



**UNAUDITED CONSOLIDATED
INTERIM RESULTS**

for the six months ended 31 August 2011



ALTRON



ALLIED ELECTRONICS CORPORATION LIMITED
(Incorporated in the Republic of South Africa)
(Registration number 1947/024583/06)
Share code: ATN ISIN: ZAE000029658
Share code: ATNP ISIN: ZAE000029666



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Condensed consolidated statement of comprehensive income

R millions	% change	Six months ended 31 August 2011 (Unaudited)	Six months ended 31 August 2010 (Unaudited)	Year ended 28 February 2011 (Audited)
Revenue	(2)	11 513	11 724	22 810
Earnings before interest, tax, depreciation and amortisation (EBITDA)	(6)	932	988	2 099
Depreciation and amortisation		(305)	(297)	(575)
Operating profit before capital items	(9)	627	691	1 524
Capital items (Note 1)		(37)	(24)	(291)
Result from operating activities		590	667	1 233
Finance income		35	37	64
Finance expense		(64)	(72)	(163)
Share of profit from associates		-	1	2
Profit before taxation	(11)	561	633	1 136
Taxation		(190)	(171)	(390)
STC		(50)	(45)	(47)
Profit for the period	(23)	321	417	699
Other comprehensive income				
Foreign currency translation differences in respect of foreign operations		(102)	(267)	(312)
Effective portion of changes in fair value of cash flow hedges		-	8	9
Income tax on other comprehensive income		-	(2)	(2)
Other comprehensive income for the period, net of taxation		(102)	(261)	(305)
Total comprehensive income for the period		219	156	394
Profit attributable to:				
Non-controlling interest		87	123	157
Altron equity holders		234	294	542
Profit for the period		321	417	699
Total comprehensive income attributable to:				
Non-controlling interest		20	(32)	13
Altron equity holders		199	188	381
Total comprehensive income for the period		219	156	394
Basic earnings per share (cents)	(20)	74	93	172
Diluted basic earnings per share (cents)	(19)	73	90	168

Notes

R millions	% change	Six months ended 31 August 2011 (Unaudited)	Six months ended 31 August 2010 (Unaudited)	Year ended 28 February 2011 (Audited)
Headline earnings per share (cents)	(16)	83	99	228
Adjusted headline earnings per share (cents)	(15)	93	109	248
Diluted headline earnings per share (cents)	(15)	82	96	223
Adjusted diluted headline earnings per share (cents)	(13)	92	105	243

Basis of preparation

The unaudited interim financial results have been prepared in accordance with IAS 34 Interim Financial Reporting, the AC 500 series issued by the Accounting Practices Board and the JSE Listings Requirements. The accounting policies used in the preparation of these interim results are consistent with those used in the annual financial statements for the year ended 28 February 2011.

1. Capital items

Net gain on disposal of property, plant and equipment		37	2	10
Impairment of property, plant and equipment		–	–	(14)
Impairment of goodwill		(74)	(26)	(276)
Impairment of intangibles		–	–	(11)
		(37)	(24)	(291)

2. Reconciliation between attributable earnings and headline earnings

Attributable to Altron equity holders		234	294	542
Capital items – gross		37	24	291
Tax effect of capital items		3	1	–
Non-controlling interest in capital items		(13)	(7)	(114)
Headline earnings		261	312	719

3. Reconciliation between attributable earnings and diluted earnings

Attributable to Altron equity holders		234	294	542
Dilutive earnings attributable to B-BBEE non-controlling interest in subsidiaries		–	(8)	(9)
Dilutive earnings attributable to dilutive options at subsidiary level		(2)	(2)	(3)
Non-controlling interest in adjustments		–	–	1
Diluted earnings		232	284	531

4. Reconciliation between headline earnings and diluted headline earnings

Headline earnings		261	312	719
Dilutive earnings attributable to B-BBEE non-controlling interest in subsidiaries		–	(8)	(9)
Dilutive earnings attributable to dilutive options at subsidiary level		(2)	(2)	(6)
Non-controlling interest in adjustments		–	–	2
Diluted headline earnings		259	302	706

5. Reconciliation between headline earnings and adjusted headline earnings

Adjusted headline earnings have been presented to demonstrate the impact of some accounting charges and once-off costs arising on B-BBEE transactions and business combinations on the headline earnings of the group. Headline earnings are reconciled to adjusted headline earnings as follows:

Headline earnings		261	312	719
Amortisation of intangibles arising on business combinations		45	52	102
Expenses associated with B-BBEE transactions		6	–	4
IFRS 2 charge on B-BBEE transactions		4	–	7
Tax effect of adjustments		(11)	(12)	(27)
Non-controlling interest in adjustments		(12)	(9)	(22)
Adjusted headline earnings		293	343	783

6. Reconciliation between diluted headline earnings and adjusted diluted headline earnings

Diluted headline earnings		259	302	706
Amortisation of intangibles arising on business combinations		45	52	102
Expenses associated with B-BBEE transactions		6	–	4
IFRS 2 charge on B-BBEE transactions		4	–	7
Tax effect of adjustments		(11)	(12)	(27)
Non-controlling interest in adjustments		(12)	(9)	(22)
Adjusted diluted headline earnings		291	333	770

6. Reconciliation between diluted headline earnings and adjusted diluted headline earnings continued

Fully diluted earnings, diluted headline earnings and adjusted diluted headline earnings have been calculated in accordance with IAS 33 Earnings per share on the basis that:

- 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 R81 million (comprising the empowerment funding obligation), adjusted for the dilutive effect of the option price at the Aberdare level and after taking into account the 10% investment in the Izingwe Consortium by Power Technologies (Pty) Limited.
- The earnings effect of dilutive options at the Allied Technologies Limited level.

7. Acquisitions of subsidiaries

During the period the Bytes group acquired two operations, namely Security Partnerships Limited and HealthOne for an aggregate consideration of R96 million, of which R28 million is deferred.

Security Partnerships Limited is a UK-based IT security specialist providing secure IT solutions and related managed services to corporate and public sector organisations. The full issued share capital was acquired effective 1 August 2011. HealthOne is an interactive clinical record system that improves practice efficiency and profitability and allows for smooth interoperability and exchange of information within a secure, non-intrusive environment. The operations of HealthOne were acquired effective 31 May 2011.

The acquired businesses contributed revenue of R10 million and profit for the period of R1 million to the group for the period ended 31 August 2011.

If the acquisitions had occurred on 1 March 2011, group revenue and profit for the period would have increased by R49 million and R2,4 million respectively. These amounts have been calculated using the group's accounting policies.

	Recognised values	Fair value adjustments	Carrying amount
Non-current assets	–	30	30
Current assets	30	–	30
Non-current liabilities	–	(8)	(8)
Current liabilities	(16)	–	(16)
Net identifiable assets and liabilities	14	22	36
Goodwill arising on acquisition			60
Total consideration			96
less cash and cash equivalents in subsidiaries acquired			(16)
less deferred purchase consideration			(25)
Cash outflow from the group on acquisition			55

8. Acquisition of 25% shareholding of Pamodzi Investments Holdings (Pty) Limited in Altech Information Technologies (Pty) Limited

Effective 1 July 2011 the Altech group acquired the 25% shareholding of Pamodzi Investments Holdings (Pty) Limited in Altech Information Technologies (Pty) Limited, the holding company for the Altech group's information technology sub-group, for R37,5 million in cash.

This transaction will be followed shortly by a further vendor-financed empowerment transaction involving Altech IT and will include the recently acquired Swisttech operation.

9. Strategic collaboration with Intel Capital to accelerate the adoption of broadband services in Africa in the telecommunications, multimedia and IT sectors

As approved by Altech shareholders in a general meeting in July 2011, Altech entered into a strategic collaboration with Intel Capital to accelerate the adoption of broadband services in Africa in the telecommunications, multimedia and IT sectors. The transaction includes the investment by Intel Capital of US\$5 million by way of a convertible loan at a fixed interest rate, convertible into Altech ordinary shares, at Intel Capital's election, after the first anniversary thereof.

10. Disposal of 25% plus 1 share shareholding of the Altech group's interest in Altech Alcom Matomo (Pty) Limited, Altech Alcom Radio Distributors (Pty) Limited and Altech Fleetcall (Pty) Limited

The Altech group entered into an empowerment transaction by selling 25% plus 1 share of its interest in Altech Alcom Matomo (Pty) Limited, Altech Alcom Radio Distributors (Pty) Limited and Altech Fleetcall (Pty) Limited to Southern Palace Group of Companies (Pty) Limited effective 1 March 2011. The empowerment consortium acquired its shareholding for a nominal consideration.

11. Post balance sheet events

The Altech group has signed agreements to sell 25% plus 1 share of its interest in UEC's African business to Power Matla (Pty) Limited, Empower a Thousand (Pty) Limited and Epiworx Investment (Pty) Limited. This transaction became effective from 1 September 2011. The empowerment consortium acquired its shareholding in UEC's African business for a nominal consideration.

Effective 1 September 2011 the Altech group acquired 100% of the issued share capital of Eyenza Mobile Money (Pty) Limited (Eyenza) for a nominal amount. Eyenza is a wallet based, mobile money payments system that is targeted at the unbanked population of South Africa and Africa.

The Altech group signed agreements with SetOne GmbH in August 2011 to acquire 80% of the shares in the company for a maximum purchase price of €3,96 million. €2,0 million is payable in cash upon fulfilment of the conditions precedent, which at reporting date were still outstanding, and the balance of €1,96 million is payable in terms of an earn-out over three years. Subsequently, the Altech Board approved the exercise of a call option to purchase the remaining 20% of the shares on the same basis as the initial 80%. The total maximum purchase price for 100% of the shares in the company is €4,95 million. SetOne specialises in the manufacturing, repair and servicing of digital video broadcasting set-top box receivers.

The Powertech group entered into a joint venture with EnerSys, the global leader in stored energy solutions for industrial applications, by selling 50,1% of its industrial battery business incorporating Battery Technologies, Rentech and Willard Industrial Division to EnerSys. The transaction was effective on 3 October 2011.

Condensed consolidated balance sheet

R millions	31 August 2011 (Unaudited)	31 August 2010 (Unaudited)	28 February 2011 (Audited)
Assets			
Non-current assets	5 259	5 719	5 329
Property, plant and equipment	2 370	2 466	2 413
Intangible assets including goodwill	2 229	2 606	2 274
Associates	9	10	10
Other investments	232	254	235
Rental finance advances	73	48	61
Loans receivable	137	130	134
Deferred taxation	209	205	202
Current assets	7 019	6 647	7 090
Inventories	2 386	2 098	2 336
Trade and other receivables	3 626	3 276	3 373
Cash and cash equivalents	1 007	1 273	1 381
Total assets	12 278	12 366	12 419
Equity and liabilities			
Total equity	6 011	6 078	6 314
Non-current liabilities	1 215	908	1 020
Loans	968	541	758
Empowerment funding obligation	60	82	72
Provisions	15	13	23
Deferred income	47	96	46
Deferred taxation	125	176	121
Current liabilities	5 052	5 380	5 085
Loans	410	813	481
Empowerment funding obligation	21	13	17
Bank overdraft	390	299	128
Trade and other payables	3 961	3 886	4 049
Provisions	186	184	164
Taxation payable	84	185	246
Total equity and liabilities	12 278	12 366	12 419
Net asset value per share (cents)	1 590	1 477	1 607

Condensed consolidated statement of cash flows

R millions	Six months ended 31 August 2011 (Unaudited)	Six months ended 31 August 2010 (Unaudited)	Year ended 28 February 2011 (Audited)
Cash flows (utilised in)/from operating activities	(435)	320	1 077
Cash generated by operations	926	1 013	2 114
Changes in working capital	(394)	31	(57)
Net finance expense	(29)	(45)	(96)
Taxation paid	(415)	(230)	(419)
Cash available from operating activities	88	769	1 542
Dividends paid, including to non-controlling interests	(523)	(449)	(465)
Cash flows utilised in investing activities	(310)	(395)	(686)
Cash flows from/(utilised in) financing activities	113	(108)	(307)
Net (decrease)/increase in cash and cash equivalents	(632)	(183)	84
Net cash and cash equivalents at the beginning of the period	1 253	1 174	1 174
Effect of exchange rate fluctuations on cash held	(4)	(17)	(5)
Net cash and cash equivalents at the end of the period	617	974	1 253

Operational contribution

R millions	% change	Six months ended 31 August 2011 (Unaudited)	%	Six months ended 31 August 2010 (Unaudited)	%	Year ended ended 28 February 2011 Unaudited	%			
Revenue										
Altech	1	4 828	42	4 788	41	9 651	42			
Bytes	(6)	2 961	26	3 146	27	6 067	27			
Powertech	(2)	3 732	32	3 797	32	7 114	31			
Corporate, financial services and eliminations		(8)	–	(7)	–	(22)	–			
	(2)	11 513	100	11 724	100	22 810	100			
Operating profit*										
Altech	(18)	296	47	361	52	787	52			
Bytes	24	196	31	158	23	378	25			
Powertech	(19)	140	22	173	25	348	23			
Corporate and financial services		(5)	–	(1)	–	11	–			
	(9)	627	100	691	100	1 524	100			
Headline earnings										
	% held at 31 August 2011			% held at 31 August 2010		% held at 28 February 2011				
Altech	61.5	(24)	93	36	61.5	123	39	61.5	292	41
Bytes	100.0	28	109	42	100.0	85	27	100.0	208	29
Powertech	100.0	(41)	54	20	100.0	91	30	100.0	187	26
Corporate and financial services	100.0		5	2	100.0	13	4	100.0	32	4
		(16)	261	100		312	100		719	100

* Operating profit is stated before capital items

Condensed consolidated statement of changes in equity

R millions	Attributable to Altron equity holders						Non-controlling interest	Total equity
	Share capital and premium	Treasury shares	Reserves	Retained earnings	Total			
Balance at 28 February 2010 (audited)	2 236	(299)	(1 259)	4 067	4 745	1 610	6 355	
Total comprehensive income for the period								
Profit for the period	–	–	–	294	294	123	417	
Other comprehensive income								
Foreign currency translation differences in respect of foreign operations	–	–	(112)	–	(112)	(155)	(267)	
Effective portion of changes in fair value of cash flow hedges	–	–	6	–	6	–	6	
Total other comprehensive income	–	–	(106)	–	(106)	(155)	(261)	
Total comprehensive income for the period	–	–	(106)	294	188	(32)	156	
Transactions with owners, recorded directly in equity								
Contributions by and distributions to owners								
Dividends to equity holders	–	–	–	(284)	(284)	(165)	(449)	
Issue of share capital	3	–	–	–	3	–	3	
Share-based payment transactions	–	–	12	–	12	1	13	
Total contributions by and distributions to owners	3	–	12	(284)	(269)	(164)	(433)	
Total transactions with owners	3	–	12	(284)	(269)	(164)	(433)	
Balance at 31 August 2010 (unaudited)	2 239	(299)	(1 353)	4 077	4 664	1 414	6 078	
Total comprehensive income for the period								
Profit for the period	–	–	–	248	248	34	282	
Other comprehensive income								
Foreign currency translation differences in respect of foreign operations	–	–	(56)	–	(56)	11	(45)	
Effective portion of changes in fair value of cash flow hedges	–	–	1	–	1	–	1	
Total other comprehensive income	–	–	(55)	–	(55)	11	(44)	
Total comprehensive income for the period	–	–	(55)	248	193	45	238	
Transactions with owners, recorded directly in equity								
Contributions by and distributions to owners								
Dividends to equity holders	–	–	–	–	–	(16)	(16)	
Issue of share capital	2	–	–	–	2	4	6	
Share-based payment transactions	–	–	2	–	2	6	8	
Total contributions by and distributions to owners	2	–	2	–	4	(6)	(2)	
Changes in ownership interests in subsidiaries								
Introduction of non-controlling interests	–	–	214	–	214	(214)	–	
Total changes in ownership interests in subsidiaries	–	–	214	–	214	(214)	–	
Total transactions with owners	2	–	216	–	218	(220)	(2)	

R millions

Attributable to Altron equity holders

	Share capital and premium	Treasury shares	Reserves	Retained earnings	Total	Non- controlling interest	Total equity
Balance at 28 February 2011 (audited)	2 241	(299)	(1 192)	4 325	5 075	1 239	6 314
Total comprehensive income for the period							
Profit for the period	–	–	–	234	234	87	321
Other comprehensive income							
Foreign currency translation differences in respect of foreign operations	–	–	(35)	–	(35)	(67)	(102)
Total other comprehensive income	–	–	(35)	–	(35)	(67)	(102)
Total comprehensive income for the period	–	–	(35)	234	199	20	219
Transactions with owners, recorded directly in equity							
Contributions by and distributions to owners							
Dividends to equity holders	–	–	–	(341)	(341)	(182)	(523)
Issue of share capital	2	–	–	–	2	1	3
IFRS 2 charge on B-BBEE transactions	–	–	3	–	3	1	4
Share-based payment transactions	–	–	10	–	10	3	13
Total contributions by and distributions to owners	2	–	13	(341)	(326)	(177)	(503)
Changes in ownership interests in subsidiaries							
Introduction of non-controlling interest	–	–	63	–	63	(63)	–
Buy-back of non-controlling interest	–	–	11	–	11	(30)	(19)
Total changes in ownership interests in subsidiaries	–	–	74	–	74	(93)	(19)
Total transactions with owners	2	–	87	(341)	(252)	(270)	(522)
Balance at 31 August 2011 (unaudited)	2 243	(299)	(1 140)	4 218	5 022	989	6 011

Supplementary information

R millions	31 August 2011 (Unaudited)	31 August 2010 (Unaudited)	28 February 2011 (Audited)
Borrowings	1 459	1 449	1 328
– interest bearing	1 111	1 007	970
– non-interest bearing	267	347	269
– B-BBEE funding obligation	81	95	89
Depreciation	188	197	385
Amortisation	117	100	190
Net foreign exchange losses	8	27	36
Capital expenditure	259	361	648
Capital commitments	156	137	163
Lease commitments	794	681	777
Payable within the next 12 months:	196	185	217
– property	151	136	156
– plant, equipment and vehicles	45	49	61
Payable thereafter:	598	496	560
– property	551	449	456
– plant, equipment and vehicles	47	47	104
Unlisted investments (including associates)			
– Carrying amount	241	264	245
– Directors' valuation	241	267	246
Weighted average number of shares (millions)	316	316	316
– Ordinary shares	102	102	102
– Participating preference shares	214	214	214
Diluted average number of shares (millions)	317	316	317
Shares in issue at end of period (millions)	316	316	316
– Ordinary shares	102	102	102
– Participating preference shares	214	214	214
Ratios			
EBITDA margin %	8.1	8.4	9.2
ROCE %	16.8*	18.4*	19.9
ROE %	9.9*	12.9*	13.6
ROA %	11.7*	13.2*	14.6
RONA %	16.8*	18.2*	20.0
Borrowings ratio	24.3	23.8	21.0
Current ratio	1.4:1	1.2:1	1.4:1
Acid test ratio	0.9:1	0.8:1	0.9:1

* Annualised

Segment analysis

The segment information has been prepared in accordance with IFRS 8 – operating segments which defines the requirements for the disclosure of financial information of an entity's operating segments.

The standard requires segmentation based on the group's internal organisation and reporting of revenue and operating income based upon internal accounting presentation.

The segment revenues and earnings before interest, tax, depreciation and amortisation (EBITDA) generated by each of the group's reportable segments are summarised as follows:

R millions	Revenue			EBITDA		
	Six months to 31 August 2011	Six months to 31 August 2010	12 months to 28 February 2011	Six months to 31 August 2011	Six months to 31 August 2010	12 months to 28 February 2011
Powertech Cables group	2 026	2 072	3 904	26	105	162
Powertech Transformers group	796	726	1 305	110	82	212
Other Powertech segments	910	999	1 905	97	80	165
Powertech group	3 732	3 797	7 114	233	267	539
Bytes Technology group UK Software	553	997	1 664	22	34	47
Bytes Document Solutions group	1 007	1 017	2 036	92	90	201
Other Bytes segments	1 401	1 132	2 367	132	83	226
Bytes group	2 961	3 146	6 067	246	207	474
Altech Autopage Cellular	2 997	2 819	5 855	130	112	296
Altech UEC group	461	544	1 145	44	37	82
Altech Netstar group	498	473	944	191	163	331
Altech Converged Services (International)	173	258	426	20	101	131
Other Altech segments	699	694	1 281	71	94	232
Altech group	4 828	4 788	9 651	456	507	1 072
Corporate and financial services	28	30	46	(3)	7	14
Inter segment revenue	(36)	(37)	(68)			
Altron group	11 513	11 724	22 810	932	988	2 099
	Six months to 31 August 2011	Six months to 31 August 2010	12 months to 28 February 2011			
Segment EBITDA can be reconciled to group operating profit before capital items as follows:						
Segment EBITDA	932	988	2 099			
Reconciling items:						
Depreciation	(188)	(197)	(385)			
Amortisation	(117)	(100)	(190)			
Group operating profit before capital items	627	691	1 524			

Message to shareholders

The Altron financial results for the six months ended 31 August 2011 are reported in an integrated manner in accordance with the G3 Guidelines of the Global Reporting Initiative (GRI) as recommended by King III, reflecting those issues that are applicable and which materially affect or contribute to the sustainable development of Altron in terms of its financial and non-financial performance.

The results of the group for the interim period ended 31 August 2011 are a reflection of the challenging environment in which many South African businesses are currently operating. Altron's revenue declined marginally when compared to the previous interim period, decreasing by 2% to R11.5 billion. Earnings before interest, tax, depreciation and amortisation (EBITDA) decreased by 6% to R932 million compared to the corresponding period in August 2010. Within the group, Bytes delivered a strong performance with most of its operations achieving good growth, while both Altech and Powertech experienced more challenging conditions. Consequently, Altron reported a 13% decrease in adjusted diluted headline earnings per share.

External factors

While the South African economy started the year positively, recording healthy growth rates in the first quarter, there was a marked slowdown in the growth rate in the second quarter which looks set to continue into the third quarter. Since the start of the third quarter there has been a great deal of volatility in the financial markets, making it very difficult to forecast economic prospects. It is evident that the performance of the South African economy remains closely linked to that of the global economy.

In addition to the macroeconomic factors, trading conditions were also impacted by the higher than normal number of public holidays in April as well as the recent strike action. The group was directly impacted by the two week Metalworkers strike at many of the Powertech operations and certain of the Bytes and Altech businesses.

Despite interest rates remaining at multi-year lows during the period under review, the building and construction sector continued to show no signs of recovery. However, demand in the electrical infrastructure market remained relatively strong, led by spending by Eskom and certain municipalities. Parastatals, in particular, are providing encouraging support to locally based manufacturing operations. During this period, commodity prices remained firm, though the Rand/copper price fell slightly from its February highs. Post the reporting period there was significant volatility.

The telecommunications sector in South Africa continues to evolve slowly, with voice showing a degree of resilience (but the real growth area being the data market). However, pricing in the data market was under pressure over the last year with rapid declines in data package pricing in both the mobile and ISP spaces. The telecommunications market in East Africa saw prices stabilise following an eighteen month period of rapid price drops. Nevertheless, it remains a highly competitive space and a fast changing environment, but with good medium- to long-term prospects.

The set top box industry has received a draft specification for the digital terrestrial television set top box (STB) from government, with the first orders expected in early 2012. Nevertheless, the analogue signal will be switched off in 2013 and the South African market of nine million households will have to be upgraded at or before that time.

The information technology market continued to show good growth, particularly in the retail and financial services sectors with both of these sectors undergoing significant technology refresh programmes which presents business opportunities, although the competition for these is intense.

Throughout the period under review the Rand traded within a relatively stable band, which provided businesses with a greater degree of certainty. At levels of R7 to the US Dollar the Rand provided challenges to South African industry in terms of export markets as well as opening up local markets to international competition. However, post the reporting period the local currency became significantly more volatile and weakened substantially.

Financial overview

Income

As indicated, Altron's revenue decreased marginally by 2% to R11.5 billion from R11.7 billion, with EBITDA decreasing by 6% to R932 million from R988 million reflecting an EBITDA margin of 8.1%, down from the previous 8.4%. Headline earnings per share decreased by 16% to 83 cents, while adjusted diluted headline earnings per share decreased by 13% to 92 cents.

Net interest costs decreased to R29 million from R35 million in the previous period as a result of lower average borrowings throughout the period. Capital items increased due to the impairment of goodwill at Altech East Africa and Bytes' Nor Paper, partially offset by a R37 million profit realised on the sale of an Altech property. The net effect of the aforementioned resulted in the consolidated profit before tax reducing by 11% to R561 million.

Profit after tax decreased by 23% to R321 million compared to the previous period as a result of a higher effective tax rate and an increased STC charge on the higher dividends paid. This translated into a 16% decrease in headline earnings per share given the impact of the capital items as well as a proportionately lower allocation to non-controlling interests, primarily due to the reduced performance out of the Altech group.

Diluted adjusted headline earnings per share decreased by 13% with the difference between this line item and headline earnings per share being attributable to various once off transaction costs and the reduced dilutive effect of the B-BBEE structure at Aberdare Cables.

Cash management

Cash generated by operations of R926 million is slightly down on the comparative period as a result of the lower profitability levels. However, our investment in working capital since the year end increased by R394 million due to higher levels of receivables, primarily on stronger August sales, as

well as continued high inventory levels at a number of operations within Powertech and Bytes. Cash outflows on taxation were considerably higher than in previous periods as a result of timing differences on the payment of provisional taxes.

Investing activities, which principally related to capital expenditure, were down on the prior year at R310 million. Since 1 March 2011, Altech, predominantly through East Africa, incurred capital expenditure of R87 million, while there was a further R78 million of capital expenditure within the Powertech group related to the rationalisation of the Aberdare Cables operations as well as the capital expenditure programme at Powertech Transformers.

The R113 million of cash raised from financing activities is predominantly due to the new local financing in Altech East Africa, offset by some repayments in the Bytes group.

Subsidiary review

Subsidiary income and growth

Altech revenue increased by 1% to R4.8 billion on prior year levels and EBITDA declined by 10% to R456 million with the EBITDA margin reducing from 10.6% to 9.4%. Headline earnings per share reduced by 24%, while diluted adjusted headline earnings per share reduced by 20%. This decline was driven by disappointing performances out of Altech East Africa, Altech West Africa and Altech Technology Concepts, off-set to an extent by the majority of the remaining business units performing well.

Altech Autopage Cellular increased revenue by 6%, and saw a pleasing 16% increase in EBITDA compared to the prior period. The increase in revenue was due to higher Value Added Services (VAS) fees and prepaid voucher sales, while the improved margins emanated from the non-recurrence of the subscriber clean-up of last year. The total subscriber base is marginally in excess of 1 million with the data subscriber base now exceeding 100,000 with revenue from data services growing by 21%. Average revenue per user (ARPU) has reduced to R372 from R389 in the prior year due to new products being released by the networks at lower prices as well as discounted tariffs on data in an increasingly competitive market.

Altech Technology Concepts experienced a challenging first six months of the year as revenue growth took longer than anticipated to materialise and lower local bandwidth prices compounded this. Nevertheless, Altech Technology Concepts is making good progress in increasing annuity revenue streams and is aligning itself to Altech Autopage Cellular to exploit opportunities in its customer base.

The Altech Netstar group achieved revenue growth of 5%, primarily due to an increase in the subscriber base at the fleet management business. EBITDA increased by 17% over the prior period as a result of cost saving measures put in place at the end of the last financial year as well as improved profitability in the fleet management business. The stolen vehicle recovery business continued to perform well and is looking to expand its product range into insurance telematics through its partnership with Octo Telematics.

Altech UEC's revenue decreased by 15% but EBITDA increased by 19% compared to the prior period as a result of production efficiencies and an improved product mix in the latter part of the reporting period. The GDL (repairs) business continued to perform well, both locally and in Australia, while the MediaVerge side of the business, which is focused on software design and development, showed improved results.

Arrow Altech continued to perform exceptionally well, increasing revenue by 24% and EBITDA by 22% predominantly as a result of increasing market share.

The Altech IT group marginally improved revenue by 1% but EBITDA declined by 30% primarily as a result of the under performance of the West African business which was affected by low demand of pre-paid vouchers resulting from the continued over stocking by a large customer, and changes in the Nigerian regulatory model which delayed its diversification into bank card production. Altech Isis grew revenue and profit, and much focus is going into further diversifying its customer base. Altech Card Solutions continues to perform well on the back of good EFTPOS terminal sales, as well as good progress on the e-Security product ranges. The recent acquisition of Eyenza, a mobile money transacting technology platform, will broaden the business's financial transacting product offering to its customer base. Altech Swisttech, a new acquisition, made a positive contribution and has a number of good opportunities outside of its traditional customer base.

The Altech Converged Services International group experienced a difficult first half of the year, with revenue declining by 33% and EBITDA by 80%. A fast changing operating environment resulted in a rapid decline in bandwidth prices which stabilised during the reporting period at significantly lower levels than the comparative period. An extremely disappointing operational performance was further hampered by foreign exchange losses due to the Kenyan Shilling's 11% depreciation against the US Dollar during the period. The business suffered from delays in network roll-out projects and there was insufficient focus on the quality and revenue generating capability in the selection of those projects. A new management team has been appointed to simplify the business and focus on network quality and roll-out in order to drive the top line of the business.

Bytes reported good results despite revenue decreasing by 6% to just under R3 billion. EBITDA improved by 19% to R246 million with the EBITDA margin improving from 6.6% to 8.3%. If the impact of the prior year's National Health Services (NHS) contract in the UK business is removed, revenue increased by 9% and EBITDA by 26%. Headline earnings for the Bytes group improved by 28% to R109 million.

Bytes Document Solutions' South African operations saw revenue marginally down by 2% on the prior year with EBITDA down 4%. The core Xerox business continued to perform well, maintaining its market leadership position in its key focus areas. However, Nor Paper and LaserCom both underperformed due to high inventory levels, management changes and some loss of market share. Both businesses are the subject of turnaround plans to return them to acceptable profitability levels.

Bytes Managed Solutions produced an exceptional performance with significantly higher NCR equipment sales positively influencing revenue and EBITDA which both increased by 42% from the prior period. The business was also assisted by the improved performance of the Retail ATM business as well as some key wins in the retail industry at the beginning of the year.

Bytes Systems Integration increased revenue by 13% and EBITDA by 23%, benefiting from the pipeline that was evident at the end of the previous financial year, as well as some new contracts in the networking environment with Mondi and SAB Limited.

Bytes Connect increased revenue by 2% and EBITDA by 24% reflecting a strong outsource business and stable networking and contact centre businesses, with the legacy Intellecta business showing a much improved performance.

Bytes Healthcare Solutions increased revenue by 3% and EBITDA by 2%, preserving its strong operating margins and benefiting from the additional revenue from the Discovery Health pharmacy business.

The Bytes UK operations saw an expected 38% decline in revenue and 17% decline of EBITDA due to the conclusion of the NHS contract in the Microsoft licensing business. If these effects are removed, revenue increased by 2% and EBITDA by 4.3%. The Document Solutions side of the business returned to profitability with a strong first half, and the Software Services business continued to perform well, while remaining focused on diversifying away from its dependence on Microsoft. On 1 August 2011, Bytes UK concluded an acquisition of Security Partnerships Limited, a business that distributes security software that will work closely with the existing Software Services business.

Powertech revenue declined marginally by 2% to R3.7 billion. EBITDA however reduced by 13% to R233 million with the EBITDA margin reducing from 7.1% to 6.2%. Headline earnings for the Powertech group declined by 41% due to a significantly increased effective tax rate as well as a proportionately higher minority interest. The decline in profitability of the Powertech group can predominantly be attributed to the performance of the Powertech Cables group which was negatively impacted by the difficult market conditions in Iberia, the continued subdued state of the building and construction industry and the two week Metalworkers strike in July 2011. As a result of these factors, the Powertech Cables group experienced a 2% contraction in revenue and a 76% decrease in EBITDA. Pricing in the local power cables market continued to be a challenge, but progress was made in stabilising prices at higher levels during the period. The performance in Iberia, which had a significant impact on profitability during the period, is expected to improve in the second half as activity picks up on the British Telecom contract that was secured last year.

Powertech Transformers produced a pleasing 10% increase in revenue and an exceptional 36% growth in EBITDA on the back of increased capital expenditure by Eskom and the award of certain municipal tenders. While the power division performed extremely well during the period, the business also saw a marked pick-up in activity in the distribution division, returning that division to more acceptable profitability levels.

The Powertech Batteries group increased revenue by 5% and EBITDA by 13% compared to the prior period. Automotive batteries experienced high demand over the winter months and also benefited from a key competitor's inability to supply the market for a number of months. Profitability continued to improve as the factory benefited from the increased levels of automation. The Industrial Battery division saw some recovery but further improvement, particularly in the telecoms and mining industries, is expected as they enter a new replacement cycle. Battery Technologies remained under pressure during the period. The Batteries group entered into a joint venture with EnerSys, a global leader in stored energy solutions for industrial applications, by selling 50.1% of the Industrial Battery business, incorporating Battery Technologies, Rentech and Willard Industrial Division to EnerSys. The transaction was effective post the reporting period, on 3 October 2011.

The Powertech Industrial group saw a 35% reduction in revenue and 29% reduction in EBITDA driven by the continued low building activity which resulted in poor demand for wiring accessories and a significant decline in the stand-by power market.

Powertech System Integrators experienced an encouraging 26% increase in revenue over the prior year and doubling of EBITDA, primarily reflecting an upturn in the performance of Powertech IST. IST benefited from the continued delivery of a large Mobility contract, which in total was worth some R250 million as well as good performances out of the Otokon (energy management) and Energy businesses. This projects-based business benefited from a pick-up in fixed investment.

Corporate activity

The following transactions were concluded during the six month period under review:

- With effect from 1 March 2011, Altech entered into an agreement in respect of a broad-based black economic empowerment transaction whereby the Southern Palace Group of Companies acquired an effective 25% plus one equity shareholding in a new company which had been incorporated as the holding company of the South African operations of Altech Alcom Matomo, Altech Alcom Radio Distributors and Altech Fleetcall.
- Altech acquired the 25% equity interest of Pamodzi Investment Holdings (Pty) Limited in Altech Information Technologies (Pty) Limited, the holding company for Altech's information technology sub-group, effective 1 July 2011. The purchase price for the interest concerned was R37.5 million, payable in cash and the shares were acquired ex the dividend for the last financial year. Negotiations are currently underway for a further vendor-financed empowerment transaction, for this sub-group.
- As approved by Altech shareholders in a general meeting in July 2011, Altech entered into a strategic collaboration with Intel Capital to accelerate the adoption of broadband services in Africa in the telecommunications, multimedia and IT sectors. The transaction includes the investment of Intel Capital of US\$5 million by way of a convertible loan at a fixed interest rate, convertible into Altech ordinary shares, at Intel Capital's election, after the first anniversary thereof.

- With effect from 1 August 2011, Bytes Software Services in the UK acquired 100% of the issued share capital of Security Partnership Limited, a company involved in the distribution of security software, for an upfront payment of £5 million, with the balance of £2 million being paid on achievement of certain earn-outs over the next two years.

Subsequent to the six month reporting period, agreement has been reached on the following transactions:

- Altech acquired 100% of the equity in Eyenza Mobile Money (Pty) Limited, an e-wallet based payments system, for a nominal amount. The transaction is effective 1 September 2011.
- With effect from 1 September 2011, Altech entered into an agreement in respect of a broad-based black economic empowerment transaction whereby a consortium led by Power Matla acquired an effective 25% plus one share equity holding in Altech UEC's African operations. The total value of the assets involved in this transaction was R509 million. Altech UEC's international business and intellectual property rights have been wholly retained by Altech.
- Powertech entered into a JV with EnerSys, by selling 50.1% of its industrial battery business incorporating Battery Technologies, Rentech and Willard Industrial Division to EnerSys. The transaction was effective on 3 October 2011.
- Altech acquired 100% of SetOne GmbH, a Germany-based supplier of digital video broadcasting (DVB) based products and solutions company. The acquisition involves an immediate cash outlay of approximately €2.52 million, followed by three annual payments totalling a maximum of approximately €2.43 million, linked to the achievement of specified profit levels by SetOne. The transaction is expected to be finalised in October 2011.

Transformation

Altron's progress in terms of its broad-based black economic empowerment targets is ahead of schedule with the Altron group having achieved its Transformation Vision 2012 targets a year in advance. The recent verifications provided by rating agencies confirmed Bytes as a level 2 contributor and both Powertech and Altech as level 3 contributors, resulting in a consolidated scorecard for Altron as a level 3 contributor. The group's strategy in terms of transformation beyond 2012 is currently being formulated, with the focus being on, among others, the nurturing and development of its leadership and employees in order to create a sustainable workforce representative of the demographics of South Africa.

The environment

Altron continued to expand and build on its various environmental and sustainability initiatives, which were co-ordinated and championed by the recently established sustainability department led by a group sustainability manager.

During the period, Altron participated in two global environmental initiatives namely the Carbon Disclosure Project (CDP) and the CDP Water Disclosure Project. It also compiled a sustainability reference manual containing, among others, environmental guidelines for the group.

A workshop was held for the group's senior management and executives to identify initiatives in order to reduce Altron's water and waste footprint and set its three year reduction targets for waste and water. In addition, the workshop also assessed the group's progress in terms of achieving its carbon reduction targets set in January 2011.

Corporate governance

The Altron group continues to enhance its governance structures and processes in accordance with international best practice and the recommendations set out in King III. During the review period, the board was further strengthened by the appointment of additional non-executive directors. Aside from having a non-executive chairman and lead independent director, 11 of the 16 directors on the Altron board are non-executive directors of whom eight are classified as independent directors. Further to our SENS announcement published in May 2010, we continue to co-operate with the Competition Authorities regarding their investigations into alleged prohibited practices by Aberdare Cables and other competitors in the power cable market.

Outlook

In this difficult environment, the group will continue to concentrate on the basics of cost control and working capital management. The group's increasing emphasis is on growing the top line which is a prerequisite for a return to profitable growth after having effected significant cost reductions in the business over the previous two years.

Altech will continue to focus on the recovery of its East African operations and enhancing the performance of its strong South African operations. Bytes is well placed to further benefit from the expanding corporate IT spend and to build on the strong base created during the previous financial year. Powertech, having undertaken numerous cost reduction programmes, is well poised to benefit from a recovery in the building and construction industry. However, the timing of this recovery is uncertain. In the meantime, it will continue to focus on improving operational efficiencies and increasing tendering activity into Africa.

The group will seek to grow revenue and profitability through a combination of local organic growth, expansion into African markets and exploring potential acquisition opportunities. A decline in the global economy could, however, have an effect on the group's growth.

Directorate

On Friday, 15 July 2011, Mr David Redshaw, a non-executive director of Altron and the past chief executive officer of the Bytes group, passed away tragically, following a short illness.

After 17 years of service as an executive director of Altron, Mr Peter Curle retired as an executive director of the company and was appointed as a non-executive director of Altron with effect from 21 July 2011.

Shareholders are referred to the SENS announcement published by Altron on 2 August 2011 advising that with effect from 1 August 2011, Mr Simon Susman and Mr Rob Abraham had been appointed as an independent non-executive director and executive director of Altron respectively. Simon is currently the non-executive deputy chairman of Woolworths South Africa and Rob is the present chief executive officer of the Bytes group.

Acknowledgements

The board would like to express its appreciation to all of its customers, staff, business partners, shareholders and other stakeholders for their support during the past year and for their continued belief in the future sustainability of the group and its strong underlying businesses.

On behalf of the board

Dr Bill Venter

Chairman

4 October 2011

Robert Venter

Chief Executive

Alex Smith

Chief Financial Officer

Corporate information

Board of directors

Independent non-executive:

Mr NJ Adami
Mr MJ Leeming
Dr PM Maduna
Ms BJM Masekela
Ms DNM Makhobo
Mr JRD Modise
Mr SN Susman
Mr PL Wilmot

Non-executive:

Dr WP Venter (Chairman)
Mr MC Berzack
Mr PMO Curle*

Executive:

Mr RE Venter (Chief Executive)
Mr RJ Abraham
Mr N Claussen,
Mr AMR Smith*
Mr CG Venter
*British

Secretaries:

Altron Management Services (Pty) Limited – Mr AG Johnston (Group Company Secretary)

Sponsor:

Investec Bank

**The unaudited consolidated interim results
are also available on the internet at
www.altron.com**



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