Weighted average cost of capital rates used for the purposes of impairment tests ranged between 10% and 20% at year end depending on the territory in which the business operates and the business' risk profile. Perpetuity growth rates applied ranged between 2% and 6%, depending on the territory in which the business operates.

Impairment losses

The carrying amounts of the IST Telecom and Intelleca business units were determined to be higher than their recoverable amounts, based on value-in-use, and impairment losses of R40 million and R50 million respectively were recognised, which were fully allocated to goodwill.

Useful lives

Useful lives are reflected under accounting policies on page 135.



	2009 R millions	2008 R millions
3. ASSOCIATES AND OTHER INVESTMENTS		
Associates	11	20
Other investments		
Non-current loans receivable at amortised cost		
Participation loan to Fintech Receivables 1 (Pty) Limited	2	27
Participation loan to Technologies Acceptances Receivables (Pty) Limited	217	192
Non-current available-for-sale investments at fair value		
Preference shares in Fintech Receivables 1 (Pty) Limited	15	36
Preference shares in Technology Acceptances Receivables (Pty) Limited	26	26
Investment in Izingwe Aberdare Cables Investments (Pty) Limited	1	1
Izingwe Aberdare Cables Investments (Pty) Limited – cash on deposit	6	12
	267	294
Refer to Annexure 1 for details.		
4. RENTAL FINANCE ADVANCES		
Assets at amortised cost		
Present value of minimum lease payments receivable	126	128
Less: Current portion (note 7)	(53)	(42)
Non-current finance lease asset	73	86
Liabilities at amortised cost (included under loans)		
Present value of minimum lease payments payable (note 13)	126	128
Less: Current portion (note 13)	(53)	(42)
Non-current finance lease liability	73	86
Group entities sell certain document processing equipment to third parties on a finance lease basis. The lease asset arising is in turn financed by a reciprocal lease agreement with financial institutions. The underlying loans receivable and payable are settled in monthly instalments over periods of up to five years and bear interest at rates linked to the prime bank overdraft rate. The loans are secured by the underlying equipment sold. The relationship between gross investment in the lease at the balance sheet date and the present value of minimum lease payments receivable at the balance sheet date, is as follows:		
Non-derivative financial assets		
Finance lease assets		
Present value of minimum lease payments receivable	126	128
Interest receivable	25	29
Future minimum lease payments receivable	151	157

Notes to the group financial statements continued
for the year ended 28 February 2009

	2009 Future minimum lease payments R millions	2009 Present value of minimum lease payments R millions	2008 Future minimum lease payments R millions	2008 Present value of minimum lease payments R millions
4. RENTAL FINANCE ADVANCES <i>(continued)</i>				
Non-derivative financial liabilities				
Finance lease liabilities are payable as follows:				
Less than 1 year	72	53	58	42
Between 1 and 5 years	79	73	99	86
	151	126	157	128

	2009 R millions	2008 R millions
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	126	128

The maximum exposure to, and concentration of, credit risk for finance lease assets at the reporting date by type of customer was:

	Gross 2009 R millions	Gross 2008 R millions
Parastatals/government	48	28
Corporates	77	97
SMMs	1	3
	126	128

The maximum exposure to, and concentration of, credit risk for finance lease assets at the reporting date by geographical region was:

	2009 R millions	2008 R millions
South Africa	126	128

All customers are subjected to stringent credit vetting. It is our experience that only large corporates and parastatal/government departments 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 balance sheet date was 5.93% (2008: 3.27%) of the total 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 17 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 (2008: Rnil).

4. RENTAL FINANCE ADVANCES (continued)

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:

28 February 2009 Non-derivative financial assets	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
Finance lease assets	126	151	38	34	57	22
Non-derivative financial liabilities						
Finance lease liabilities	(126)	(151)	(38)	(34)	(57)	(22)

28 February 2008 Non-derivative financial assets	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
Finance lease assets	128	157	29	29	50	49
Non-derivative financial liabilities						
Finance lease liabilities	(128)	(157)	(29)	(29)	(50)	(49)

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.

	2009 R millions	2008 R millions
5. DEFERRED TAXATION		
5.1 Deferred tax movement		
Balance at the beginning of the year	(113)	(152)
Charged to the income statement	(42)	(20)
Charged directly in equity	(3)	(2)
Acquisitions and disposals of subsidiaries	95	61
Translation differences	(3)	—
Balance at the end of the year	(66)	(113)

Notes to the group financial statements continued
for the year ended 28 February 2009

	2009 R millions	2008 R millions
5. DEFERRED TAXATION <i>(continued)</i>		
5.2 Deferred tax balances		
Attributable to the following temporary differences recognised at the normal tax rate in South Africa of 28% (2008: 28%) or the normal tax rate for foreign jurisdictions unless otherwise indicated:		
Property, plant and equipment	105	67
Intangible assets	122	26
Construction work in progress	(3)	7
Prepaid expenditure	10	10
Receipts in advance	(16)	(37)
Receivables	(30)	(11)
Contract allowances	10	11
Provisions, accruals and allowances	(127)	(106)
Tax losses	(111)	(73)
Investments and other	(19)	11
Share scheme recharge liabilities	—	(17)
Fair value adjustments (at 14%)	4	7
Secondary tax credits (at 10%)	(11)	(8)
	(66)	(113)
The above balance comprises:		
Deferred tax liabilities	164	83
Deferred tax assets	(230)	(196)
	(66)	(113)
Tax losses		
Estimated tax losses available for set-off against future taxable income	397	277
Applied to reduce deferred tax	(397)	(260)
	—	17
6. INVENTORIES		
Raw materials	890	749
Work in progress	356	278
Finished goods	949	875
Merchandise	139	189
Consumable stores	30	39
	2 364	2 130
Inventories carried at cost	1 965	1 936
Inventories carried at net realisable value	399	194
	2 364	2 130

	2009 R millions	2008 R millions
7. TRADE AND OTHER RECEIVABLES, INCLUDING DERIVATIVES		
Gross trade receivables	3 416	3 189
Less: Allowance for impairment losses	(168)	(115)
Less: Other allowances	(29)	(77)
Current portion of rental finance advances (note 4)	53	42
Derivative assets at fair value: used for hedging	11	54
Prepayments	188	47
Other receivables	292	231
	3 763	3 371
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	3 416	3 189
The maximum exposure to credit risk for gross trade receivables at the reporting date by type of customer was:		
	Gross 2009 R millions	Gross 2008 R millions
Parastatals/government	583	429
Corporates	2 083	1 995
SMMEs	555	526
Individuals	195	238
	3 416	3 189
The group's exposure to parastatals and government has increased in the last year, primarily as a result of the increased infrastructure spend of these bodies, but also due to the Powertech Transformers acquisition. 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 require it, but collateral is obtained for other entities as security where possible. The group also makes use of credit risk insurance cover when appropriate. 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 at least annually.		
The maximum exposure to credit risk for gross trade receivables at the reporting date by geographical region was:		
South Africa	2 223	2 179
Rest of Africa	425	211
Europe	463	634
Rest of world	305	165
	3 416	3 189

Most of the receivables outside of South Africa are in respect of our international operations which 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.



Notes to the group financial statements continued
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7. TRADE AND OTHER RECEIVABLES, INCLUDING DERIVATIVES (continued)

Impairment losses

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

	2009 Gross R millions	2009 Impairment allowance R millions	2008 Gross R millions	2008 Impairment allowance R millions
Not past due	2 477	(8)	2 514	(3)
Past due 0 – 30 days	246	(1)	271	(1)
Past due 31 – 120 days	450	(55)	249	(24)
Past due 121 – 365 days	156	(55)	87	(22)
Past due 365+ days	87	(49)	68	(65)
	3 416	(168)	3 189	(115)

Listings of overdue customer balances are reviewed monthly and reviewed against their credit terms/limits. Customers 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:

	2009 R millions	2008 R millions
Balance at the beginning of the year	115	96
Impairment loss recognised	63	69
Acquisitions of operations	2	—
Allowance utilised	(12)	(50)
Balance at the end of the year	168	115
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	4	48
– Cash flow hedge	6	—
Commodity forward contracts	1	6
	11	54

Credit risk on derivative assets

The group limits its exposure to credit risk on derivative assets by only entering into forward contracts with counterparties that have a sound credit rating. Given these sound credit ratings, management does not expect any counterparty to fail to meet its obligations.

	2009 R millions	2008 R millions
8. ASSETS AND LIABILITIES CLASSIFIED AS HELD-FOR-SALE		
On 1 December 2008 the decision to sell NamITech SA, a division of NamITech IT (Proprietary) Limited, was taken and the operation was subsequently sold. The completion date for the transaction was 1 April 2009. This operation does not constitute a discontinued operation.		
Assets classified as held-for-sale		
Property, plant and equipment	54	—
Inventories	19	—
Trade and other receivables	34	—
	107	—
Liabilities classified as held-for-sale		
Trade and other payables	28	—
	28	—
9. CASH AND CASH EQUIVALENTS		
Cash at bank	1 938	1 638
Cash floats	104	—
Cash on deposit	66	478
	2 108	2 116
Bank overdraft	(928)	(33)
Net cash and cash equivalents per the cash flow statement	1 180	2 083

Credit risk

The group limits its credit risk exposure by investing only with financial institutions that have a sound credit rating. Management actively monitors these financial institutions' ratings. As a result, 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 continued
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GROUP AND COMPANY

	2009 Number of shares	2008 Number of shares	2009 R millions	2008 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	105 669 131	97 174 115	2	2
Issued in terms of the scheme of arrangement with Bytes shareholders	—	8 495 016	—	—
In issue at the end of the year	105 669 131	105 669 131	2	2
Less: Own shares acquired by subsidiary	(3 246 469)	(3 246 469)		
Net ordinary shares	102 422 662	102 422 662		
<i>Participating preference shares</i>				
In issue at the beginning of the year	237 538 277	213 654 725	—	—
Issued in terms of share schemes	2 119 462	1 773 142		
Issued in terms of the scheme of arrangement with Bytes shareholders	—	22 110 410	—	—
In issue at the end of the year	239 657 739	237 538 277	—	—
Less: Own shares acquired by subsidiary	(27 704 013)	(27 698 875)		
Net participating preference shares	211 953 726	209 839 402		
Total number of shares in issue at the end of the year, net of own shares acquired	314 376 388	312 262 064		
10.3 Share premium				
Balance at the beginning of the year			2 208	833
Share premium arising from the issue of shares in terms of:				
– Share schemes			18	12
– Scheme of arrangement with Bytes shareholders			—	1 363
Balance at the end of the year			2 226	2 208
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			2 228	2 210
10.5 Treasury shares				
Ordinary shares and participating preference shares acquired by subsidiary at cost			299	299

	2009 Number of shares	2008 Number of shares
10. SHARE CAPITAL AND PREMIUM <i>(continued)</i>		
10.6 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	136 983 014
	141 830 869	141 830 869
Participating preference shares		
Shares reserved to meet the requirements of:		
Allied Electronics Corporation Limited Share Trust	338 008	1 169 506
Altron Group Share Incentive Trust	1 176 065	2 375 374
Conditional Rights Scheme	10 285 152	11 039 018
Shares reserved for allocation under employee share schemes	15 518 130	14 458 257
Shares under the control of the directors until the forthcoming annual general meeting	233 024 906	233 419 568
	260 342 261	262 461 723

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 88).

Treasury shares

The directors have a general authority to repurchase shares of the company not exceeding 20% of the company's ordinary and/or participating preference issued share capital in any one financial year until the next annual general meeting.



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	Conditional Rights Scheme	Allied Electronics Corporation Share Trust	Altron Group Share Incentive Trust	Total share options
10. SHARE CAPITAL AND PREMIUM (continued)				
10.7 Employee share options – participating preference shares				
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
Number of options granted	148 790	—	—	148 790
Number of options lapsed/forfeited/reinstated	(862 707)	(171 644)	(174 312)	(1 208 663)
Number of options exercised	(39 949)	(659 854)	(1 024 997)	(1 724 800)
Number of options allocated at 28 February 2009	10 285 152	338 008	1 176 065	11 799 225

Of the 1 724 800 options exercised 39 949 relate to conditional rights exercised. Conditional rights are net settled and as a result only 13 013 shares were issued in satisfaction of those conditional rights. 421 598 options were exercised at the end of the previous year and were only listed during the current year.

10.8 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 28 February 2009		
		Allied Electronics Corporation Share Trust	Altron Group Share Incentive Trust	Conditional Rights Scheme
5 March 1999	R5.25	93 624		
30 May 2000	R5.00	48 056		
28 June 2000	R4.85	163 348		
10 April 2001	R7.00	12 780		
7 June 2002	R7.40	20 200		
1 October 2002	R7.25		5 000	
The following options are subject to IFRS 2:				
27 July 2004	R11.20		873 834	
9 February 2006	R22.50			3 097 640
13 June 2006	R23.50			412 000
23 November 2006	R30.75			671 556
14 January 2008	R7.80		21 783	
14 January 2008	R12.80		275 448	
14 January 2008	R26.54			1 891 544
4 February 2008	R36.10			603 911
25 February 2008	R35.00			504 645
27 February 2008	R35.00			2 041 700
28 February 2008	R35.50			913 366
28 July 2008	R34.50			108 790
11 February 2009	R21.50			40 000
		338 008	1 176 065	10 285 152

10. SHARE CAPITAL AND PREMIUM *(continued)***10.8 The Altron Group Share Incentive Trust, Allied Electronics Corporation Limited Share Trust and the Conditional Rights Scheme****Terms of schemes****Allied Electronics Corporation Limited Share Trust**

The Allied Electronics Corporation Limited Share Trust is a ten-year scheme and is currently in run-off where the last of the options so granted are exercisable in June 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 for details of options held by directors.

10.9 Share-based payments

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

	Weighted average exercise price Rand 2009	Number of options (000s) 2009	Weighted average exercise price Rand 2008	Number of options (000s) 2008
Altech				
Outstanding at the beginning of the year	50.39	3 404	50.39	3 312
Forfeited during the year	52.89	(344)	52.72	(352)
Exercised during the year	32.05	(121)	34.21	(53)
Granted during the year	—	—	50.28	497
Outstanding at the end of the year	50.79	2 939	50.39	3 404
Exercisable at the end of the year		612		100

The weighted average market price on exercised options was R49.06 (2008: R60.60).

Exercise prices on outstanding options at the end of the period ranged from R32.00 to R66.00 (2008: R30.00 to R66.00).

The weighted average remaining period to vesting on outstanding options at the end of the period was 14 months (2008: 23 months).

Notes to the group financial statements continued
for the year ended 28 February 2009

10. SHARE CAPITAL AND PREMIUM (continued)

10.9 Share-based payments (continued)

	Weighted average exercise price Rand 2009	Number of options (000s) 2009	Weighted average exercise price Rand 2008	Number of options (000s) 2008
Bytes				
Outstanding at the beginning of the year	—	—	10.06	7 881
Forfeited during the year	—	—	11.56	(460)
Exercised during the year	—	—	4.71	(396)
Transferred to Altron scheme	—	—	10.27	(7 025)
Outstanding at the end of the year		—		—
Exercisable at the end of the year		—		—
The weighted average market price on exercised options was R15.40 in 2008.				
In accordance with the scheme of arrangement with Bytes shareholders all outstanding options were transferred and converted to the Altron share option scheme in the previous year.				
Altron				
Outstanding at the beginning of the year	26.78	12 664	21.27	6 787
Forfeited during the year	29.45	(890)	22.23	(996)
Exercised during the year	8.46	(467)	20.07	(679)
Transferred and converted from Bytes scheme	—	—	23.57	3 061
Granted during the year	31.01	149	35.28	4 491
Outstanding at the end of the year	27.08	11 456	26.78	12 664
Exercisable at the end of the year		3 429		1 245

The weighted average market price on exercised options was R38.68 (2008: R37.48).

Exercise prices on outstanding options at the end of the period ranged from R7.80 to R36.10 (2008: R7.00 to R36.10).

The weighted average remaining period to vesting on outstanding options at the end of the period was 27 months (2008: 30 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 2007, options were assumed to be exercised midway between the vesting date and the expiry date. Subsequently, evidence indicated 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 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, and expire after six years.

10. SHARE CAPITAL AND PREMIUM (continued)**10.9 Share-based payments** (continued)**Fair value and assumptions of share options granted**

Fair value at grant date:

2009			
<i>Conditional rights</i>			
Fair value at grant date (Rand)		Altron 4.01 to 9.00	
Share price (Rand)		21.50 to 34.50	
Exercise price (Rand)		21.50 to 34.50	
Expected volatility		25.20% to 34.01%	
Option life (years)		3 to 5	
Dividend yield		4.52% to 7.26%	
Risk-free interest rate		8.06% to 9.54%	
2008			
<i>Conditional rights</i>		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%

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 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.

	Group	
	2009 R millions	2008 R millions
Employee expenses		
Share options granted between 7 November 2002 and 28 February 2006	1	1
Conditional rights granted subsequently	22	21
(Income)/expense arising from share appreciation rights	(8)	24
Total expense recognised as employee costs	15	46
Total carrying amount of cash-settled transaction liabilities	5	31

Notes to the group financial statements continued
for the year ended 28 February 2009

10. SHARE CAPITAL AND PREMIUM (continued)

10.9 Share-based payments (continued)

The fair value of the share appreciation rights at grant date is determined based on the Black-Scholes model. The fair value of the liability is remeasured at each balance sheet date and at settlement date. The model inputs at 28 February 2009 were as follows:

	Altech 2009	Altech 2008	Altron 2009	Altron 2008
Share price (Rand)	51.25	50.75	19.20	36.00
Exercise price (Rand)	32.25	32.25	11.20	11.20 and 12.80
Term (years)	0.4	0.4 to 1.4	0.4	0.4 to 1.4
Volatility	30% to 40%	31% to 44%	48%	24% to 27%
Dividend yield	5.60%	4.73%	8.13%	3.28%
Risk-free interest rate	8.07%	9.60%	8.07%	9.60%
			2009 R millions	2008 R millions

10.10 Share-based payments expense arising on B-BBEE transactions

Arising on the acquisition of 25.1% of IST by Izingwe	—	3
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GROUP

	2009 R millions	2008 R millions
11. RESERVES		
11.1 Retained earnings	3 920	3 634
Are distributable and would be subject to secondary tax on companies.		
11.2 Foreign currency translation reserve	217	184
Comprises all foreign exchange differences arising from the translation of the financial statements of foreign operations.		
11.3 Premium/discount on minority equity transactions	(1 383)	(1 355)
Comprises the premium or discount on the subsequent purchase or sale of equity instruments in existing subsidiaries.		
11.4 Cash flow hedging reserve	(15)	(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	58	44
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	68	9
Comprises the Capital Redemption Reserve Funds as well as legal reserves of a foreign subsidiary.		
11.7 Fair value reserve	79	43
Comprises the cumulative net change in the fair value of available-for-sale investments, net of deferred taxation, until the investment is derecognised and the fair value adjustment of non-controlling equity instruments in business combinations achieved in stages.		
Total reserves	2 944	2 558

12. B-BBEE TRANSACTIONS

The group has entered into the following material B-BBEE transactions:

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

During the prior year the Altech group restructured its information technology businesses and simultaneously restructured its related B-BBEE holdings. This culminated in Pamodzi acquiring 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 was 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)

In 2004 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 which only fall away when the preference shares have been fully repaid.

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 to note 14).

During a previous financial year Powertech acquired a 10% equity interest in Izingwe Aberdare Cables for R1.3 million following the exit of one of the B-BBEE consortium shareholders (refer to Annexure 1). A diluted headline earnings adjustment of R28 million (2008: R81 million) has been calculated based on the recognition of the net 27% (90% of 30%) minority interest with settlement of the outstanding purchase price of R106 million (comprising the empowerment funding obligation net of excess cash deposits of R6 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 was recognised in the prior year 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)

In 2004 Bytes entered into an agreement with Kagiso to dispose of 5% of its equity interest in Bytes SA for a cash consideration fully funded by Kagiso and granted an option to Kagiso to acquire a further 22% equity interest in Bytes SA for R198 million. On 1 July 2008, Kagiso exercised its option over the 22% equity interest, following which Bytes SA performed a capital reduction of R198 million. This reduced the funding obligation associated with the exercise to R154 million, which was met through the issue of perpetual, non-cumulative preference shares to a financial institution, secured by a put option provided by Altron to the financial institution.

At a Bytes level the minorities are fully recognised, however, at an Altron level the special purpose vehicle in which the 22% equity interest is housed is consolidated in accordance with SIC 12 – *Consolidation of special purpose entities*. However, because there is no obligation to declare dividends or make capital repayments on the preference shares, these are classified as equity and therefore minority interests in the group accounts. Under accounting rules, the quantum of minority interest recognised is the greater of 22% of Bytes SA's net asset value or the outstanding preference share capital and dividend receivable. In the current year the latter was greater and so a minority interest of R165 million has been recognised. While the preference share obligation is recognised as the minority interest, the earnings attributable to minorities is limited to the dividend receivable on the preference shares for that period, being R11 million for the eight months ended 28 February 2009. This resulted in R22 million of Bytes SA headline earnings and R11 million of Bytes SA earnings (after capital items) being re-recognised as earnings attributable to equity holders at the Altron level. The put option is valued at each balance sheet date and is reflected as a R2 million liability on Altron's balance sheet at 28 February 2009.

A diluted headline earnings adjustment amounting to R7 million (2008: R33 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 for the four months to 30 June 2008 (refer to note 26.4).

Notes to the group financial statements continued
for the year ended 28 February 2009

	2009 R millions	2008 R millions
13. LOANS		
13.1 Non-current loans		
Interest-bearing loans at amortised cost		
Rental finance liabilities (note 4)	126	128
Finance lease liabilities	110	14
Secured bank loans	348	146
Loans from minority shareholders	20	23
Unsecured bank loans	674	634
Deferred purchase considerations	153	9
Loan from joint-venture partner	3	29
Non-interest-bearing loans at amortised cost		
Spanish Government loans	—	14
Subscription shares to be allocated	26	—
	1 460	997
<i>Less: Payable within one year shown as current loans</i>	(404)	(213)
Total non-current loans	1 056	784
13.2 Current loans		
Current portion of interest-bearing loans at amortised cost		
Current portion of rental finance liabilities	53	42
Current portion of finance lease liabilities	25	11
Current portion of secured bank loans	143	36
Current portion of unsecured bank loans	28	77
Current portion of deferred purchase considerations	153	4
Current portion of loan from joint-venture partner	3	29
Current portion of non-interest-bearing loans at amortised cost		
Current portion of Spanish Government loans	—	14
Current portion of long-term loans	404	213

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	28 February 2009		29 February 2008	
				Face value R millions	Carrying value R millions	Face value R millions	Carrying value R millions
Secured							
Rental finance liabilities	ZAR	Linked to prime	2009 – 2013	151	126	157	128
Finance lease liabilities	ZAR	Linked to prime	2009 – 2013	148	110	15	14
Secured bank loan	ZAR	Prime less 1.25%	2009 – 2016	35	35	37	37
Secured bank loan	ZAR	Prime less 2.5%	2009 – 2013	108	102	28	28
Secured bank loan	NGN	Nigerian prime	2009 – 2010	49	49	81	81
Secured bank loan	EUR	Euribor + 1%	2011	122	122	—	—
Secured bank loan	KES	12% – 12.5%	2009 – 2011	40	40	—	—
Unsecured							
Unsecured bank loans	GBP	6.6%	2008	—	—	50	50
Unsecured bank loans	GBP	7.74%	2008	—	—	34	34
Unsecured bank loans	ZAR	JIBAR + 0.95%	2010	550	550	550	550
Loans from minority shareholders	ZAR	12.3%	No fixed term	20	20	23	23
Spanish Government loan	EUR	0.0%	2008	—	—	14	14
Loan from joint-venture partner	ZAR	Prime	2009	3	3	29	29
Deferred purchase considerations	USD	2.2%	2009	104	104	—	—
Deferred purchase considerations	ZAR	13.0%	2009	49	49	9	9
Unsecured bank loans	ZAR	13.0%	2012	115	115	—	—
Unsecured bank loans	EUR	3.3%	2009	4	4	—	—
Unsecured bank loans	ZAR	13.0%	2010	5	5	—	—
Subscription shares to be allocated	ZAR	0.0%	2009	26	26	—	—
				1 529	1 460	1 027	997

Security

Bank loans are secured by property, plant and equipment with a book value of R413 million (2008: R189 million) and current assets with a book value of R137 million (2008: R101 million).

Finance lease liabilities are secured by equipment with a book value of R114 million (2008: R14 million).

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

Finance lease liabilities

Finance lease liabilities are payable as follows:

	28 February 2009		29 February 2008	
	Future minimum lease payments R millions	Present value of minimum lease payments R millions	Future minimum lease payments R millions	Present value of minimum lease payments R millions
Less than 1 year	43	25	14	11
Between 1 – 5 years	105	85	4	3
	148	110	18	14

Notes to the group financial statements continued
for the year ended 28 February 2009

13. LOANS (continued)

Liquidity risk

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

28 February 2009	Currency	Carrying amount R millions	Contractual cash flows R millions	6 months or less R millions	6 – 12 months R millions	1 – 2 years R millions	2 – 5 years R millions	More than 5 years R millions
Non-derivative financial liabilities								
Rental finance liabilities	ZAR	126	151	38	34	57	22	—
Finance lease liabilities	ZAR	110	148	22	20	42	64	—
Secured bank loan	ZAR	35	56	4	4	7	21	20
Secured bank loan	ZAR	102	152	32	15	26	79	—
Secured bank loan	NGN	49	59	—	47	12	—	—
Secured bank loan	EUR	122	129	15	15	29	70	—
Secured bank loan	KES	40	46	28	8	10	—	—
Unsecured bank loans	ZAR	550	649	33	33	583	—	—
Loans from minority shareholders	ZAR	20	30	—	4	4	22	—
Loan from joint-venture partner	ZAR	3	3	3	—	—	—	—
Deferred purchase considerations	USD	104	107	107	—	—	—	—
Deferred purchase considerations	ZAR	49	51	51	—	—	—	—
Unsecured bank loans	ZAR	115	142	19	19	38	66	—
Unsecured bank loans	EUR	4	4	4	—	—	—	—
Unsecured bank loans	ZAR	5	6	—	—	6	—	—
Subscription shares to be allocated	ZAR	26	*	—	—	—	—	—
		1 460	1 733	356	199	814	344	20

*To be settled by issue of equity.

29 February 2008	Currency	Carrying amount R millions	Contractual cash flows R millions	6 months or less R millions	6 – 12 months R millions	1 – 2 years R millions	2 – 5 years R millions	More than 5 years R millions
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 loans	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

13. LOANS (continued)**Interest rate risk****Profile**

At the balance sheet date the interest rate profile of the group's interest-bearing loans was:

	Carrying amount	
	2009 R millions	2008 R millions
Variable-rate instruments		
Financial liabilities		
ZAR	1 115	818
GBP	—	84
NGN	49	81
Euro	126	—
KES	40	—
USD	104	—
	1 434	983

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 currency rates, remain constant. The analysis is performed on the same basis as used in 2008.

	Profit or loss	
	100 bp increase R millions	100 bp decrease R millions
28 February 2009		
Variable-rate loans	(14)	14
29 February 2008		
Variable-rate loans	(10)	10

Currency risk

The principal and interest on certain borrowings is denominated in currencies that match the functional currencies of the underlying operations of the group, primarily GBP, but also KES and NGN. Accordingly currency risk does not arise from these financial instruments. Currency risk positions on borrowings that do not match the functional currencies of the underlying operations of the group, primarily USD and Euro, are reflected in note 30.

	2009 R millions	2008 R millions
Borrowing facilities		
In terms of the articles of association the borrowing powers of the group are unlimited.		
Unutilised banking facilities	2 336	2 418

Notes to the group financial statements continued
for the year ended 28 February 2009

	2009 R millions	2008 R millions
14. EMPOWERMENT FUNDING OBLIGATION		
At amortised cost		
Opening balance	172	172
Interest accrued	11	16
Repayments	(71)	(16)
	112	172
Current portion	(11)	(16)
	101	156

Liquidity risk

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

	Currency	Carrying amount R millions	Contractual cash flows R millions	6 months or less R millions	6 – 12 months R millions	1 – 2 years R millions	2 – 5 years R millions	More than 5 years R millions
28 February 2009	Rand	112	144	9	10	21	87	17
29 February 2008	Rand	172	235	12	13	28	111	71

Interest rate risk

The dividends on the preference shares bear an indicative interest rate of 9.61% (2008: 9.61%). This interest rate has been fixed for the period of the funding and is not subject to variation as market rates alter.

	Contract losses R millions	Retrenchments and restructuring costs R millions	Warranties and fault rectification R millions	Post-retirement medical aid benefits R millions	Total R millions
15. PROVISIONS					
Long-term provisions	—	—	13	11	24
Current portion included in current liabilities	22	4	55	—	81
Total provisions at 29 February 2008	22	4	68	11	105
Provisions raised during the year	8	33	55	—	96
Acquisition of subsidiaries	11	—	29	1	41
Disposals of subsidiaries	—	—	(1)	—	(1)
Provisions utilised/released during the year	(6)	—	(49)	(1)	(56)
Total provisions at 28 February 2009	35	37	102	11	185
Long-term provisions	—	—	14	11	25
Current provision included in current liabilities	35	37	88	—	160
	35	37	102	11	185

Refer to accounting policies for a description of provisions.

	2009 R millions	2008 R millions
16. TRADE AND OTHER PAYABLES, INCLUDING DERIVATIVES		
Trade payables	3 305	3 280
Derivative liability at fair value: used for hedging	98	35
Payroll liabilities	250	176
VAT accrual	13	69
Receipts in advance	472	343
	4 138	3 903

(a) Trade payables**Management of liquidity risk**

The group has negotiated favourable credit terms with suppliers which enables 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.

	Carrying amounts R millions	6 months or less R millions	6 – 12 months R millions	1 – 2 years R millions	2 – 5 years R millions
Estimate of when revenues are expected to be earned on these receipts:					
28 February 2009	472	302	146	22	2
29 February 2008	343	156	146	25	16

	2009 R millions	2008 R millions
(c) Derivative liability at fair value		
Derivative liability at fair value includes:		
Forward exchange contracts used for fair value hedging	66	10
Forward exchange contracts used for cash flow hedging	6	—
Interest rate swaps used for cash flow hedging	22	—
Commodity forward contracts	2	25
Put option in respect of Bytes SA/Kagiso preference share funding (refer to note 12.4)	2	—
	98	35

Notes to the group financial statements continued
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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% (2008: 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 R149 million (2008: R125 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 R41 million (2008: R42 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. Furthermore, upon retirement, any member 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, are 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.

	2009 R millions	2008 R millions
Defined benefit plans		
17.1 Value of obligations		
Fair value of plan assets	2 435	2 228
Present value of funded obligations	(2 615)	(2 101)
(Deficit)/surplus	(180)	127
Unrecognised actuarial losses	180	—
Unrecognised due to paragraph 58 limit	—	(127)
(Liability)/asset recognised in the balance sheet	—	—
17.2 Components of income statement expense		
Current service cost	(58)	(70)
Interest cost	(268)	(154)
Expected return on plan assets (limited by paragraph 58)	334	213
Change in paragraph 58 limit	127	(26)
Actuarial (loss)/gain recognised	(132)	26
	3	(11)
17.3 Reconciliation of unrecognised actuarial gain/loss		
Unrecognised actuarial loss at the beginning of the year	—	58
Actuarial gain on liabilities	(780)	(39)
Actuarial loss/(gain) on assets	1 092	(45)
Actuarial (loss)/gain recognised	(132)	26
Unrecognised actuarial loss at the end of the year	180	—
17.4 Reconciliation of paragraph 58 limit		
Paragraph 58 limit at the beginning of the year	(127)	(101)
Change in paragraph 58 limit during the year	127	(26)
Paragraph 58 limit at the end of the year	—	(127)

	2009 R millions	2008 R millions
17. RETIREMENT BENEFIT PLANS <i>(continued)</i>		
17.5 Reconciliation of defined benefit obligation		
Defined benefit obligation at the beginning of the year	2 101	1 983
Fund credits of defined benefit members previously reflected under defined contribution fund allocation	1 120	—
Service cost	58	70
Interest cost	268	154
Benefits paid	(197)	(67)
Employee contributions to defined contribution fund credits subject to defined benefit underpin	11	—
Transfers from defined contribution fund	34	—
Actuarial gain	(780)	(39)
Defined benefit obligation at the end of the year	2 615	2 101
17.6 Reconciliation of fair value of plan assets		
Assets at market value at the beginning of the year	2 228	2 084
Fund credits of defined benefit members previously reflected under defined contribution fund allocation	1 120	—
Expected return on assets	334	223
Contributions due	58	54
Company contribution holiday granted	(50)	(43)
Benefits paid	(197)	(67)
Transfers from/(to) defined contribution fund	34	(68)
Actuarial (loss)/gain	(1 092)	45
Assets at market value at the end of the year	2 435	2 228
Plan assets comprise:		
Local equities	59%	54%
Bonds	15%	20%
International investments	21%	16%
Cash and other	5%	10%
17.7 Expected 2010 contributions		
Service cost	61	
Interest cost	222	
Expected return on assets	(217)	
Amortisation of unrecognised actuarial loss/gain	—	
Net periodic defined benefit pension expense	66	
17.8 Principle actuarial assumptions	%	%
Discount rate	8.50	8.50
Inflation rate	5.00	5.25
Salary increase rate	6.00	6.25
Expected return on assets	8.95	10.50
Pension increase allowance	3.33	5.25
Actual return on the Altron Group Pension Fund	(23.00)	13.27

Notes to the group financial statements continued
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17. RETIREMENT BENEFIT PLANS (continued)

In performing the current year actuarial calculation, the fund credits of defined contribution members with minimum benefits have been presented as part of the defined benefit asset and liability analysis presented above in order to better reflect the defined benefit effects of such arrangements. The comparative actuarial analysis excluded such fund credits from the defined benefit fund analysis, however this did not have an effect on the net surplus or unrecognised gains/losses of the defined benefit fund.

Actuarial losses on assets in the current year comprise the differential between expected returns and actual returns for the year. Actuarial gains on obligations primarily comprise the decrease of defined contribution members' fund credits following the negative actual return on investments for the year, partially offset by minimum benefit arrangements, as well as the realignment of expected pension increases of defined benefit members, previously aligned with expected inflation, to affordability relative to investment returns in accordance with the fund's practice and policy.

Unrecognised actuarial losses were within the 10% corridor margin and accordingly no amortisation of the loss has been recognised. The Pension Fund Act, 1956, as amended, precluded the group from accessing the benefit of any surplus assets in previous years without the specific consent of the trustees of the fund in the form of employer contribution holidays. Accordingly the surplus was not recognised on the group's balance sheet. The group was granted a contribution holiday on the defined contribution plan for the five months ended 28 February 2009 in lieu of surpluses accumulated on the defined benefit plans (2008: six months ended 31 October 2007). The contribution holiday was made available to all participating group employer companies.

18. ACQUISITION OF SUBSIDIARIES

Bytes group

During the year the Bytes group acquired a number of operations, namely Planflow – 1 March 2008, Intellecta – 1 April 2008 and NOR Paper – 1 July 2008 for an aggregate consideration of R301 million of which R49 million is deferred.

In the year to 28 February 2009 these acquisitions contributed R329 million to revenue and R15 million to the consolidated profit after tax. If the acquisitions had occurred on 1 March 2008, group revenue and net profit after tax before allocations would have increased by a further R117 million and R16 million respectively.

The goodwill arising is primarily attributable to the market dominance of some of the businesses and the human capital acquired.

	Recognised values R millions	Fair value adjustments R millions	Carrying amount R millions
Non-current assets	13	85	98
Current assets	149	—	149
Non-current liabilities	(1)	(26)	(27)
Current liabilities	(57)	—	(57)
Net identifiable assets and liabilities	104	59	163
Goodwill arising on acquisition			138
Total consideration			301
Less cash and cash equivalents in subsidiaries acquired			(5)
Less deferred purchase consideration			(49)
Cash outflow from the group on acquisition			247

Powertech group

On 1 April 2008 the Powertech group acquired the remaining 50% of Powertech Transformers (Pty) Limited that it had not previously owned for a consideration of R320 million.

In the year to 28 February 2009 the acquisition of the remaining 50% contributed R814 million to revenue and R44 million to the consolidated profit after tax. If the acquisition had occurred on 1 March 2008, group revenue and net profit after tax before allocations would have increased by a further R54 million and R4 million respectively.

The goodwill arising is attributable to the human capital acquired and the regional market dominance of the business acquired.

18. ACQUISITION OF SUBSIDIARIES (continued)

	Recognised values R millions	Fair value adjustments R millions	Carrying amount R millions
Non-current assets	110	166	276
Current assets	891	15	906
Non-current liabilities	(2)	(51)	(53)
Current liabilities	(562)	—	(562)
Net identifiable assets and liabilities	437	130	567
Attributable to minorities	(42)	(23)	(65)
Net attributable assets and liabilities	395	107	502
Goodwill arising on acquisition			69
Total consideration			571
Less fair value of existing joint venture interest applied to business combination			(251)
Less cash and cash equivalents in subsidiaries acquired			(71)
Cash outflow from the group on acquisition			249

Altech group

On 1 March 2008 the Altech group acquired from Sameer ICT Limited (Sameer) 51% of the issued share capital of Kenya Data Networks Limited (KDN), Swift Global (Kenya) Limited (Swift) and Infocom Limited (Infocom). The purchase price of US\$75 million was allocated as follows:

- US\$68 million for the shares in KDN.
- US\$5 million for the shares in Swift.
- US\$2 million for the shares in Infocom.

Of the total purchase price of US\$75 million referred to above an amount of US\$10 million has been held in escrow, to be released to the vendors of the shares concerned against the achievement of an aggregated combined profit after taxation of at least US\$11.7 million for the 12 months ended 28 February 2009. The warranted profits were achieved.

In addition the Altech group and Sameer injected new capital of US\$20 million into the three companies acquired, of which 51% was provided by the Altech group and the remaining 49% was provided by Sameer. Therefore the Altech group's total investment was US\$85.2 million comprising the purchase price of US\$75 million and the cash injection of US\$10.2 million.

The goodwill arising is attributable to the market dominance of the businesses in their regions and the human capital acquired.

On 1 March 2008 and 31 March 2008 the group acquired 100% of the Altech Netstar franchises in Witbank and Bloemfontein respectively.

	Recognised values R millions	Fair value adjustments R millions	Carrying amount R millions
Non-current assets	317	158	475
Current assets (including capital subscription proceeds)	269	—	269
Non-current liabilities	(190)	(42)	(232)
Current liabilities	(132)	—	(132)
Net identifiable assets and liabilities	264	116	380
Attributable to minorities	(129)	(49)	(177)
Net attributable assets and liabilities	135	67	203
Goodwill arising on acquisition			499
Total consideration			702
Less deferred purchase consideration			(82)
Consideration paid in cash			620
Less amount paid for subscription shares and received by subsidiary companies			(82)
Less cash and cash equivalents in subsidiaries acquired			(3)
Cash outflow to the group on acquisition			535

Notes to the group financial statements continued
for the year ended 28 February 2009

18. ACQUISITION OF SUBSIDIARIES (continued)

In the year to 28 February 2009 these acquisitions contributed R449 million to revenue and R101 million to the consolidated profit after tax. If the Bloemfontein acquisition had occurred on 1 March 2008, group revenue and net profit after tax before allocations would have increased by a further R1 million and R0.2 million respectively. These amounts have been calculated using the group's accounting policies and by adjusting the results of the subsidiaries to reflect amortisation on the fair value adjustments to intangible assets from 1 March 2008, together with consequential tax effects.

Altron Corporate

Effective 1 July 2008, Altron Finance (Pty) Limited acquired the remaining 50% of the interest in Aerotime International Management Services (Pty) Limited it did not already own for a cash consideration of R7.5 million. The acquisition resulted in goodwill of R1 million being recognised.

The acquisition of the remaining 50% did not result in additional group revenue as all services are rendered to group companies and no additional profits after tax accrued to the group.

	GROUP	
	2009 R millions	2008 R millions
19. REVENUE		
Goods sold	16 869	14 950
Services rendered	7 859	6 451
Rental finance income	40	30
	24 768	21 431
20. OPERATING PROFIT BEFORE CAPITAL ITEMS		
Is stated after taking account of the following items:		
20.1 Auditors' remuneration		
Audit fees	30	24
Fees for other services	2	3
	32	27
20.2 Directors' remuneration		
Refer to remuneration report on page 112	45	49
20.3 Employee remuneration (including directors' remuneration)		
Salaries and wages	3 328	2 840
Share-based payments – equity-settled (note 10.9)	23	22
Share-based payments – cash-settled (note 10.9)	(8)	24
Retirement and provident funds	190	167
	3 533	3 053
20.4 Share-based payments expense arising on B-BBEE transactions (note 10.10)	—	3
20.5 Fees paid		
Managerial fees	13	24
Technical, consultancy and administration	203	127
	216	151

	2009 R millions	2008 R millions
20. OPERATING PROFIT BEFORE CAPITAL ITEMS <i>(continued)</i>		
20.6 Foreign exchange gains/(losses)		
Gains	193	97
Losses	(121)	(63)
Forward exchange contracts – fair value adjustments	(19)	30
	53	64
Being:		
Realised	22	52
Unrealised	31	12
20.7 Net increase in provisions	40	1
20.8 Operating lease charges		
Property	159	118
Plant, equipment and vehicles	67	38
Additional cost of straight-lining of leases	4	7
	230	163
20.9 Research and development expenditure	120	128
21. CAPITAL ITEMS		
Impairment of goodwill	(90)	(86)
Goodwill adjustment on reversal of at acquisition tax losses	—	2
Foreign currency translation reserve released on disposal	—	(7)
Net gain/(loss) on disposal of businesses	58	(1)
Net gain on disposal of property, plant and equipment	23	2
Impairment of property, plant and equipment	(12)	—
	(21)	(90)
22. FINANCIAL INCOME		
Recognised in profit or loss		
Interest income on financial assets carried at amortised cost	171	160
Dividend income on available-for-sale financial assets	13	22
	184	182
Recognised directly in equity		
Net change in fair value of available-for-sale financial assets	—	8
Fair value adjustment of joint venture on step acquisition	54	—
Foreign currency translation differences for foreign operations	38	133
	92	141
<i>Recognised in:</i>		
Fair value reserve	54	8
Translation reserve	33	106
Minority interest	5	27
	92	141

Notes to the group financial statements continued
for the year ended 28 February 2009

	2009 R millions	2008 R millions
23. FINANCIAL EXPENSE		
Recognised in profit or loss		
Interest expense on financial liabilities measured at amortised cost	295	89
Change in fair value of cash flow hedges transferred from equity	(3)	—
	292	89
Recognised directly in equity		
Net change in fair value of available-for-sale financial assets	18	—
Net effective portion of change in fair value of cash flow hedges	15	1
	33	1
<i>Recognised in:</i>		
Fair value reserve	18	—
Hedging reserve	14	1
Minority interest	1	—
	33	1
24. SHARE OF PROFITS FROM ASSOCIATES		
Attributable earnings	3	4
25. TAXATION		
25.1 Taxation charge		
Current tax		
– current year	522	591
Deferred tax		
– current year	(25)	(25)
– change in rate of taxation	—	4
Adjustment to prior years		
– current tax	(17)	—
– deferred tax	(14)	(4)
	466	566
Secondary tax on companies		
– current tax	61	54
– deferred tax	(3)	5
Income tax expense per income statement	524	625
25.2 Reconciliation of effective tax rate	%	%
South African normal tax rate	28.0	29.0
<i>Adjusted for:</i>		
Disallowable expenditure	1.6	1.0
Goodwill impaired and adjusted	1.5	1.4
Non-taxable income	(1.4)	(2.1)
Capital gains tax rate differential	(0.5)	—
Foreign tax rate differential	0.3	—
Income from associates	(0.1)	(0.1)
Temporary differences not raised	0.3	—
Change in rate of taxation	—	0.2
Prior year adjustments	(1.9)	(0.2)
	(0.2)	0.2
Secondary tax on companies	3.5	3.0
Net increase	3.3	3.2
Effective tax rate	31.3	32.2

	2009		2008	
	Gross R millions	Net of tax and minorities R millions	Gross R millions	Net of tax and minorities R millions
26. EARNINGS PER SHARE				
26.1 Reconciliation between earnings and headline earnings				
Earnings attributable to Altron equity holders		835		1 019
Adjustments for:				
Impairment of goodwill	90	87	86	50
Goodwill adjustment on utilisation of at acquisition tax losses	—	—	(2)	(2)
Deferred tax assets reversed on at acquisition tax losses	—	—	—	2
Foreign currency translation reserve released on disposal	—	—	7	4
Net (gain)/loss on disposal of businesses	(58)	(49)	1	1
Net gain on disposal of property, plant and equipment	(23)	(21)	(2)	(2)
Impairment of property, plant and equipment	12	9	—	—
Headline earnings		861		1 072
Headline earnings per share (cents)		275		375

	2009	2008
	Number of shares	Number of shares
26.2 Reconciliation of weighted average number of shares		
Issued shares at the beginning of the year (ordinary and participating preference shares)	343 207 408	310 828 840
Effect of own shares held at the beginning of the year	(30 945 344)	(30 945 344)
Effect of shares issued in April	379 947	—
Effect of shares issued in June	952 129	393 923
Effect of shares issued in August	43 735	209 830
Effect of shares issued in September	37 054	—
Effect of shares issued in December	(36 335)	143 083
Effect of shares issued in January	—	5 017 283
Effect of shares issued in February	2 126	12 422
Weighted average number of shares	313 713 390	285 660 037
26.3 Reconciliation between number of shares used for earnings per share and diluted earnings per share		
Weighted average number of shares	313 713 390	285 660 037
Dilutive options	2 140 212	3 153 490
Weighted average number of shares (diluted)	315 853 602	288 813 527
	R millions	R millions
26.4 Reconciliation between earnings attributable to Altron equity holders and fully diluted earnings are as follows:		
Earnings attributable to Altron equity holders	835	1 019
Dilutive earnings attributable to B-BBEE minorities in subsidiaries	(44)	(118)
Additional earnings attributable to dilutive options at subsidiary level	(17)	(14)
Minority interest in adjustments	8	7
Fully diluted earnings	782	894

Notes to the group financial statements continued
for the year ended 28 February 2009

		2009		2008	
		Gross R millions	Net of tax and minorities R millions	Gross R millions	Net of tax and minorities R millions
26.	EARNINGS PER SHARE <i>(continued)</i>				
26.5	Reconciliation between headline earnings attributable to Altron equity holders and fully diluted headline earnings				
	Headline earnings		861		1 072
	Dilutive earnings attributable to B-BBEE minorities in subsidiaries	(41)	(39)	(118)	(116)
	Additional earnings attributable to dilutive options at subsidiary level	(17)	(11)	(17)	(11)
	Fully diluted headline earnings		811		945
	Diluted headline earnings per share (cents)		257		327
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		861		1 072
	Amortisation of intangibles arising on business combinations	104	63	40	22
	Expenses associated with proposed purchase of minorities in subsidiaries	—	—	13	9
	IFRS 2 charge on B-BBEE transactions	—	—	3	3
			924		1 106
	Adjusted headline earnings per share (cents)		295		387
26.7	Reconciliation between diluted headline earnings and adjusted diluted headline earnings				
	Diluted headline earnings		811		945
	Amortisation of intangibles arising on business combinations	104	63	40	22
	Expenses associated with proposed purchase of minorities in subsidiaries	—	—	13	9
	IFRS 2 charge on B-BBEE transactions	—	—	3	3
			874		979
	Adjusted diluted headline earnings per share (cents)		277		339

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 that have a dilutive effect.

Fully diluted earnings and diluted headline earnings have been calculated in accordance with the methodology prescribed in 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 for the four months prior to the exercise of the said option, effective 1 July 2008.



26. EARNINGS PER SHARE (continued)

- The recognition of the deferred sale of a 30% interest in Aberdare Cables to the Izingwe Consortium based on the assumption that the outstanding purchase price will be settled in cash for R106 million (comprising the empowerment funding obligation net of excess cash deposits of R6 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 recognition of the deferred sale of a 30% interest in Altech Alcom Matomo to Platina Venture Holdings (Pty) Limited based on the assumption that the internally financed purchase price will be settled in cash of R13 million, adjusted for the dilutive effect of the option at the Altech Alcom Matomo level.
- The earnings effect of dilutive options at Allied Technologies Limited level.

	2009 R millions	2008 R millions
27. DIVIDENDS PROPOSED		
Ordinary dividend number 61 of 119 cents (2008: 156 cents per share)	122	160
Preference dividend number 15 of 119 cents (2008: 156 cents per share)	252	327
	374	487
28. COMMITMENTS		
28.1 Capital expenditure		
Contracts for capital expenditure not provided for in the financial statements	357	64
Capital expenditure authorised but not contracted for	158	47
	515	111
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	123	117
Plant, equipment and vehicles	48	54
	171	171
One to five years		
Property	330	324
Plant, equipment and vehicles	58	26
	388	350
Thereafter		
Property	50	104
Total	609	625

Notes to the group financial statements continued
for the year ended 28 February 2009

29. POST-BALANCE SHEET EVENTS

29.1 Acquisition of 100% interest in Fleetcall (Pty) Limited (Fleetcall)

Altech has signed agreements to acquire 100% of the issued share capital of Fleetcall on 1 March 2009.

The maximum purchase price is R75 million which is payable as follows in cash:

- First tranche: R40 million;
- Second tranche: R35 million payable on achievement of warranted profits.

Fleetcall is the only trunked two-way radio operator in South Africa.

29.2 Acquisition of 100% interest in Lateral Technology Concepts (Pty) Limited (Technology Concepts)

Altech has signed agreements to acquire 100% of the issued share capital of Technology Concepts on 1 April 2009.

The maximum purchase price is R45 million which is payable in cash as follows:

- Initial payment of R7.5 million; and
- The remaining maximum amount of R37.5 million to be paid in terms of an earn-out mechanism based on after tax profit targets for the years ending February 2010 and February 2011 being achieved.

Technology Concepts is an established internet technology services business and corporate internet service provider.

This acquisition enhances Altech Autopage Cellular's ability to provide data services to its voice subscribers, recognising the developing convergence of voice and data in the telecoms arena and the increasing demand for bundled services.

The purchase price allocations for each of these acquisitions will be performed during the 2010 financial year, which will identify any recognisable intangible assets and determine the quantum of any goodwill.

	Carrying amount R millions
The acquirees' balance sheets for both acquisitions at the date of the acquisitions are as follows:	
Non-current assets	11
Current assets	14
Non-current liabilities	—
Current liabilities	(10)
Net identifiable assets and liabilities	15

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.

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), Swedish krona (SEK) and Euros (Euro). 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 exchange risks. Transactions which create foreign currency cash flows are hedged with forward exchange contracts. Speculative use of financial instruments or derivatives is not permitted and none has occurred during any of the periods presented.

30. FINANCIAL RISK MANAGEMENT (continued)**30.1 Foreign currency risk** (continued)

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

	28 February 2009 Foreign amount				29 February 2008 Foreign amount		
	SEK Millions	GBP Millions	Euro Millions	USD Millions	GBP Millions	Euro Millions	USD Millions
Other investments	—	—	—	—	—	2	1
Trade and other receivables	62	—	8	54	—	7	12
Cash and cash equivalents	—	—	2	18	—	2	5
Loans	—	—	(10)	(10)	—	—	—
Trade and other payables	—	(13)	(21)	(47)	(10)	(47)	(23)
Gross balance sheet exposure	62	(13)	(21)	15	(10)	(36)	(5)
Forward exchange contracts	10	13	14	(5)	10	38	15
Net exposure	72	—	(7)	10	—	2	10

	2009		2008	
	Average rate	Closing rate	Average rate	Closing rate
The following significant exchange rates were used for the conversions of foreign operations and transactional balances:				
British pound	15.19	14.53	14.21	15.58
Euro	12.44	12.87	9.94	11.78
US dollar	8.73	10.16	7.10	7.84
Nigerian naira	0.07	0.07	0.06	0.06
Swedish krona	1.26	1.13	1.06	1.27
Kenyan shilling	0.12	0.12		

Sensitivity analysis

A 1% strengthening/weakening in the rand against the following currencies at 28 February 2009 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 2008.

The movement in other currencies are not material to the business and consequently are not elaborated on any further.

	Profit or loss strengthening R millions	Profit or loss weakening R millions
28 February 2009		
British pound	—	—
Euro	0.9	(0.9)
US dollar	(1.0)	1.0
Swedish krona	(0.8)	0.8
29 February 2008		
British pound	—	—
Euro	(0.2)	0.2
US dollar	(0.8)	0.8

Notes to the group financial statements continued
for the year ended 28 February 2009

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)

	2009		2008	
	Foreign amount Millions	Rand amount Millions	Foreign amount Millions	Rand amount Millions
British pounds	13.0	205.7	10.4	148.6
US dollars	(4.5)	(16.0)	38.4	289.1
Euros	13.7	181.6	14.5	151.8
Swedish krona	10.3	13.2	24.8	28.5
Canadian dollars	—	0.2	—	—
Swiss francs	2.7	23.7	1.8	11.8
Japanese yen	6.6	0.8	5.1	0.4
		409.2		630.2
Comprising foreign exchange contracts:				
– to pay		959.1		958.3
– to receive		(549.9)		(328.1)
		409.2		630.2
Value of contracts at mark-to-market		347.2		668.4
Derivative asset at fair value (refer to note 7)		10		48
Derivative liability at fair value (refer to note 16)		(72)		(10)
Contracts in respect of forecast transactions				
The group has entered into certain forward exchange contracts included above, which do not relate to specific items appearing on the balance sheet, but were entered into to cover foreign commitments not yet due. The contracts will be utilised for purposes of inventory procurement and sales during the following year.				
– to pay		97		110
– to receive		—		—
		97		110

30. FINANCIAL RISK MANAGEMENT (continued)**30.3 Commodity contracts**

Commodity forward contracts are entered into to hedge the variability in the price of forecast raw material purchases in respect of 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) and the fixed for floating interest rate swap arrangement referred to below:

Cash flow hedge

An interest rate swap was entered into on 3 November 2008 in which variable interest was swapped for fixed interest on R500 million of the unsecured R550 million bank loan (refer to note 13). The group hedged its interest rate risk on the bank loan by swapping the three-month JIBAR (variable rate) with a 10.51% fixed rate.

The fair value of the interest swap at year end was a R22 million liability. A net amount of R16 million has been recognised in equity as a deferred hedging loss.

Fair value sensitivity analysis

A decrease of 100 basis points on the three-month JIBAR rate at the balance sheet date would have increased the fair value liability by R7 million and decreased equity by the same amount before tax. A decrease of 100 basis points would have had an equal but opposite effect.

Liquidity analysis

The following table indicates the periods in which the cash flows associated with derivatives that are cash flow hedges are expected to occur and impact profit or loss.

	Carrying amount R millions	Expected cash flows R millions	2009		
			6 months or less R millions	6 – 12 months R millions	1 – 2 years R millions
	22	22	5	9	8

Notes to the group financial statements continued
for the year ended 28 February 2009

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 are 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 sound credit rating. Given these sound 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 central corporate treasury.

Guarantees

The group's policy is to provide financial guarantees only to wholly owned subsidiaries. At 28 February 2009 no third-party guarantees were outstanding (2008: 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:

– R3 125 million overdraft facility that is unsecured. Interest payable is linked to the prime interest rate.

30.7 Fair values

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

Cash and short-term investments

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

Available-for-sale investments

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.

Trade and other receivables/payables

The fair value of trade and other receivables/payables is estimated as the present value of future cash flows discounted at the market rate of interest at the reporting date.

Foreign currency contracts

The fair value of foreign currency 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.

30. FINANCIAL RISK MANAGEMENT (continued)**30.7 Fair values** (continued)**Interest rate swap contracts**

The fair value of interest rate swaps is based on discounted estimated future cash flows based on the terms and maturity of the contract and using market interest rates for a similar instrument at reporting 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:

	2009	2008
	11%	13%

Loans and borrowings**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:

	28 February 2009		29 February 2008	
	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	219	219
Non-current available-for-sale investments at fair value	48	48	75	75
Rental finance advances	73	73	86	86
Trade and other receivables	3 752	3 752	3 317	3 317
Assets classified as held-for-sale	34	34	—	—
Derivative assets at fair value: used for hedging	11	11	54	54
Cash and cash equivalents	2 108	2 108	2 116	2 116
Loans	(1 461)	(1 461)	(997)	(997)
Empowerment funding obligation	(112)	(100)	(172)	(157)
Bank overdraft	(928)	(928)	(33)	(33)
Trade and other payables	(4 040)	(4 040)	(3 868)	(3 868)
Derivative liability at fair value: used for hedging	(98)	(98)	(35)	(35)
Liabilities classified as held-for-sale	(28)	(28)	—	—
	(422)	(410)	762	777

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 2009 was 18.3% (2008: 24.7%).

Altron's share capital consists of 105.7 million ordinary shares and 239.7 million participating preference shares. Management does not make any distinction between the two types of equity in managing the capital of the company.

Notes to the group financial statements continued
for the year ended 28 February 2009

30. FINANCIAL RISK MANAGEMENT (continued)

30.8 Capital management (continued)

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.

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 R656 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 147), associates and joint ventures (see Annexure 1) and with its directors (see page 112) and key management personnel (refer below).

	2009 R millions	2008 R millions
31.1 Associates and joint ventures		
Sale of goods and services to joint ventures	7	6
Sale of goods and services to associates	133	93
Services received from joint ventures	18	20
Interest earned from joint ventures	—	1
Management fees earned from joint ventures	—	2
Dividends received 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 128.		
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 (Pty) Limited and Power Technologies (Pty) Limited.		
The key management personnel compensations were as follows:		
Short-term employee benefits, including salaries and bonuses	51	51
Post-employment benefits	4	3
Equity compensation benefits	8	9
	63	63

31.4 Shareholders

The principal shareholders of the company are detailed in the analyses of shareholders on page 88 of the annual report. Directors' shareholdings are detailed in the directors' report on page 128.

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 useful lives and residual values

The useful lives and residual values of property, plant, equipment and intangible assets are reviewed at each reporting date 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.

»» Business combination purchase price allocations

On completion of an acquisition management undertakes a full purchase price allocation exercise. Tangible assets and liabilities and contingent liabilities are fair valued. The business is reviewed and types of intangible assets are identified. These are then valued according to established valuation techniques applicable to the type of intangible asset. Any excess of the purchase price over the value of the business as determined above is allocated to goodwill. Independent external consultants are utilised on the larger acquisitions.

»» Impairment of assets

The impairment of goodwill is tested at least annually. A discounted cash flow valuation model is used to calculate value-in-use. Future expected cash flows are based on management forecasts, typically over a three year period, and thereafter a reasonable rate of growth is applied based on current market conditions. Discount rates used are calculated using the principles of the capital asset pricing model based on current market conditions. The resulting weighted average cost of capital is compared to industry and regional averages to ensure reasonableness.

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

»» Post-employment benefit obligations

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

The actuarial valuation method used to value the obligations is the projected unit method. The assumptions used include a discount rate, inflation rate, salary increase rate, expected rate of return on assets and a pension increase allowance.

»» Fair value of available-for-sale investments

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.

Notes to the group financial statements continued
for the year ended 28 February 2009

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 28 February 2009. These include the following standards and interpretations that are applicable to the business of the group and have not been applied in preparing these consolidated financial statements:

IFRS 2 amendment – Share-based Payment – Vesting Conditions and Cancellations

The amendments to the standard are effective for the group for the year ending 28 February 2010, with the restatement of comparatives required. The amendment to IFRS 2 clarifies 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, with no restatement of comparatives required. 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 5 – Non-current Assets Held-for-Sale and Discontinued Operations (Improvement to IFRSs 2008)

This amendment is effective for the group for the year ending 28 February 2010, with the restatement of comparatives required. IFRS 5 is amended to specify that for the sale of a subsidiary, all subsidiary assets and liabilities are classified as held-for-sale once the relevant criteria are met. In addition, the amendment requires disclosure for discontinued operations by the parent when a subsidiary meets the definition of a discontinued operation.

IFRS 7 – Financial Instruments: Disclosure

The amendments to the standard are effective for the group for the year ending 28 February 2010, with no restatement of comparatives required. The amendments to IFRS 7 focus on enhancing disclosures over fair value measurements relating to financial instruments, specifically in relation to disclosures over the inputs used in valuation techniques and the uncertainty associated with such valuations. In addition, the amendments improve the disclosure surrounding liquidity risk. The principal amendments include:

- Fair value disclosures to be presented in terms of a fair value hierarchy. The hierarchy considers the extent to which information from active markets is used in valuations;
- Maturity analysis for derivative financial liabilities does not need to be based on contractual maturities unless essential for an understanding of the timing of cash flows;
- Additional guidance is provided on the inclusion of financial guarantee contracts in the liquidity maturity analysis; and
- A maturity analysis of financial assets is required if held as part of managing liquidity risk.

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

IFRS 8 – Operating Segments

This standard is effective for the group for the year ending 28 February 2010, with the restatement of comparatives required. Segment reporting will be made based on the components of the entity that management monitors in making decisions about operating matters. Such components (operating segments) would be identified on the basis of internal reports that the entity's chief operating decision-maker reviews regularly in allocating resources to segments and in assessing their performance. Operating segments would become reportable based on threshold tests related to 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, with no restatement of comparatives required. 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, with no restatement of comparatives required. 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 and any potential future losses attributable to group minorities with deficit balances.

IAS 27 and IFRS 1 – Consolidated and Separate Financial Statements and First Time Adoption of International Financial Reporting Standards

The amendments to the standard are effective for the group for the year ending 28 February 2010, with no restatement of comparatives required. In addition to the amendments with respect to first time adoption of IFRS, IAS 27 has been revised to require the recognition of pre-acquisition dividends on investments in subsidiaries in the separate financial statements in the income statement. Additional impairment considerations have also been provided in IAS 36 – Impairment of Assets. The amendment is not expected to have a significant impact on the group's results.

Notes to the group financial statements continued
for the year ended 28 February 2009

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

IAS 28 – Investments in Associates

The amendment to the standard is effective for the group for the year ending 28 February 2010, with no restatement of comparatives required. The amendment clarifies that an investment in an associate shall be treated as a single asset for impairment testing. Therefore an impairment loss recorded by an investor after applying the equity method is not allocated against any goodwill included in the equity accounted investment balance. Such an impairment loss should be reversed in a subsequent period to the extent that the recoverable amount of the associate increases. The amendment is not expected to have a significant impact on the results of the group.

IAS 32 and IAS 1 amendments – Financial Instruments: Disclosure and Presentation 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, with no restatement of comparatives required. 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.

IAS 39 – Financial Instruments: Recognition and Measurement

The amendment to the standards is effective for the group for the year ending 28 February 2010, with the restatement of comparatives required. The amendment to IAS 39 clarifies the following in relation to hedge accounting:

- » inflation can only be designated as a hedged risk or portion if it is a contractually specified portion of the cash flows of the hedged item
- » the time value of a purchased option used as a hedging instrument may not be included as a designated component of the hedging instrument; and
- » a risk-free or benchmark interest rate portion of the fair value of a fixed-rate financial instrument will normally be separately identifiable and reliably measurable, and hence may be hedged.

This amendment is not expected to have a significant impact on the group's results.

IFRIC 9 and IAS 39 amendments – Reassessment of Embedded Derivatives

The amendments to the standards are effective for the group for the year ending 28 February 2010. These amendments require that an entity assess whether an embedded derivative is required to be separated from a host contract when the entity reclassifies a hybrid financial asset out of the fair value through profit or loss category. This amendment is not expected to have a significant impact on the group's results.

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.

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

IFRIC 16 (AC449) Hedges of a Net investment in a Foreign Operation

This interpretation is effective for the group for the year ending 28 February 2010, with no restatement of comparatives required. The interpretation applies to all entities using net investment hedging for investments in foreign operations (subsidiaries, joint ventures, associates or branches) and clarifies the following:

- » A parent entity may not designate as the hedged risk the foreign exchange differences arising from converting the functional currency of the foreign operation to the presentation currency of the group (ie an accounting exposure).
- » The hedging instrument used to hedge the net investment in a foreign operation may be held by any entity or entities within the group (except the foreign operation that itself is being hedged).
- » The hedging instrument used to hedge a net investment in a foreign operation may be a derivative or non-derivative instrument, or a combination of both.
- » On disposal of a foreign operation the cumulative gain or loss on the hedging instrument that was determined to be an effective hedge is reclassified from the foreign currency translation reserve to profit or loss in the consolidated financial statements of the parent.

This interpretation is not expected to impact the group's results significantly.

IFRIC 17 Distributions of Non-cash Assets to Owners

This interpretation is effective for the group for the year ending 28 February 2010, with no restatement of comparatives required. This interpretation gives guidance on the accounting for distributions of non-cash assets to the owners of an entity by the entity making the distribution (for example, dividends in specie). If the fair value of the assets distributed exceeds their carrying amount, that difference will be recognised in profit or loss – but only at the date of settlement. In many cases a liability for the distribution will be recognised prior to that date at the fair value of the assets to be distributed.

This interpretation is not expected to impact the group's results significantly.

AC 503 – Accounting For Black Economic Empowerment (BEE) Transactions amendments

These amendments are effective for the group for the year ending 28 February 2010, with no restatement of comparatives required. This standard has been amended to align itself with the changes to the definition of vesting conditions and the accounting treatment of non-vesting conditions in IFRS 2 – Share-based Payments. An entity should assess whether a BEE transaction includes service conditions, performance conditions or non-vesting conditions, as these would impact the recognition and measurement of the associated IFRS 2 cost. Should the BEE transaction not contain a service condition, the cost of the transaction is recognised immediately.

This interpretation is not expected to impact the group's results significantly.

AC 504 – IAS 19 (AC 116) – The Limit on a Defined Benefit Asset Minimum Funding Requirements and their Interaction in the South African Pension Fund Environment

This interpretation is effective for the group for the year ending 28 February 2010, with the restatement of comparatives required. This interpretation focuses on the application of IFRIC 14 by employers in South Africa in relation to defined benefit funds. It deals with the situation where a surplus in the fund, as determined by the actuarial valuation, is attributable, at the discretion of the trustees, to the employer company, members of the fund or a combination of both.

This interpretation is not expected to impact the group's results significantly.

IASB 2008 and 2009 annual improvements project

The amendments embodied in the IFRS 2008 improvement project are effective for the group for the year ending 28 February 2010. As part of its annual improvements project the International Accounting Standards Board (IASB) made amendments to a number of accounting standards. These amendments were primarily made to resolve conflicts and remove inconsistencies between standards, clarify the status of application guidance in standards, clarify existing IFRS requirements, as well as conforming the terminology used in standards with that used in other standards and to that more widely used. Management's assessment of the 2008 improvements has not revealed any material impact on the group's results.

The 2009 IASB annual improvements project was published on 24 April 2009 with the amendments to IFRS embodied therein being effective for the group for the year ending 28 February 2011. Management has not assessed the impact of the improvements in detail, but does not expect any significant impact on the group's results.

Notes to the group financial statements continued
for the year ended 28 February 2009

	2009 R millions	2008 R millions
34. CASH GENERATED BY OPERATIONS		
Operating profit before capital items	1 799	1 937
<i>Adjustments for:</i>		
Depreciation and amortisation	438	272
Movement in provisions and other non-cash movements	41	15
Cash generated before movements in working capital	2 278	2 224
Increase in inventories	(62)	(38)
Decrease/(increase) in trade and other receivables	13	(736)
(Decrease)/increase in trade and other payables	(183)	770
	2 046	2 220
35. DIVIDENDS RECEIVED FROM ASSOCIATES AND OTHER INVESTMENTS		
Dividends receivable at the beginning of the year	13	19
Attributable income per the income statement	16	22
Dividends receivable at the end of the year	(13)	(13)
	16	28
36. TAXATION PAID		
Amounts unpaid at the beginning of the year	(340)	(205)
Amounts charged to the income statement	(566)	(645)
Translation differences	—	2
Amounts acquired in business combinations	(26)	(29)
Amounts unpaid at the end of the year	266	340
	(666)	(537)
37. ACQUISITION OF SUBSIDIARIES		
Property, plant and equipment	(450)	(74)
Intangibles – fair value adjustment	(346)	(201)
Inventories	(208)	(59)
Trade and other receivables	(453)	(127)
Trade and other payables	447	167
Provisions	41	—
Deferred tax	95	61
Net loans	188	82
Net cash	(84)	(12)
Taxation	26	29
Goodwill arising on acquisition	(716)	(506)
Purchase consideration	(1 460)	(640)
Minority interest on acquisition	142	—
Less: Deferred purchase consideration	131	9
Less: Investment in associate applied to business combination	7	—
Less: Fair value adjustment of existing joint venture interest applied to business combination	54	—
Cash paid	(1 126)	(631)
Less: Cash acquired	84	12
	(1 042)	(619)

Refer to note 18 for details of acquisitions.



	2009 R millions	2008 R millions
38. PROCEEDS ON DISPOSAL OF SUBSIDIARY		
Property, plant and equipment	3	—
Inventories	6	—
Trade and other receivables	10	—
Trade and other payables	(2)	—
Assets classified as held-for-sale	—	19
Liabilities classified as held-for-sale	—	(15)
	17	4
Profit on disposal	58	—
Proceeds on disposal	75	4
Effective 1 April 2008, the group disposed of its investment in Yelland. The total consideration of R75 million was settled in cash.		
39. PROCEEDS ON DISPOSAL OF PROPERTY, PLANT AND EQUIPMENT		
Carrying amount	55	25
Surplus on disposal	23	2
Proceeds on disposal	78	27
40. OTHER INVESTING ACTIVITIES		
Acquisition of additional shares in existing subsidiaries	(18)	(411)
Net decrease/(increase) of loans to associates and other investments	9	(52)
Increase in investment in associates	—	(1)
	(9)	(464)
41. SUBSIDIARIES' EQUITY CONTRIBUTIONS FROM MINORITIES		
Capital introduced by minorities	234	—
	234	—