altron

2017 ANNUAL FINANCIAL STATEMENTS

FOR THE YEAR ENDED 28 FEBRUARY 2017

CONTENTS

ALLIED ELECTRONICS CORPORATION LIMITED

(Registration number 1947/024583/06)
(Incorporated in the Republic of South Africa)
Share code: AEL ISIN: ZAE000191342

The annual financial statements of Allied Electronics Corporation Limited have been audited in compliance with Section 30 of the Companies Act.

Mr Alex Smith, CA, Chief Financial Officer, was responsible for the supervision of the preparation of the financial statements.

These annual financial statements for the year ended 28 February 2017 were published on 14 June 2017.

DIRECTORS' REPORT

To the shareholders of Allied Electronics Corporation Limited (Altron)

The directors hereby submit the annual financial statements of the Altron group and company for the year ended 28 February 2017.

NATURE OF BUSINESS

Altron is an investment holding company. Its principal subsidiaries, Altron TMT Holdings Proprietary Limited (incorporating Altech and Bytes) and Power Technologies Proprietary Limited ("Powertech"), are invested in the telecommunications, multi-media, information technology and power electronics industries.

FINANCIAL RESULTS

Particulars of the Altron group attributable earnings and earnings per share for the year ended 28 February 2017 are given in the statement of comprehensive income, whilst particulars of the Altron group headline earnings per share for the year ended 28 February 2017 are given in note 24 of the financial statements.

Full details of the financial position and results of the Altron group are set out in these financial statements.

DIVIDENDS

At an Altron board meeting held on 10 May 2017, the board resolved not to declare and pay any dividends in respect of the financial year ended 28 February 2017.

SUBSIDIARIES, ASSOCIATE COMPANIES AND OTHER INVESTMENTS

Particulars of the principal subsidiaries of the Altron group are given in note 2 of the separate company financial statements and Annexure 1 of the group financial statements, whilst particulars of the associate companies, joint ventures and other investments are provided in Annexure 1 of the group financial statements.

CORPORATE ACTIVITY DURING THE YEAR

DISPOSAL OF THE ABERDARE GROUP

Effective 30 June 2016, Power Technologies disposed of 75% of its 70% equity interest in Aberdare Cables. Aberdare International also disposed of 100% of its equity interest in Aberdare Europe. This operation formed part of the Powertech group, which has been disclosed as a discontinued operation. The disposal did not include the group's 50% shareholding in the CBI Telecom Cables joint venture. As part of the transaction the group has a put option to the acquirer of Aberdare Cables. This put option is fixed at the same value as the initial transaction and can be exercised two years after the conclusion of a new BBBEE structure, which was finalised on 1 March 2017. The remaining interest in the Aberdare group is included in other investments on the group balance sheet.

DISPOSAL OF 100% INTEREST IN STRIKE TECHNOLOGIES, A DIVISION OF POWERTECH SYSTEM INTEGRATORS (PTY) LTD

Effective 30 June 2016, Powertech System Integrators disposed of its Strike Technologies division for R16 million. This operation formed part of the Powertech group, which has been disclosed as a discontinued operation.

DISPOSAL OF 100% INTEREST IN TECHNOLOGY INTEGRATED SOLUTIONS ("TIS"), A DIVISION OF POWERTECH SYSTEM INTEGRATORS (PTY) LTD

Effective 30 November 2016, Powertech System Integrators disposed of its TIS division for R27 million. This operation formed part of the Powertech group, which has been disclosed as a discontinued operation.

CORPORATE ACTIVITY AFTER THE BALANCE SHEET DATE

SCHEME MEETING AND SPECIAL GENERAL MEETING

Effective 9 March 2017, Altron N shareholders approved a scheme of arrangement ("Scheme") in terms of section 114 of the Companies Act between the company and N shareholders and Altron shareholders approved certain resolutions presented at a special general meeting, pursuant to which the following were implemented:

a) collapse of the company´s historical dual share capital structure and the removal of the Venter Family´s absolute voting control over the company;

b) the repurchase by the company of all of the issued N class shares in consideration for the issue of 9 A class ordinary shares for each 10 N class shares;

c) subscription by the Venter Family for a new high voting share which will entitle the Venter Family to exercise 25.0% plus one vote at any shareholders' meeting for as long as the Venter Family owns, directly or indirectly, in excess of 10.0% of the A class shares in the company;

d) introduction of Value Capital Partners ("VCP") as a new strategic partner, which is expected to be a catalyst in driving shareholder value creation by accelerating the company´s growth initiatives within its core IT operations; and

e) appointment of VCP´s co-founders, Antony Ball and Samuel Sithole, to the board of directors of Altron as non-executive directors.

Further to the above, there has been no corporate activity in the group between the balance sheet date and the date of this report. Refer to the directors' interest table as at 10 May 2017 for further detail.

SHARE SCHEMES

Particulars relating to The Altron 2009 Share Plan are set out in note 10 to the financial statements.

At the date of this report, a total of zero A ordinary shares and 17 592 881 N ordinary shares remain reserved for the purposes of the company's employee share scheme.

Subsequent to the implementation of the scheme meeting on 9 March 2017 and the delisting of the N ordinary shares from the JSE with effect from 4 April 2017, all components of the share scheme was converted to A ordinary shares in accordance with the terms of the Scheme.

GENERAL AUTHORITY TO ISSUE SHARES

The remaining unissued A ordinary shares are the subject of a general authority granted to the directors in terms of, among others, the Companies Act, 2008, as amended and which authority remains valid only until the next annual general meeting which will be held on Monday, 17 July 2017. At that meeting, shareholders will be asked to place 5% of the unissued A ordinary shares under the control of the directors. Shareholders will also be asked to waive their pre-emptive rights in favour of the directors to allot and issue A ordinary shares for cash as and when suitable circumstances arise.

DIRECTORATE

APPOINTMENTS DURING THE YEAR

None

APPOINTMENTS AFTER THE BALANCE SHEET DATE

Messrs AC Ball and S Sithole were appointed by the board as non-executive directors of Altron with effect from 9 March 2017. The appointments of Messrs Ball and Sithole were approved by Altron shareholders at a special general meeting held on 9 March 2017.

Mr M Nyati was appointed by the board as Chief Executive of Altron with effect from 1 April 2017. Furthermore, Messrs S van Graan and B Dawson were appointed by the board as non-executive directors of Altron with effect from 1 June 2017. In terms of article 25.5 of the company's memorandum of incorporation, Messrs Nyati, Van Graan and Dawson shall be elected by ordinary resolution of shareholders at the next annual general meeting which will be held on 17 July 2017.

DIRECTORS' REPORT

(CONTINUED)

RESIGNATIONS/RETIREMENTS

During the year under review, Mr NJ Adami and Ms SN Mabaso-Koyana resigned as non-executive directors of Altron.

Messrs MC Berzack, JRD Modise and SN Susman retired as non-executive directors from the Altron board with effect from 31 May 2017.

RETIREMENTS BY ROTATION

Messrs MJ Leeming and RE Venter and Drs WP Venter and PM Maduna retire from the board in accordance with articles 25.6.1 and 25.17 of the company's memorandum of incorporation.

CHANGE IN BOARD ROLE

Dr WP Venter retired as non-executive chairman of the Altron board with effect from 28 February 2017. Dr Venter assumed a non-executive director role on the board, as Chairman Emeritus, with effect from 1 March 2017.

Mr MJ Leeming had been appointed as independent non-executive chairman of the Altron board, with effect from 1 March 2017. Mr Leeming was previously the lead independent non-executive director on the Altron board.

With the appointment of Mr Nyati, Mr RE Venter stepped down as Altron Chief Executive with effect from 1 April 2017 and remains on the Altron board as a non-executive director.

All the retiring directors are eligible and available for re-election. Their profiles appear in the integrated annual report at www.altron.com

SECRETARIES

Altron Management Services Proprietary Limited act as the secretaries to the company. The secretaries' business and postal addresses appear in the integrated annual report at www.altron.com

SEGMENT REPORTING

Segment information is included in Annexure 2 of the group financial statements.

Attributable headline earnings contributions to Altron were as follows:

	2017 Rm	2016 Rm
Altech	**120**	(305)
Bytes	**395**	435
Powertech	**(114)**	(350)
Corporate, financial services and eliminations	**(161)**	(268)

DIRECTORS' INTERESTS

At 28 February 2017, the directors of the company held direct and indirect interests, including family interests, in 59 458 459 of the company's issued A ordinary shares (2016: 59 350 755) and 6 953 491 of the company's issued N ordinary shares (2016: 6 740 811). Details of shares held per individual director are listed below. A total of 1 020 707 share appreciation rights, performance share awards and bonus share grants are allocated to directors in terms of the company's employee share scheme.

As at 28 February 2017	Direct beneficial A Ordinary shares	Direct beneficial N Ordinary shares	Direct non-beneficial A Ordinary shares	Direct non-beneficial N Ordinary shares
Dr WP Venter	8 709 770	34 055	–	–
RE Venter	–	186 997	–	–
MC Berzack	–	220 190	–	–
MJ Leeming	2 500	–	–	–
AMR Smith	–	53 952	–	–
TOTAL	**8 712 270**	**495 194**	**–**	**–**

As at 28 February 2017	Indirect beneficial A Ordinary shares	Indirect beneficial N Ordinary shares	Indirect non-beneficial A Ordinary shares	Indirect non-beneficial N Ordinary shares
Dr WP Venter	31 247 827	–	19 367 000*	6 197 129*
MC Berzack	1 357	–	–	–
MJ Leeming	130 005	226 168	–	–
SN Susman	–	35 000	–	–
TOTAL	**31 379 189**	**261 168**	**19 367 000**	**6 197 129**

** Non-executive chairman and director, Dr WP Venter, and his family and related trusts, were the controlling shareholders of the company as at 28 February 2017.*

Save for the aforegoing, the directors' interests in securities for the year under review remain unchanged.

As at 29 February 2016	Direct beneficial A Ordinary shares	Direct beneficial N Ordinary shares	Direct non-beneficial A Ordinary shares	Direct non-beneficial N Ordinary shares
Dr WP Venter	8 709 770	34 055	–	–
RE Venter	–	147 276	–	–
RJ Abraham	19 801	46 943	–	–
MC Berzack	–	220 190	–	–
MJ Leeming	2 500	–	–	–
AMR Smith	–	38 911	–	–
TOTAL	**8 732 071**	**487 375**	**–**	**–**

As at 29 February 2016	Indirect beneficial A Ordinary shares	Indirect beneficial N Ordinary shares	Indirect non-beneficial A Ordinary shares	Indirect non-beneficial N Ordinary shares
Dr WP Venter	31 247 827	–	19 367 000*	6 197 129*
MC Berzack	1 357	–	–	–
MJ Leeming	2 500	21 307	–	–
SN Susman	–	35 000	–	–
TOTAL	**31 251 684**	**56 307**	**19 367 000**	**6 197 129**

** Non-executive chairman and director, Dr WP Venter, and his family and related trusts, were the controlling shareholders of the company as at 29 February 2016.*

DIRECTORS' REPORT

(CONTINUED)

PUBLIC AND NON-PUBLIC SHAREHOLDERS (AS AT 28 FEBRUARY 2017)

A ORDINARY SHARES	Number of shareholders	%	Number of shares	%
Non-public shareholders	**7**	**0.39**	**43 337 928**	**41.01**
Directors and associates of the Company	6	0.33	40 091 459	37.94
Repurchased shares	1	0.06	3 246 469	3.07
Public shareholders	**1 798**	**99.61**	**62 331 203**	**58.99**
TOTAL	**1 805**	**100.00**	**105 669 131**	**100.00**

N ORDINARY SHARES	Number of shareholders	%	Number of shares	%
Non-public shareholders	**11**	**0.26**	**28 483 928**	**10.78**
Directors and associates of the Company	8	0.19	775 118	0.29
Repurchased shares	2	0.05	27 704 013	10.48
Share Trust	1	0.02	4 797	0.00
Public shareholders	**4 160**	**99.74**	**235 829 702**	**89.22**
TOTAL	**4 171**	**100.00**	**262 341 582**	**100.00**

MATERIAL SHAREHOLDERS

Beneficial shareholders (excluding directors) holding 5% or more of the company's listed A ordinary shares as at 28 February 2017 were the following:

	Number of shares	%
Biltron	50 614 827	47.90
Sanlam	8 573 386	8.11
TOTAL	**59 188 213**	**56.01**

Beneficial shareholders (excluding directors) holding 5% or more of the company's listed N ordinary shares as at 28 February 2017 were the following:

	Number of shares	%
Sanlam	50 924 239	19.27
Coronation Fund Managers	36 203 883	13.70
Altron Finance Proprietary Limited	27 704 013	10.48
TOTAL	**114 832 135**	**43.45**

CHANGE IN DIRECTORS' INTERESTS

BETWEEN 28 FEBRUARY 2017 AND 10 MAY 2017

	Direct beneficial interest	Indirect beneficial interest
Dr WP Venter	8 740 419	31 247 927
AC Ball/S Sithole*	55 013 725	–
MC Berzack	215 051	1 357
RE Venter	168 297	–
AMR Smith	48 556	–
MJ Leeming	3 676	342 379
SN Susman	–	31 500
TOTAL	**64 189 724**	**31 623 163**

** The total number of shares controlled by Value Capital Partners (Pty) Ltd through its Fund and its associates.*

SPECIAL RESOLUTIONS

The company passed six special resolutions during the year ended 28 February 2017:

- Approving the remuneration of the non-executive chairman
- Approving the remuneration of the lead independent director
- Approving the remuneration of the non-executive directors
- Approving the remuneration payable to non-executive directors participating in statutory and board committees
- Approving the remuneration payable to non-executive directors for participating in special/unscheduled board meetings and ad hoc strategic planning sessions
- Approving financial assistance to employee share scheme beneficiaries and related or inter-related companies and corporations

The company passed 14 special resolutions subsequent to year-end and up to the date of this report. These special resolutions were all passed at the N Shareholder meeting and the Special General meeting held on 9 March 2017:

- Approval of the scheme of arrangement and Repurchase of more than 5% of all of the N Shares in issue at the Last Practicable Date
- Revocation of the Repurchase Scheme Special Resolution
- Conversion of A Shares from par value Shares to no par value Shares (1)
- Increase in authorised A Share capital (2)
- Creation of New High Voting Share (3)
- Issue of Shares to a person related or inter-related to a director
- Authority to issue Shares in excess of 30% of the voting power
- Specific repurchase of N Shares in terms of paragraph 5.69 of the Listings Requirements
- The acquisition from a director or a prescribed officer or a person related to a director or prescribed officer
- Issue and allotment of the New High Voting Share
- Replacement of the Company's Memorandum of Incorporation (9)
- Revocation of special resolution number 1
- Revocation of special resolution numbers 2, 3, 9 and 12
- Cancellation of N Share capital (12)

DIRECTORS' REPORT

(CONTINUED)

Except for the above, no other special resolutions, the nature of which might be significant to shareholders in their appreciation of the state of affairs of the Altron group, were passed by the company or its subsidiaries during the period covered by this directors' report.

CORPORATE GOVERNANCE

The board endorses the contents of the King Report on Governance for South Africa, 2009, as well as the King Code of Governance Principles for South Africa 2009 (the Code) and has satisfied itself that Altron has complied throughout the period in all material aspects with the Code and the Listings Requirements of the JSE. The Corporate Governance report is set out in the integrated annual report at www.altron.com

Altron's application of the Principles set out in the Code is contained in the corporate governance report which appears in the integrated annual report at www.altron.com

On 1 November 2016, the Institute of Directors of Southern Africa (IODSA) and the King Committee released the King IV Report on Corporate Governance in South Africa ("King IV"). King IV became effective for organisations with a financial year that starts on, or after, 1 April 2017.

DIRECTORS' EMOLUMENTS

The individual directors emoluments paid in respect of the financial period under review are contained in the remuneration report forming part of the integrated annual report at www.altron.com and in note 18 of the group financial statements.

REPURCHASED EQUITY SECURITIES

After the balance sheet date, Altron repurchased all the issued N ordinary shares of the company by way of a scheme of arrangement in terms of section 114 of the Companies Act, 71 of 2008 between the company and N shareholders. The requisite special resolutions were passed on 9 March 2017. The repurchase scheme consideration was equal to 9 A ordinary shares for every 10 N ordinary shares held on the repurchase scheme record date, which was set at 31 March 2017.

BORROWING POWERS AND RESTRICTIVE FUNDING ARRANGEMENTS

In terms of its memorandum of incorporation, Altron has unlimited borrowing powers. At 28 February 2017 unutilised borrowing facilities amounted to R515 million (2016: R 858 million).

No restrictive funding arrangements were undertaken by Altron or any of its subsidiaries during the period covered by this directors' report.

ISSUES FOR CASH

On 3 April 2017 an additional 54 421 768 A ordinary shares were issued to Value Capital Partners by way of a specific issue of shares for cash (R400 million).

Save for the aforegoing, Altron did not undertake any further issues of securities for cash, whether general or specific, during the period covered by this directors' report.

DIRECTORS' RESPONSIBILITY STATEMENT

The directors are responsible for the preparation and fair presentation of the consolidated and separate annual financial statements of Altron, comprising the statements of financial position at 28 February 2017, and the statements of comprehensive income, changes in equity and cash flows for the year then ended, and the notes to the financial statements which include a summary of significant accounting policies and other explanatory notes, Annexure 1 and Annexure 2, in accordance with International Financial Reporting Standards and the requirements of the Companies Act of South Africa, and the directors' report.

The directors are also responsible for such internal control as the directors determine is necessary to enable the preparation of financial statements that are free from material misstatement, whether due to fraud or error, and for maintaining adequate accounting records and an effective system of risk management as well as the preparation of the supplementary schedules included in the financial statements.

The directors have made an assessment of the ability of the company and its subsidiaries to continue as going concerns and have no reason to believe that the businesses will not be going concerns in the year ahead.

The auditor is responsible for reporting on whether the consolidated and separate financial statements are fairly presented in accordance with the applicable financial reporting framework.

APPROVAL OF CONSOLIDATED AND SEPARATE ANNUAL FINANCIAL STATEMENTS

The consolidated and separate annual financial statements of Altron, as identified in the aforementioned paragraph, were approved by the board of directors on 10 May 2017 and signed by:

For: **Allied Electronics Corporation Limited**

MJ Leeming
Chairman

M Nyati
Chief Executive

AMR Smith
Chief Financial Officer

10 May 2017

CERTIFICATE FROM THE COMPANY SECRETARIES

In terms of section 88 (2) (e) of the Companies Act No. 71 of 2008, as amended, we certify that to the best of our knowledge and belief the company has lodged with the Companies and Intellectual Property Commission all such returns as are required of a public company in terms of the Companies Act No. 71 of 2008, as amended, in respect of the year ended 28 February 2017, and that all such returns are true, correct and up to date.

Altron Management Services Proprietary Limited
Secretaries

WK Groenewald
Group company secretary

10 May 2017

REPORT OF THE ALTRON AUDIT COMMITTEE

We are pleased to present our report for the financial year ended 28 February 2017.

AUDIT COMMITTEE MANDATE AND TERMS OF REFERENCE

The Altron audit committee (the "committee") has adopted a formal mandate and terms of reference that has been approved by the board of directors. The committee has conducted its affairs in compliance with this mandate and terms of reference and has discharged its responsibilities contained therein. The mandate and terms of reference is available at www.altron.com and is also available on request.

AUDIT COMMITTEE MEMBERS AND ATTENDANCE AT MEETINGS

The committee comprises of three independent, non-executive directors and meets at least three times per annum as per the committee mandate and terms of reference. The Altron chief executive, chief financial officer, group operational executive(s), head of internal audit, the external auditor and other service providers (tax manager and finance manager) attend meetings by invitation.

During the year under review three meetings were held.

Members	May 2016	October 2016	**February 2017**
GG Gelink (Chairman)	Yes	Yes	**Yes**
NJ Adami*	Apology	N/A	**N/A**
MJ Leeming	Yes	Yes	**Yes**
JRD Modise	Yes	Yes	**Yes**

Yes – Attended

Apology – Submitted apologies and was granted leave of absence

* NJ Adami resigned from the Altron board and the committee with effect from 31 May 2016.

ROLES AND RESPONSIBILITIES

The committee's roles and responsibilities include its statutory duties as per the Companies Act, 2008, as amended (the "Companies Act") and the responsibilities assigned to it by the board.

STATUTORY DUTIES

In the conduct of its duties, the committee has performed the following statutory duties:

- Nominated for re-appointment as external auditor of the company, KPMG Inc., a registered auditor which, in the opinion of the committee, is independent of the company.
- Determined the fees to be paid to the external auditor and their terms of engagement.
- Ensured that the appointment of the external auditor complies with the Companies Act, and any other legislation relating to the appointment of auditors.
- Determined the nature and extent of those non-audit services that the external auditor may provide to the company (and the Altron group).

REPORT OF THE ALTRON AUDIT COMMITTEE
(CONTINUED)

- Pre-approved any proposed agreement with the external auditor for the provision of non-audit services to the company (and the Altron group).
- Discharged those statutory obligations of an audit committee as prescribed by section 94 of the Companies Act, acting in its capacity as the appointed audit committee of Altron TMT and Powertech which conduct their activities through the respective financial review and risk committees.

EXTERNAL AUDITOR

The committee has satisfied itself that the external auditor, KPMG Inc., was independent of the company, as set out in sections 90(2)(c) and 94(8) of the Companies Act, which includes consideration of compliance with criteria relating to independence or conflicts of interest as prescribed by the Independent Regulatory Board for Auditors. Requisite assurance was sought and provided by the external auditor that internal governance processes within KPMG Inc. support and demonstrate their claim to independence.

The committee, in consultation with executive management, agreed to the engagement letter, terms, audit plan and budgeted audit fees for the financial year ended 28 February 2017.

There is a formal written policy and procedure (incorporating an authority matrix) that governs the process whereby the external auditor is considered for providing non-audit services. The committee approved the terms of the written policy for the provision of non-audit services by the external auditor and approved the nature and extent of non-audit services that the external auditor may provide.

The committee has nominated, for re-appointment at the annual general meeting, KPMG Inc. as the external auditor of Altron for the financial year ending 28 February 2018. It has further satisfied itself that KPMG Inc., the individual auditor, as well as the reporting accountants, are accredited and appear on the JSE List of Accredited Auditors. Furthermore, the committee has satisfied itself that KPMG Inc., the audit firm of Altron's major subsidiaries is not disqualified from acting as such.

The committee has nominated, for re-appointment, Mr Garry Stanier, as the designated auditor/lead audit partner for the Altron group.

INTERNAL FINANCIAL CONTROLS

Based on the results of the formal documented review of the design, implementation and effectiveness of the Altron group's system of internal financial controls conducted by the internal audit function during the financial year ended 28 February 2017, and in addition, considering information and explanations given by management plus discussions held with the external auditor on the results of their audit, the committee is of the opinion that the Altron group's system of internal financial controls is effective and forms a basis for the preparation of reliable financial statements. No findings have come to the attention of the committee to indicate that any material breakdown in internal controls has occurred during the financial year under review.

FINANCIAL STATEMENTS

The committee has reviewed the financial statements of the company and the Altron group and is satisfied that they comply in all material respects with International Financial Reporting Standards and the requirements of the Companies Act.

GOING CONCERN

The committee reviewed documented assessments by management of the going-concern premise of the company and the Altron group before recommending to the board that the company, as well as the Altron group, will be a going-concern in the foreseeable future.

EXPERTISE AND EXPERIENCE OF FINANCIAL DIRECTOR AND FINANCE FUNCTION

The committee has satisfied itself that the chief financial officer of Altron has appropriate expertise and experience as required in terms of paragraph 3.84(h) of the JSE Listings Requirements.

The committee has considered, and has satisfied itself of the overall appropriateness of the expertise and adequacy of resources of the Altron group's finance function and experience of the senior members of management responsible for the financial function.

DUTIES ASSIGNED BY THE BOARD

The committee fulfils an oversight role regarding the company's integrated annual report and the reporting process, including the system of internal financial control. It is responsible for ensuring that the Altron group's internal audit function is independent and has the necessary resources, standing and authority within the organisation to enable it to effectively discharge its duties. Furthermore, the committee oversees co-operation between the internal and external auditors, and serves as a link between the board of directors and these functions.

During the year, the committee met with the external auditor and with the head of internal audit without management being present.

The committee is satisfied that it has complied in all material respects, with its legal, regulatory and other responsibilities.

RISK MANAGEMENT

The board has assigned oversight of the company's (including the Altron group's) risk management function to a separate risk management committee. The chairman of the committee attends the risk management committee meetings as an *ex officio* member to ensure that information relevant to these committees is shared regularly. In addition, the chairman of the risk management committee is also a member of the committee. The committee fulfils an oversight role regarding financial reporting risks, internal financial controls, fraud risk as it relates to financial reporting and information technology risk as it relates to financial reporting.

The committee confirmed the Financial Assistance Policy (FAP), developed to formalise certain governance procedures relating to, *inter alia*, section 45 of the Companies Act.

INTERNAL AUDIT

The committee noted the internal audit charter and approved the internal audit function's annual audit plan for the financial year ending 28 February 2018. The internal audit function resides within the Altron corporate office and has responsibility for reviewing and providing assurance on the adequacy of the internal control environment across all of the Altron group's operations. The head of internal audit is responsible for reporting the findings of the internal audit work against the agreed internal audit plan to the committee on a regular basis.

The head of internal audit has direct access to the committee, primarily through its chairman.

Once every four years, the Altron internal audit function undergoes a quality assurance review on its effectiveness as required by the standards of the Institute of Internal Auditors (IIA). The last quality assurance review in 2014 indicated that the Altron internal audit department 'generally conforms' to the International Standards for the Professional Practice of Internal Auditing. The rating of 'generally conforms' is the highest rating that can be achieved. The next quality assurance review will take place during 2018.

REPORT OF THE ALTRON AUDIT COMMITTEE

(CONTINUED)

WHISTLE-BLOWING

Whistle-blowing is reported to the Altron risk management committee via the internal audit function. The committee is satisfied that appropriate interventions have been put in place to deal with whistle-blowing throughout the Altron group and that the Altron group adequately follows up on and deals with instances of whistle-blowing.

SUSTAINABILITY REPORTING

The committee considered the company's sustainability information as disclosed in the integrated annual report and has assessed its consistency with operational and other information known to committee members and for consistency with the annual financial statements. The committee discussed the sustainability information with management and the chairman of the risk management committee and is satisfied with the conclusions reached. The committee is satisfied that the sustainability information is, in all material respects, reliable and consistent with the financial results. Nothing has come to the attention of the committee to indicate any material deficiencies in this regard.

GG Gelink
Chairman

10 May 2017

INDEPENDENT AUDITOR'S REPORT

TO THE SHAREHOLDERS OF ALLIED ELECTRONICS CORPORATION LIMITED

REPORT ON THE AUDIT OF THE CONSOLIDATED AND SEPARATE FINANCIAL STATEMENTS

Opinion

We have audited the consolidated and separate financial statements of Allied Electronics Corporation Limited (the "group and company"), which comprise the balance sheets at 28 February 2017, and the statements of comprehensive income, statements of changes in equity and statements of cash flows for the year then ended, and notes to the financial statements, including a summary of significant accounting policies and Annexure 1 and 2, as set out on pages 20 to 125.

In our opinion, the consolidated and separate financial statements present fairly, in all material respects, the consolidated and separate financial position of Allied Electronics Corporation Limited at 28 February 2017, and its consolidated and separate financial performance and consolidated and separate cash flows for the year then ended in accordance with International Financial Reporting Standards and the requirements of the Companies Act of South Africa.

Basis for opinion

We conducted our audit in accordance with International Standards on Auditing (ISAs). Our responsibilities under those standards are further described in the Auditor's *Responsibilities for the Audit of the Consolidated and Separate Financial Statements* section of our report. We are independent of the group and company in accordance with the Independent Regulatory Board for Auditors *Code of Professional Conduct for Registered Auditors* (IRBA Code) and other independence requirements applicable to performing audits of financial statements in South Africa. We have fulfilled our other ethical responsibilities in accordance with the IRBA Code and in accordance with other ethical requirements applicable to performing audits in South Africa. The IRBA Code is consistent with the International Ethics Standards Board for Accountants *Code of Ethics for Professional Accountants* (Parts A and B). We believe that the audit evidence we have obtained is sufficient and appropriate to provide a basis for our opinion.

Key audit matters

Key audit matters are those matters that, in our professional judgement, were of most significance in our audit of the consolidated and separate financial statements of the current period. These matters were addressed in the context of our audit of the consolidated and separate financial statements as a whole, and in forming our opinion thereon, and we do not provide a separate opinion on these matters.

INDEPENDENT AUDITOR'S REPORT

(CONTINUED)

The key audit matter	How the matter was addressed in our audit
Classification, valuation and disclosure of disposal groups classified as held-for-sale and discontinued operations (relates to the consolidated financial statements)	
Refer to notes 38 and 39 of the consolidated financial statements Altron continued with its strategic repositioning of the group by, amongst other things, reducing its exposure to the manufacturing sector and divesting of its non-core assets. Accordingly: • the Powertech and Altech Multimedia groups continue to be presented as discontinued operations in the statement of comprehensive income and the respective assets and liabilities are classified as held for sale in the balance sheet; and • the disposal of the Aberdare group's operations, effective 30 June 2016, was a significant and complex transaction for the Altron group. The classification and valuation of assets held for sale is a key focus area of the directors given the complexity of the accounting requirements, the judgement needed in estimating disposal proceeds for impairment assessment purposes, as well as the complex and lengthy process required to effectively dispose of a large number of diverse operations. In addition, the presentation of businesses as discontinued operations must be carefully considered in line with IFRS 5 *Non-current Assets Held For Sale and Discontinued Operations* (IFRS 5). Accordingly, this matter was determined to be of most significance to the audit of the current year consolidated financial statements.	Our audit procedures included: • assessing and challenging director's assumptions on the classification of assets as held for sale through understanding the status of the various sales processes and reviewing correspondence from prospective purchasers; • challenging the directors' assumptions as to the valuation of assets classified as held for sale by assessing the evidence available to support the estimated sales proceeds for these disposal groups; • for disposed businesses, testing the calculation of the gain or loss on disposal based on the proceeds received on disposal with reference to sales agreements and supporting documentation; and • assessing the presentation of disposed businesses, disposal groups held for sale and discontinued operations against the relevant criteria in IFRS 5.

The key audit matter | **How the matter was addressed in our audit**

Impairment of goodwill and intangible assets (relates to the consolidated financial statements)

Refer to note 2 of the consolidated financial statements

Goodwill and intangible assets comprise 10.8% of the total assets of the group.

The directors conducted their mandatory annual impairment tests to assess the recoverability of goodwill and intangible assets with indefinite useful lives and to consider whether there were indicators of impairment with respect to other intangible assets.

In order to establish whether an impairment exists, fair value less costs of disposal or the value in use is determined and compared to the carrying value of goodwill and intangible assets.

As detailed in note 2, this determination of an impairment is highly subjective as significant judgement is required by the directors in determining the fair value less costs to sell or the value in use as appropriate.

In particular, the value in use calculation is based on a cash flow forecast model for each cash-generating unit and requires an estimation of model assumptions, most importantly the discount and growth rates, which made this a focus area of our audit of the consolidated financial statements.

We focused our testing of the impairment of goodwill and intangible assets on the key assumptions made by the directors. Our audit procedures included:

- challenging the assumptions applied and inputs used in the respective models by comparing them to approved budgets, data external to the group and our own views based on our understanding of the industry and the group;
- considering the appropriateness of the discount rate and the long-term growth rates used;
- assessing the historical accuracy of forecasts by comparing the actual results for the year with the original forecasts; and
- subjecting the key assumptions to sensitivity analyses.

We also considered the extent of the disclosure of the impairment testing and assumptions relating to goodwill and intangible assets.

Recoverability of investment in subsidiary (relates to the separate financial statements)

Refer to note 2 of the separate financial statements

Allied Electronics Corporation Limited's investment in Altron Finance Proprietary Limited ("Alfin") comprises 71.7% of the total assets of the company.

Alfin is in turn the holding company of the Powertech group, which has been disclosed as a discontinued operation in the consolidated financial statements, as described above. Given the continued depressed performance of the Powertech group during the year and the impairment of disposal groups classified as held for sale in the consolidated financial statements, the directors conducted an impairment test to assess the recoverability of the company's investment in Alfin by comparing the net asset value of Alfin at year-end to the cost of the investment.

Given the significance of the investment in subsidiary to the separate financial statements, this matter was considered a key audit matter in our audit of the separate financial statements.

Our audit procedures included:

- assessing the recoverability of the underlying investments held by Alfin, based on our knowledge of the group and the work that we performed on the valuation of discontinued operations as described in the key audit matter above;
- evaluating the outcome of this assessment of recoverability on the net asset value of Alfin;
- recalculating the net asset value of Alfin and comparing this to the historic cost of the investment; and
- considering any contradictory evidence that came to our attention during our audit of both the consolidated and separate financial statements that may have an impact on the recoverability of the investment in Alfin.

INDEPENDENT AUDITOR'S REPORT

(CONTINUED)

Other information

The directors are responsible for the other information. The other information comprises the Directors' Report, the Report of the Altron Audit Committee and the Certificate from the Company Secretaries as required by the Companies Act of South Africa and the Six-year financial review (including definitions), which we obtained prior to the date of this report, and the Integrated Annual Report, which is expected to be made available to us after that date. Other information does not include the consolidated and separate financial statements and our auditor's report thereon.

Our opinion on the consolidated and separate financial statements does not cover the other information and we do not express an audit opinion or any form of assurance conclusion thereon.

In connection with our audit of the consolidated and separate financial statements, our responsibility is to read the other information and, in doing so, consider whether the other information is materially inconsistent with the consolidated and separate financial statements or our knowledge obtained in the audit, or otherwise appears to be materially misstated. If, based on the work we have performed on the other information obtained prior to the date of this auditor's report, we conclude that there is a material misstatement of this other information, we are required to report that fact. We have nothing to report in this regard.

Responsibilities of the directors for the financial statements

The directors are responsible for the preparation and fair presentation of the consolidated and separate financial statements in accordance with International Financial Reporting Standards and the requirements of the Companies Act of South Africa, and for such internal control as the directors determine is necessary to enable the preparation of consolidated and separate financial statements that are free from material misstatement, whether due to fraud or error.

In preparing the consolidated and separate financial statements, the directors are responsible for assessing the group's and the company's ability to continue as a going concern, disclosing, as applicable, matters related to going-concern and using the going-concern basis of accounting unless the directors either intend to liquidate the group and/or the company or to cease operations, or have no realistic alternative but to do so.

Auditor's responsibilities for the audit of the consolidated and separate financial statements

Our objectives are to obtain reasonable assurance about whether the consolidated and separate financial statements as a whole are free from material misstatement, whether due to fraud or error, and to issue an auditor's report that includes our opinion. Reasonable assurance is a high level of assurance, but is not a guarantee that an audit conducted in accordance with ISAs will always detect a material misstatement when it exists. Misstatements can arise from fraud or error and are considered material if, individually or in the aggregate, they could reasonably be expected to influence the economic decisions of users taken on the basis of these consolidated and separate financial statements.

As part of an audit in accordance with ISAs, we exercise professional judgement and maintain professional scepticism throughout the audit. We also:

- identify and assess the risks of material misstatement of the consolidated and separate financial statements, whether due to fraud or error, design and perform audit procedures responsive to those risks, and obtain audit evidence that is sufficient and appropriate to provide a basis for our opinion. The risk of not detecting a material misstatement resulting from fraud is higher than for one resulting from error, as fraud may involve collusion, forgery, intentional omissions, misrepresentations, or the override of internal control;
- obtain an understanding of internal control relevant to the audit in order to design audit procedures that are appropriate in the circumstances, but not for the purpose of expressing an opinion on the effectiveness of the group's and the company's internal control;
- evaluate the appropriateness of accounting policies used and the reasonableness of accounting estimates and related disclosures made by the directors;

- conclude on the appropriateness of the directors' use of the going concern basis of accounting and based on the audit evidence obtained, whether a material uncertainty exists related to events or conditions that may cast significant doubt on the group's and the company's ability to continue as a going concern. If we conclude that a material uncertainty exists, we are required to draw attention in our auditor's report to the related disclosures in the consolidated and separate financial statements or, if such disclosures are inadequate, to modify our opinion. Our conclusions are based on the audit evidence obtained up to the date of our auditor's report. However, future events or conditions may cause the group and/or the company to cease to continue as a going concern;
- evaluate the overall presentation, structure and content of the consolidated and separate financial statements, including the disclosures, and whether the consolidated and separate financial statements represent the underlying transactions and events in a manner that achieves fair presentation; and
- obtain sufficient appropriate audit evidence regarding the financial information of the entities or business activities within the group to express an opinion on the consolidated financial statements. We are responsible for the direction, supervision and performance of the group audit. We remain solely responsible for our audit opinion.

We communicate with the directors regarding, among other matters, the planned scope and timing of the audit and significant audit findings, including any significant deficiencies in internal control that we identify during our audit.

We also provide the directors with a statement that we have complied with relevant ethical requirements regarding independence, and to communicate with them all relationships and other matters that may reasonably be thought to bear on our independence, and where applicable, related safeguards.

From the matters communicated with the directors, we determine those matters that were of most significance in the audit of the consolidated and separate financial statements of the current period and are therefore the key audit matters. We describe these matters in our auditor's report unless law or regulation precludes public disclosure about the matter or when, in extremely rare circumstances, we determine that a matter should not be communicated in our report because the adverse consequences of doing so would reasonably be expected to outweigh the public interest benefits of such communication.

Report on other legal and regulatory requirements

In terms of the IRBA Rule published in Government Gazette Number 39475 dated 4 December 2015, we report that KPMG Inc. has been the auditor of Allied Electronics Corporation Limited for 36 years.

KPMG Inc.
Registered Auditor

Per: G Stanier
Chartered Accountant (SA)
Registered Auditor
Director

KPMG Crescent
85 Empire Road
Parktown
Johannesburg

10 May 2017

ACCOUNTING POLICIES

Allied Electronics Corporation Limited (the company) is a South African registered company. The consolidated financial statements of the company for the year ended 28 February 2017 comprise the company and its subsidiaries (together referred to as the 'group') and the group's interests in associates and joint arrangements. Where reference is made to the group in the accounting policies, it should be interpreted as referring to the company where the context requires, unless otherwise noted.

STATEMENT OF COMPLIANCE

The consolidated and separate financial statements have been prepared in accordance with International Financial Reporting Standards (IFRS), in compliance with JSE Listings Requirements, the interpretations adopted by the International Accounting Standards Board (IASB), the SAICA Financial Reporting Guides as issued by the Accounting Practices Committee and Financial Reporting Pronouncements as issued by Financial Reporting Standards Council, and the requirements of the Companies Act of South Africa 2008. They were authorised for issue by the Group's board of directors on 10 May 2017.

BASIS OF PREPARATION

The consolidated and separate financial statements are presented in millions of South African rands, which is the group and company's functional currency, on a historical-cost basis, except for the following assets and liabilities which are stated at fair value:

- Derivative financial instruments;
- Deferred purchase and contingent consideration assumed in a business combination;
- Financial instruments classified as available-for-sale;
- Defined benefit asset and;
- Share-based payment recharge arrangement assets and liabilities.

Non-current assets and disposal groups held for sale are stated at the lower of carrying amount and fair value less costs to sell. The defined benefit asset is measured as the fair value of plan assets less the present value of the defined benefit obligation, limited as explained in note 16.

The preparation of financial statements in conformity with IFRS requires management to make judgements, estimates and assumptions that may affect the application of accounting policies and the reported amounts of assets, liabilities, income and expenses. The estimates and associated assumptions are based on historical experience and various other factors that are believed to be reasonable under the circumstances, the results of which form the basis of making the judgements about carrying values of assets and liabilities that are not readily apparent from other sources. Actual results may differ from these estimates.

The estimates and underlying assumptions are reviewed on an ongoing basis. Revisions to accounting estimates are recognised in the period in which the estimate is revised if the revision only affects that period, or in the period of the revision and future periods if the revision affects both current and future periods. Judgements made by management in the application of IFRS that have a significant effect on the financial statements and estimates with a significant risk of material adjustment in the next year are discussed in note 29.

The accounting policies set out below have been applied consistently to the periods presented in these consolidated and separate financial statements apart from the changes to accounting policies noted below.

The group's accounting policies have been applied consistently by all group entities.

BASIS OF CONSOLIDATION

SUBSIDIARIES

Subsidiaries are those entities controlled by the group. An investor controls an investee when it is exposed, or has rights, to variable returns from its involvement with the investee and has the ability to affect those returns through its power over the investee. The financial statements of subsidiaries are included in the consolidated financial statements from the date that control commences until the date that control ceases.

Losses and each component of comprehensive income applicable to non-controlling interests in a subsidiary are allocated to the non-controlling interests even if doing so causes the non-controlling interests to have a deficit balance.

On loss of control, the group derecognises the assets and liabilities of the subsidiary, any non-controlling interest and other components of equity related to the subsidiary. Any surplus or deficit arising on the loss of control is recognised in profit or loss.

ASSOCIATES

An associate is an entity in which the group holds an equity interest, over which the group has significant influence and is neither a subsidiary nor an interest in a joint arrangement. Significant influence is the power to participate in the financial and operating policy decisions of the associate but is not control or joint control over those policies. The equity method of accounting for associates is adopted in the consolidated financial statements. The consolidated financial statements include the group's share of profit or loss and other comprehensive income of associates from the date significant influence commences until the date significant influence ceases.

Goodwill arising on the acquisition of associates is included in the carrying amount of the associate and is treated in accordance with the group's accounting policy for goodwill.

Dividends received from associates are deducted from the carrying value of the investment. Where the group's share of losses of an associate exceeds the carrying amount of the associate, the associate is carried at no value. Additional losses are only recognised to the extent that the group has an obligation or has made payments on behalf of the associate.

JOINT ARRANGEMENTS

Joint arrangements are those entities in respect of which there is a contractual agreement whereby the group and one or more other parties undertake an economic activity, which is subject to joint control.

A joint venture is an arrangement in which the group has joint control, whereby the group has rights to the net assets of the arrangement, rather than rights to its assets and obligations for its liabilities.

The group's participation in joint ventures is accounted for using the equity method. They are recognised initially at cost, which includes transaction costs. Subsequent to initial recognition, the consolidated financial statements include the group's share of profits or loss and other comprehensive income of the equity-accounted investees, until the date on which joint control ceases.

ELIMINATIONS ON CONSOLIDATION

Intra-group balances and transactions, and any unrealised gains or losses arising from intra-group transactions, are eliminated in preparing the consolidated financial statements. Unrealised gains arising from transactions with associates and joint ventures are eliminated to the extent of the group's interest in these enterprises. Unrealised losses on transactions with associates and joint ventures are eliminated in the same way as unrealised gains, except that they are only eliminated to the extent that there is no evidence of impairment.

ACCOUNTING POLICIES

(CONTINUED)

BASIS OF CONSOLIDATION (CONTINUED)

GOODWILL

All business combinations are accounted for by applying the 'acquisition method', as at acquisition date, which is the date on which control is transferred to the group.

For acquisitions on or after 1 March 2010, the group measures goodwill at the acquisition date as:

- the fair value of consideration transferred; plus
- the recognised amount of any non-controlling interests in the acquiree; plus
- if the business combination is achieved in stages, the fair value of the existing equity interest in the acquiree; less
- the net recognised amount (generally fair value) of the identifiable assets acquired and liabilities assumed.

When the result is negative, a bargain purchase gain is recognised immediately in profit or loss.

Subsequent to acquisition, goodwill is measured at cost less accumulated impairment losses and is allocated to cash-generating units and tested annually for impairment. Goodwill is not amortised.

The consideration transferred does not include amounts related to the settlement of pre-existing relationships. Such amounts are generally recognised in profit and loss.

Any deferred purchase or contingent consideration payable is recognised at fair value at the acquisition date. Subsequent changes in the fair value of deferred purchase or contingent consideration are recognised in profit or loss.

Costs related to the acquisition, other than those associated with the issue of debt or equity securities, that the group incurs in connection with a business combination are expensed as incurred.

Cash-generating units represent the business operations from which the goodwill was originally generated. On disposal of a subsidiary, joint arrangement or associate, the attributable amount of goodwill is included in the determination of the profit or loss on disposal.

PREMIUMS AND DISCOUNTS ARISING ON PURCHASES FROM, OR SALES TO, NON-CONTROLLING INTERESTS IN SUBSIDIARIES

Any increases or decreases in ownership interests in subsidiaries without a change in control, are recognised as equity transactions in the consolidated financial statements.

Accordingly, any premiums or discounts on purchases of equity instruments from, or sales of equity instruments to, non-controlling interests are recognised directly in the equity of the parent shareholder.

CAPITALISATION OF BORROWING COSTS

Interest on borrowings that are directly attributable to the acquisition or construction of qualifying assets that require a substantial period of time to prepare for their intended use, are capitalised.

Interest is capitalised over the period during which the qualifying asset is being acquired or constructed and borrowings have been incurred. Capitalisation ceases when the construction is interrupted for an extended period or when the qualifying asset is substantially complete.

CAPITAL ITEMS

Capital items are items of income and expense relating to the acquisition, disposal or impairment of property, plant and equipment, investments, subsidiaries and intangible assets.

Capital items relate to 'separately identifiable remeasurements' (not adjusted for related taxation and related non-controlling interests) other than 'included remeasurements' specifically included in headline earnings as defined in 'Circular 2/2015 – Headline earnings'.

EMPLOYEE BENEFITS

SHORT-TERM EMPLOYEE BENEFITS

The cost of all short-term employee benefits are recognised in profit or loss during the period in which the employee renders the related service.

The accruals for employee entitlements to salaries, performance bonuses and annual leave represent the amounts which the group has a present obligation to pay as a result of the employee's services provided. The accruals have been calculated at undiscounted amounts based on current salary levels.

RETIREMENT BENEFITS

The majority of the group's employees are members of the Altron Group Pension Fund and Altron Group Provident Fund, which are defined contribution funds.

After the acquisition of subsidiaries, certain employees remained members of their previous funds. While 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. These plans are a multi-employer plans and there is insufficient information available to use defined benefit accounting.

The group's contributions to defined contribution funds are recognised in profit or loss in the year they are incurred.

DEFINED BENEFIT OBLIGATIONS

Certain members of the Altron Group Pension Fund who were members prior to 1 September 1996 are entitled to a minimum benefit equal to the previously provided defined benefit pension.

The group's net obligation in respect of defined-benefit plan is calculated separately by estimating the amounts of future benefit that employees have earned in return for their service in the current and prior periods; that benefit is discounted to determine its present value. The fair value of any plan assets are deducted. The discount rate is the yield at the reporting date on suitable corporate bonds that have maturity dates approximating the terms of the group's obligations and are denominated in rand as the benefits are expected to be paid in rand. Actuarial valuations are conducted annually. The calculation is performed by qualified actuaries using the projected unit credit method.

When the calculation results in a benefit to the group, the recognised asset is limited to the present value of economic benefits available in the form of any refunds available from the plan or reductions in contributions to the plan. In terms of the Fund rules refunds to the group are limited to amounts credited or to be credited to the employer surplus account in accordance with the Pension Funds Act, No 24 of 1956, as amended, where this does not exceed the total of any unrecognised past service costs. In order to calculate the present value of economic benefits, consideration is given to any minimum funding requirements that apply to any plan in the group. An economic benefit is available to the group if it is realisable during the life of the plan, or on settlement of the plan liabilities.

The defined-benefit cost recognised in profit or loss includes the current service cost and the net interest on the net defined-benefit liability (asset). Net interest expense (income) is the interest on the net defined-benefit liability (asset) at the beginning of the period, calculated using the discount rate used in the previous year's actuarial valuation. The interest takes into account changes in the net defined-benefit liability (asset) during the year as a result of contributions and benefit payments.

The defined-benefit cost relating to actuarial gains and losses, which include the return on plan assets (excluding the interest income recognised in profit or loss) and the effect of the asset ceiling (excluding the interest cost) and any changes in actuarial assumptions or experience adjustments, are remeasurements and are recognised immediately in other comprehensive income.

ACCOUNTING POLICIES

(CONTINUED)

EMPLOYEE BENEFITS (CONTINUED)

POST-RETIREMENT MEDICAL AID BENEFITS

The group has an obligation to provide post-retirement medical aid benefits to certain eligible employees and pensioners. This obligation has been recognised in full.

TERMINATION BENEFITS

Termination benefits are recognised as an expense at the earlier of when the group can no longer withdraw the offer of those benefits or when the group recognises costs for a restructuring. If the benefits are payable more than 12 months after the reporting date, they are discounted to their present value.

FINANCIAL INSTRUMENTS

MEASUREMENT

Financial instruments are initially recognised at fair value, which includes transaction costs, except for those items measured at fair value through profit or loss, when the group becomes a party to the contractual arrangements as set out below. Subsequent to initial recognition, these instruments are measured as set out below:

FINANCIAL ASSETS

Financial assets are recognised when the group has rights or other access to economic benefits. Such assets consist of cash and cash equivalents, a contractual right to receive cash or another financial asset or a contractual right to exchange financial instruments with another entity on potentially favourable terms.

INVESTMENTS

Investments held-for-trading are classified as current assets and are measured at fair value, with any resultant gain or loss recognised in profit or loss.

Other investments held by the group are classified as available-for-sale and are measured at fair value, with any resultant gain or loss recognised directly in other comprehensive income, except for impairment losses. When these investments are disposed of, the cumulative gain or loss previously recognised directly in other comprehensive income is recognised and presented within profit or loss as a capital item. Fair value, for this purpose, is a value arrived at by using appropriate valuation techniques.

TRADE AND OTHER RECEIVABLES

Trade and other receivables originated by the group are measured at amortised cost using the effective interest method less impairment losses.

CASH AND CASH EQUIVALENTS

Cash and cash equivalents comprise cash balances, call deposits and cash floats. Bank overdrafts that are repayable on demand and form an integral part of the group's cash management are included as a component of cash and cash equivalents for the purposes of the cash flow statement.

Cash and cash equivalents are measured at amortised cost.

FINANCIAL LIABILITIES

Financial liabilities are recognised when there is an obligation to transfer benefits and that obligation is a contractual liability to deliver cash or another financial asset or to exchange financial instruments with another entity on potentially unfavourable terms. Financial liabilities other than derivative instruments are measured at amortised cost using the effective interest method.

FINANCIAL INSTRUMENTS (CONTINUED)

TRADE AND OTHER PAYABLES

Trade and other payables are stated at amortised cost using the effective interest method.

INTEREST-BEARING BORROWINGS

Subsequent to initial recognition, interest-bearing borrowings are measured at amortised cost with any difference between initial fair value and redemption value being recognised in profit or loss over the period of the borrowings using the effective interest method.

DERIVATIVE FINANCIAL INSTRUMENTS

The group uses derivative financial instruments to manage its exposure to foreign exchange and commodity price risks arising from operational, financing and investment activities. The group does not hold or issue derivative financial instruments for trading purposes.

Subsequent to initial recognition, derivatives are measured at fair value through profit or loss. Fair value is determined by comparing the contracted forward rate to the present value of the current forward rate of an equivalent contract with the same maturity date. However, where derivatives qualify for hedge accounting, recognition of any resultant gain or loss depends on the nature of the item being hedged.

HEDGING

Where a derivative financial instrument is designated as a hedge of the variability in cash flows attributable to a particular risk associated with a recognised asset or liability, a firm commitment if it is a hedge of foreign exchange risk, or a highly probable forecast transaction that could affect profit or loss, the effective part of any gain or loss on the derivative financial instrument is recognised directly in other comprehensive income and presented in the cash flow hedging reserve in equity. Any ineffective portion of changes in the fair value of the derivative is recognised immediately in profit or loss.

When the hedged firm commitment or forecast transaction results in the recognition of a non-financial asset or a non-financial liability, the cumulative amount recognised in other comprehensive income up to the transaction date is adjusted against the initial cost or other carrying amount of the asset or liability. For other cash flow hedges, the cumulative amount is recognised in profit or loss in the period or periods when the commitment or forecast transaction affects profit or loss.

Where the hedging instrument or hedge relationship is terminated but the hedged transaction is still expected to occur, the cumulative unrealised gain or loss remains in other comprehensive income and is recognised in accordance with the above policy when the underlying transaction occurs. If the hedged transaction is no longer expected to occur, then hedge accounting is discontinued and the cumulative unrealised gain or loss is immediately recognised in profit or loss.

Where a derivative financial instrument is used to economically hedge the foreign exchange exposure of a recognised monetary asset or liability and is not designated in a hedge relationship that qualifies for hedge accounting, no hedge accounting is applied and any gain or loss on the hedging instrument is recognised in profit or loss.

DERECOGNITION

Financial assets are derecognised if the group's contractual rights to the cash flows from the financial assets expire or if the group transfers the financial assets to another party without retaining control or if the group transfers substantially all risks and rewards of the asset.

Financial liabilities are derecognised if the group's obligations specified in the contract expire or are discharged or cancelled.

ACCOUNTING POLICIES

(CONTINUED)

FINANCIAL INSTRUMENTS (CONTINUED)

FINANCIAL INSTRUMENTS EXTINGUISHED WITH EQUITY INSTRUMENTS

Equity instruments issued to a creditor to extinguish all or part of a financial liability would represent 'consideration paid'. The equity instruments will initially be measured at their fair value, unless such fair value cannot be reliably measured, in which case the fair value of the financial liability extinguished is used. The difference between the carrying amount of the financial liability (or part thereof) extinguished and the consideration paid is recognised in profit or loss.

OFFSET

Financial assets and financial liabilities are offset and the net amount reported in the balance sheet when the company has a legally enforceable right to set-off the recognised amounts, and intends either to settle on a net basis, or to realise the asset and settle the liability simultaneously.

FINANCIAL INCOME AND EXPENSE

Financial income comprises interest income on funds invested, dividend income and changes in the fair value of financial assets at fair value through profit or loss. Interest income is recognised as it accrues in profit or loss, using the effective interest method.

Dividend income is recognised in profit or loss on the date that the group's right to receive payment is established, which in the case of listed securities is the ex-dividend date.

Financial expenses comprise interest expense on borrowings, unwinding of the discount on provisions and deferred purchase and contingent considerations, changes in the fair value of financial assets at fair value through profit or loss and impairment losses recognised on financial assets, that are recognised in profit or loss.

FOREIGN CURRENCIES

FOREIGN CURRENCY TRANSACTIONS

Foreign currency transactions are converted to the respective functional currencies of group entities at the rates of exchange ruling at the dates of the transactions. Monetary assets and liabilities denominated in foreign currencies at the reporting date are translated to the functional currency at the exchange rates ruling at that date. Gains or losses on translation are recognised in profit or loss. Non-monetary items in a foreign currency that are measured in terms of historical cost are translated using the exchange rate at the date of the transaction.

FOREIGN OPERATIONS

The assets and liabilities of all foreign operations, including goodwill and fair value adjustments arising on acquisition, are translated to South African rands at foreign exchange rates ruling at the reporting date. The revenues and expenses of foreign operations are translated to South African rands at yearly average rates which approximate the foreign exchange rates ruling at the dates of the transactions.

Foreign exchange differences arising on translation are recognised directly in other comprehensive income and presented in the foreign currency translation reserve in equity. The foreign currency translation reserve applicable to a foreign operation is released to profit or loss as a capital item upon disposal or closure of that foreign operation.

IMPAIRMENT OF NON-FINANCIAL ASSETS

The carrying amounts of the group's non-financial assets, other than inventories and deferred tax assets, are reviewed at each reporting date to determine whether there is any indication of impairment. If there is an indication that an asset may be impaired, its recoverable amount is estimated.

The recoverable amount is the higher of an asset's fair value less costs of disposal and its value in use.

For goodwill, intangible assets that have an indefinite useful life and intangible assets that are not yet available for use, the recoverable amount is estimated annually and whenever there is an indication that the asset may be impaired.

In assessing value in use, the expected future cash flows from the asset are discounted to their present value using a pre-tax discount rate that reflects current market assessments of the time value of money and the risks specific to the asset. An impairment loss is recognised in profit or loss whenever the carrying amount of an asset exceeds its recoverable amount.

For an asset that does not generate cash inflows that are largely independent of those from other assets, the recoverable amount is determined for the cash-generating unit to which the asset belongs.

An impairment loss is recognised in profit or loss whenever the carrying amount of the cash-generating unit exceeds its recoverable amount. Impairment losses recognised in respect of cash-generating units are allocated first to reduce the carrying amount of any goodwill allocated to the cash-generating units and then, to reduce the carrying amount of other assets in the unit, on a *pro rata* basis.

An impairment loss in respect of an equity-accounted investee is measured by comparing the recoverable amount of the investment with its carrying amount. An impairment loss is recognised in profit or loss, and it is reversed if there has been a favourable change in the estimates used to determine the recoverable amount.

REVERSAL OF IMPAIRMENT OF NON-FINANCIAL ASSETS

A previously recognised impairment loss is reversed in profit or loss if there is an indication that the impairment loss no longer exists and the recoverable amount increases as a result of a change in the estimates used to determine the recoverable amount, but not to an amount higher than the carrying amount that would have been determined (net of depreciation or amortisation) had no impairment loss been recognised in prior years, except as detailed below.

An impairment loss in respect of an equity security classified as available-for-sale is reversed through other comprehensive income.

IMPAIRMENT OF FINANCIAL ASSETS

A financial asset is assessed at each reporting date to determine whether there is any objective evidence that it is impaired. A financial asset is considered to be impaired if objective evidence indicates that one or more loss events have occurred and have had a negative effect on the estimated future cash flows of that asset.

The group considers the need for the impairment of financial assets at both a specific asset and collective level. All individually significant financial assets are assessed for specific impairment. All individually significant financial assets found not to be specifically impaired are then collectively assessed for any impairment that has been incurred but not yet identified.

Financial assets that are not individually significant are collectively assessed for impairment by grouping together financial assets with similar risk characteristics.

In assessing collective impairment, the group uses historical trends of the probability of default, timing of recoveries and the amount of loss incurred, adjusted for management's judgement as to whether current economic and credit conditions are such that the actual losses are likely to be greater or lesser than suggested by historical trends.

ACCOUNTING POLICIES

(CONTINUED)

IMPAIRMENT OF FINANCIAL ASSETS (CONTINUED)

An impairment loss in respect of a financial asset measured at amortised cost is calculated as the difference between its carrying amount and the present value of the estimated future cash flows discounted at the asset's original effective interest rate.

Impairment losses are recognised in profit or loss. Impairment losses for trade and other receivables are reflected in an allowance account against trade and other receivables. When a subsequent event causes the amount of impairment loss to decrease, the decrease in impairment loss is reversed through profit or loss.

An impairment loss in respect of goodwill is not reversed.

When a decline in the fair value of an available-for-sale financial asset has been recognised in other comprehensive income and there is objective evidence that the asset is impaired, the cumulative loss that has been recognised in other comprehensive income is recognised in profit or loss even though the financial asset has not been derecognised. The amount of the cumulative loss that is recognised in profit or loss is the difference between the acquisition cost and current fair value, less any impairment loss on that financial asset previously recognised in profit or loss.

INTANGIBLE ASSETS

GOODWILL

Refer to 'basis of consolidation'.

RESEARCH AND DEVELOPMENT

Expenditure on research activities, undertaken with the prospect of gaining new scientific or technical knowledge and understanding, is recognised as an expense as incurred.

Expenditure on development activities, whereby research findings are applied to a plan or design for the production of new or substantially improved products and processes, is capitalised only if development costs can be measured reliably, the product or process is technically and commercially feasible, future economic benefits are probable and the group intends to and has sufficient resources to complete development and to use or sell the asset.

The expenditure capitalised includes the cost of materials, direct labour and an appropriate proportion of overheads. Capitalised development expenditure is measured at cost less accumulated amortisation and impairment losses. Other development expenditure is recognised as an expense as incurred.

OTHER INTANGIBLE ASSETS

Other intangible assets that are acquired by the group, which have finite useful lives, are measured at cost less accumulated amortisation and impairment losses.

SUBSEQUENT EXPENDITURE

Subsequent expenditure on intangible assets is capitalised only when it increases the future economic benefits embodied in the specific asset to which it relates. All other expenditure is expensed as incurred.

INTANGIBLE ASSETS (CONTINUED)

AMORTISATION

Amortisation is recognised in profit or loss on a straight-line basis over the estimated useful lives of intangible assets from the date they are available for use unless such lives are indefinite.

The estimated useful lives for the current and comparative periods are as follows:

- Customer relationships 1 to 10 years.
- Trade names, designs, patents and trademarks 3 to 10 years.
- Distribution rights and licence agreements indefinite life.
- Proprietary software 2 to 3 years.

Amortisation methods, useful lives and residual values are reviewed at each financial year-end and adjusted if appropriate.

INVENTORIES

Inventories are measured at the lower of cost and net realisable value taking into account market conditions and technological changes. Cost is determined on the first-in first-out and weighted average cost methods. Work and contracts in progress and finished goods include direct costs and an appropriate portion of attributable overhead expenditure based on normal production capacity. Net realisable value is the estimated selling price in the ordinary course of business, less the estimated costs of completion and selling expenses.

INVESTMENTS IN SUBSIDIARIES

Investments in subsidiaries, associates and joint arrangements are measured at cost, less accumulated impairment losses in the company's financial statements.

NON-CURRENT ASSETS HELD-FOR-SALE AND DISCONTINUED OPERATIONS

Non-current assets, or disposal groups comprising assets and liabilities, are classified as held for sale if it is highly probable that they will be recovered primarily through a sale, not through continuing use. Upon initial classification as held for sale, non-current assets and disposal groups are recognised at the lower of carrying amount and fair value less costs to sell. Any impairment loss on a disposal group is allocated first to goodwill, and then to the remaining assets and liabilities on a *pro rata* basis. Impairment losses are not allocated to inventories, financial assets, deferred tax assets or employee benefit assets, except when Altron has entered into a binding sale agreement which is pending regulatory approvals. However, in certain circumstances impairment losses may be allocated to these assets. Impairment losses on initial classification as held for sale and subsequent gains and losses on remeasurement are recognised in profit or loss as capital items.

Intangible assets and property, plant and equipment, once classified as held for sale, are not amortised or depreciated.

Equity accounting of equity accounted investments also ceases once classified as held for sale.

A discontinued operation is a component of the group's business, the operations and cash flows of which can be clearly distinguished from the rest of the Group, and which is abandoned or disposed of or is classified as held for sale and which represents a separate major line of business or geographical area of operation.

Classification as a discontinued operation occurs upon the earlier of disposal or when the operation meets the criteria to be classified as held for sale. When an operation is classified as a discontinued operation, the comparative statement of comprehensive income is represented, as if the operation has been discontinued from the start of the comparative period.

ACCOUNTING POLICIES

(CONTINUED)

LEASES

OPERATING LEASES

Leases where the lessor retains the risks and rewards of ownership of the underlying asset are classified as operating leases.

Payments made under operating leases are recognised in profit or loss on a straight-line basis over the period of the lease.

FINANCE LEASES

Leases that transfer substantially all the risks and rewards of ownership of the underlying asset to the group are classified as finance leases. Assets acquired in terms of finance leases are capitalised at the lower of the fair value of the asset and the present value of the minimum lease payments at inception of the lease, and depreciated over the shorter of the estimated useful life of the asset or the lease term if there is no reasonable certainty that the group will obtain ownership at the end of the lease term.

The capital element of future obligations under the leases is included as a liability in the balance sheet. Lease payments are allocated using the effective interest method to determine the lease finance cost, which is recognised in profit or loss over the lease period, and the capital repayment, which reduces the liability to the lessor.

PROPERTY, PLANT AND EQUIPMENT

OWNED ASSETS

Property, plant and equipment is measured at cost less accumulated depreciation and impairment losses. When components of an item of property, plant and equipment have different useful lives, those components are accounted for as separate items of property, plant and equipment.

Cost includes expenditure that is directly attributable to the acquisition of the asset. Purchased software that is integral to the functionality of the related equipment is capitalised as part of that equipment.

SUBSEQUENT COSTS

The group recognises in the carrying amount of an item of property, plant and equipment the cost of replacing part of such an item when the cost is incurred, if it is probable that future economic benefits embodied within the item will flow to the group and the cost of such item can be measured reliably. The carrying amount of the replaced item of property, plant and equipment is derecognised. All other costs are recognised in profit or loss as an expense when incurred.

DEPRECIATION

Depreciation is recognised in profit or loss for each category of assets on a straight-line basis over their expected useful lives to estimated residual values. Land is not depreciated.

The estimated useful lives for the current and comparative periods are as follows:

- Buildings 20 to 50 years.
- Leasehold improvements (included in land and buildings) shorter of lease period or useful life of asset.
- Plant and machinery 3 to 20 years.
- Motor vehicles 4 to 8 years.
- Furniture and equipment 5 to 20 years.
- IT equipment and software 2 to 8 years.

The depreciation methods, useful lives and residual values are reassessed annually and adjusted if appropriate. Gains and losses arising on the disposal of property, plant and equipment are included as capital items in profit or loss.

PROVISIONS

GENERAL

Provisions are recognised when the group has a present legal or constructive obligation as a result of past events, for which it is probable that an outflow of economic benefits will be required to settle the obligation, and where a reliable estimate can be made of the amount of the obligation. Provisions are determined by discounting the expected future cash flows at a pre-tax discount rate that reflects current market assessments of the time value of money and, where appropriate, the risks specific to the liability.

WARRANTIES AND FAULT RECTIFICATION

A provision for warranties and fault rectification is recognised when the underlying products or services are sold. The provision is based on historical warranty and fault rectification data, claims made and a weighting of all possible outcomes against their associated probabilities.

RETRENCHMENTS AND RESTRUCTURING

A provision for retrenchments and restructuring is recognised when the group has approved a detailed and formal restructuring plan, and the restructuring either has commenced or has been announced publicly. Future operating costs are not provided for.

ONEROUS CONTRACTS

A provision for onerous contracts is recognised when the expected benefits to be derived by the group from a contract are lower than the unavoidable cost of meeting the obligations under the contract.

The provision is measured at the present value of the lower of the expected costs of terminating the contract and the expected net cost of continuing with the contract. Before a provision is established, the group recognises any impairment loss on the assets associated with that contract.

SHARE-BASED PAYMENT TRANSACTIONS

EQUITY SETTLED

The fair value of share options granted to employees is recognised as an employee expense with a corresponding increase in equity. The fair value is measured at grant date and expensed over the period during which the employees are required to provide services in order to become unconditionally entitled to the equity instruments.

The fair value of the instruments granted is measured using generally accepted valuation techniques, taking into account the terms and conditions upon which the instruments are granted. For share-based payment awards with non-vesting conditions, the grant-date fair value of the share-based payment is measured to reflect such conditions and there is no true-up for differences between expected and actual outcomes

CASH SETTLED

Share-linked instruments have been granted to certain employees in the group in the current financial year. The fair value of the amount payable to employees is recognised as an expense with a corresponding increase in liabilities over the period during which the employees become unconditionally entitled to payment. The liability is remeasured at each reporting date and at settlement date based on the fair value of the share linked instruments. Any changes in the liability are recognised as employees' remuneration in profit or loss.

ACCOUNTING POLICIES

(CONTINUED)

SHARE-BASED PAYMENT TRANSACTIONS (CONTINUED)

GROUP SHARE-BASED PAYMENT TRANSACTIONS

Transactions in which a parent grants rights to its equity instruments directly to the employees of its subsidiaries are classified as equity settled in the financial statements of the subsidiary, as it receives the benefit of the services rendered and has no obligation to settle the award.

The subsidiary recognises the services acquired with the share-based payment as an expense and recognises a corresponding increase in equity for a capital contribution from the parent for those services acquired. The parent recognises in equity the equity-settled share-based payment and recognises a corresponding increase in the investment in subsidiary.

A recharge arrangement exists whereby the subsidiary is required to fund the difference between the exercise price of the share options and the market price of the share at the time of exercising the option. The recharge arrangement is accounted for separately from the underlying equity-settled share-based payment upon initial recognition, as follows:

- The subsidiary recognises a recharge liability and a corresponding adjustment against equity for the capital contribution recognised in respect of the share-based payment.
- The parent recognises a recharge asset and a corresponding adjustment to the carrying amount of the investment in the subsidiary.

Subsequent to initial recognition, the recharge arrangement is remeasured at fair value at each subsequent reporting date until settlement date to the extent vested. Where the recharge amount recognised is greater than the initial capital contribution recognised by the subsidiary in respect of the share-based payment, the excess is recognised as a net capital distribution to the parent.

The amount of the recharge in excess of the capital contribution recognised as an increase in the investment in subsidiary is deferred and recognised as dividend income by the parent when settled by the subsidiary.

B-BBEE TRANSACTIONS

Where goods or services are considered to have been received from B-BBEE partners as consideration for equity instruments of the group, these transactions are accounted for as share-based payment transactions, even when the entity cannot specifically identify the goods or services received. This accounting policy is applicable to equity instruments that had not vested by 1 January 2005 (as above).

RENTAL FINANCE ADVANCES

Rental finance advances to customers are supported by finance leases and are stated at the outstanding capital balances.

The income earned is computed at the interest rates inherent in each contract, applied to the capital balance outstanding under such contract and is included in revenue.

REVENUE

Revenue from the sale of goods is measured at the fair value of the consideration received or receivable, net of returns and allowances, trade discounts, volume rebates and value added tax.

Revenue from the sale of goods is recognised when the significant risks and rewards have been transferred to the buyer, recovery of the consideration is probable, the associated costs and possible return of goods can be estimated reliably, there is no continuing management involvement with the goods and the amount of revenue can be measured reliably.

Revenue from services rendered is recognised in profit or loss in proportion to the stage of completion of the transaction at reporting date. The stage of completion is time-based and dependent on the terms of the contract.

Revenue from operating lease arrangements is recognised in profit and loss on a straight-line basis over the term of the lease.

CUSTOMER FINANCIAL LEASE RECEIVABLES

Customer financial lease receivables represent amounts due by customers in respect of the equipment component of airtime and data usage service contracts. The amounts due are receivable over the contract term.

CONTRACT FULFILMENT COSTS

Contract fulfilment costs include hardware, fitment, commissions and other costs directly attributable to the fulfilment of customer service contracts. These costs are expensed over the expected period of the customer service contract similar to the accounting for construction contracts per IAS 11.

COMMISSION

If the group acts in the capacity of an agent rather than principal in a transaction, then the revenue is the net amount of the commission made by the group.

SHARE CAPITAL

A ORDINARY SHARES

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

N ORDINARY SHARES

N ordinary shares are classified as equity if it is non-redeemable and any dividends are discretionary, or is redeemable but only at the company's option. Dividends on N ordinary shares are classified as equity and are recognised as distributions within equity.

N ordinary shares are classified as a liability if it is redeemable on a specific date or at the option of the shareholders or if dividend payments are not discretionary. Dividends thereon are recognised in profit or loss as interest expense.

REPURCHASE OF SHARE CAPITAL

When share capital recognised as equity is repurchased, the amount of the consideration paid, including directly attributable costs, is recognised as a deduction from equity.

Repurchased shares held by subsidiaries are classified as treasury shares and presented as a deduction from total equity.

TAXATION

Income tax expense comprises current and deferred tax. Income tax expense is recognised in profit or loss, except to the extent that it relates to items recognised directly in equity or in other comprehensive income, in which case it is recognised in equity or other comprehensive income, respectively.

ACCOUNTING POLICIES

(CONTINUED)

TAXATION (CONTINUED)

CURRENT TAX

Current tax comprises tax payable calculated on the basis of the expected taxable income for the year, using the tax rates enacted or substantively enacted at the reporting date, and any adjustment of tax payable for previous years.

DEFERRED TAX

Deferred tax is recognised based on temporary differences.

Temporary differences are differences between the carrying amounts of assets and liabilities for financial reporting purposes and their tax values.

Deferred tax is not recognised for the following temporary differences: the initial recognition of goodwill, the initial recognition of assets or liabilities in a transaction that is not a business combination and that affects neither accounting nor taxable profit or loss, and differences relating to investments in subsidiaries, associates and joint arrangements to the extent that the group is able to control the timing of the reversal of the temporary differences and it is probable that they will not reverse in the foreseeable future.

The amount of deferred tax provided is based on the expected manner of realisation or settlement of the carrying amount of assets and liabilities using tax rates enacted or substantively enacted at the reporting date. The effect on deferred tax of any changes in tax rates is recognised in profit or loss, except to the extent that it relates to items previously charged or credited directly to equity.

A deferred tax asset is recognised to the extent that it is probable that future taxable profits will be available against which the unused tax losses and deductible temporary differences can be utilised. Deferred tax assets are reviewed at each reporting date and are reduced to the extent that it is no longer probable that the related tax benefit will be realised.

In the event that the applicable taxation rate(s) are changed from those applied in the comparative financial reporting year, the opening balance of the deferred taxation liability shall be adjusted for the change in the taxation rates.

Deferred taxation assets and liabilities are offset if there is a legally enforceable right to offset current taxation liabilities and assets and they relate to income taxation levied by the same authority on the same taxable entity, or on different taxation entities, but they intend to settle current taxation liabilities and assets on a net basis or their taxation assets and liabilities will be realised simultaneously.

DIVIDENDS WITHHOLDING TAX

The group withholds dividends tax on behalf of its shareholders at a rate of 20% on dividends declared. Amounts withheld are not recognised as part of the group's tax charge but rather as part of the dividend paid recognised directly in equity.

Where withholding tax is withheld on dividends received, the dividend is recognised at the gross amount with the related withholdings tax recognised as part of tax expense unless it is otherwise reimbursable in which case it is recognised as an asset.

EARNINGS PER SHARE

The group presents basic and diluted earnings per share (EPS) data for its A ordinary shares and N ordinary shares Basic EPS is calculated by dividing the profit or loss attributable to A ordinary and N ordinary shareholders of the company by the weighted average number of A ordinary and N ordinary shares outstanding during the period.

Diluted EPS is determined by adjusting the profit or loss attributable to ordinary shareholders and the weighted average number of A ordinary and N ordinary shares outstanding for the effects of all dilutive potential A ordinary and N ordinary shares, which comprise share options granted to employees.

Normalised headline earnings per share have been presented to demonstrate the impact of material non-operational once-off costs associated with accessing benefits that will only be realised in subsequent reporting periods, as well as certain restructuring costs, on the headline earnings of the group. The presentation of normalised headline earnings is not an IFRS requirement.

OPERATING SEGMENTS

An operating segment is a component of the group that engages in business activities from which it may earn revenues and incur expenses, including revenues and expenses that relate to transactions with any of the group's other components.

The group determines and presents operating segments based on the information that is internally provided to the group's chief executive (CE), who is the group's chief operating decision-maker.

An operating segment's operating results are reviewed regularly by the CE to make decisions about resources to be allocated to the segment and assess its performance, and for which discrete financial information is available.

Segment results that are reported to the CE include items directly attributable to a segment as well as those that can be allocated on a reasonable basis. Unallocated items comprise mainly corporate assets (primarily the group's headquarters and the subgroup's headquarters).

BALANCE SHEET

AT 28 FEBRUARY 2017

R millions	Notes	GROUP 2017	GROUP 2016
ASSETS			
Non-current assets		**2 816**	2 804
Property, plant and equipment	1	**569**	618
Intangible assets, including goodwill	2	**1 029**	1 042
Equity-accounted investments	3	**23**	4
Other investments	3	**302**	199
Rental finance advances	4	**113**	129
Non-current receivables and other assets	5	**404**	345
Defined benefit asset	16	**178**	211
Deferred taxation	6	**198**	256
Current assets		**6 735**	11 643
Inventories	7	**1 046**	1 152
Trade and other receivables, including derivatives	8	**2 669**	4 004
Assets classified as held for sale	38	**1 644**	4 996
Taxation receivable		**3**	–
Cash and cash equivalents	9	**1 373**	1 491
Total assets		**9 551**	14 447
EQUITY AND LIABILITIES			
Total equity		**2 028**	2 736
Altron equity holders		**2 268**	2 847
Non-controlling interests		**(240)**	(111)
Non-current liabilities		**1 971**	2 714
Loans	13	**1 923**	2 675
Provisions	14	**5**	5
Deferred taxation	6	**43**	34
Current liabilities		**5 552**	8 997
Loans	13	**312**	1 003
Bank overdrafts	9	**956**	1 285
Provisions	14	**16**	2
Trade and other payables, including derivatives	15	**3 177**	4 504
Liabilities classified as held for sale	38	**1 024**	2 058
Taxation payable		**67**	145
Total equity and liabilities		**9 551**	14 447
Net asset value per share (cents)		**669**	845

STATEMENT OF COMPREHENSIVE INCOME

FOR THE YEAR ENDED 28 FEBRUARY 2017

R millions	Notes	GROUP 2017	GROUP 2016
CONTINUING OPERATIONS			
Revenue	17	**13 892**	14 357
Operating costs before capital items		**(12 942)**	(13 469)
Material and services consumed		**(9 539)**	(10 074)
Employees' remuneration	18.3	**(3 403)**	(3 395)
Earnings before interest, taxation, depreciation and amortisation		**950**	888
Depreciation and amortisation		**(222)**	(186)
Operating profit before capital items	18	**728**	702
Capital items	19	**8**	(69)
Result from operating activities		**736**	633
Financial income	20	**218**	149
Financial expense	21	**(441)**	(310)
Share of profit of equity-accounted investees, net of taxation	22	**–**	2
Profit before taxation		**513**	474
Taxation	23	**(98)**	(114)
Profit for the year from continuing operations		**415**	360
DISCONTINUED OPERATIONS			
Revenue	17	**5 825**	12 235
Operating costs before capital items		**(5 935)**	(12 747)
Material and services consumed		**(4 862)**	(11 109)
Employees' remuneration	18.3	**(1 073)**	(1 638)
Earnings before interest, taxation, depreciation and amortisation		**(110)**	(512)
Depreciation and amortisation		**–**	(264)
Operating loss before capital items	18	**(110)**	(776)
Capital items	19	**(496)**	(439)
Result from operating activities		**(606)**	(1 215)
Financial income	20	**45**	44
Financial expense	21	**(117)**	(375)
Share of profit of equity-accounted investees, net of taxation	22	**–**	16
Loss before taxation		**(678)**	(1 530)
Taxation	23	**(39)**	70
Loss for the year from discontinued operations		**(717)**	(1 460)
Net loss for the year		**(302)**	(1 100)

STATEMENT OF COMPREHENSIVE INCOME

FOR THE YEAR ENDED 28 FEBRUARY 2017

R millions	Notes	GROUP 2017	2016
Other comprehensive income			
Items that will never be reclassified to profit or loss			
Remeasurement of net defined benefit asset		**26**	60
Items that are or may be reclassified subsequently to profit or loss			
Foreign currency translation differences in respect of foreign operations		**(59)**	100
Effective portion of changes in the fair value of cash flow hedges		**(7)**	4
Realisation of foreign currency translation reserve on disposal of subsidiaries		**(154)**	(13)
Other comprehensive income for the year, net of taxation		**(194)**	151
Total comprehensive income for the year		**(496)**	(949)
Net loss attributable to:			
Non-controlling interests		**(117)**	(227)
Non-controlling interests from continuing operations		**20**	6
Non-controlling interests from discontinued operations		**(137)**	(233)
Altron equity holders		**(185)**	(873)
Altron equity holders from continuing operations		**395**	354
Altron equity holders from discontinued operations		**(580)**	(1 227)
Net loss for the year		**(302)**	(1 100)
Total comprehensive income attributable to:			
Non-controlling interests		**(118)**	(229)
Non-controlling interests from continuing operations		**20**	6
Non-controlling interests from discontinued operations		**(138)**	(235)
Altron equity holders		**(378)**	(720)
Altron equity holders from continuing operations		**341**	469
Altron equity holders from discontinued operations		**(719)**	(1 189)
Total comprehensive income for the year		**(496)**	(949)
Basic earnings per share from continuing operations (cents)		**117**	105
Diluted basic earnings per share from continuing operations (cents)		**116**	104
Basic loss per share from discontinued operations (cents)		**(171)**	(364)
Diluted basic loss per share from discontinued operations (cents)		**(171)**	(359)
Basic loss per share from total operations (cents)		**(54)**	(259)
Diluted basic loss per share from total operations (cents)		**(55)**	(256)

STATEMENT OF CASH FLOWS

FOR THE YEAR ENDED 28 FEBRUARY 2017

		GROUP	
R millions	Notes	**2017**	2016
CASH FLOWS FROM OPERATING ACTIVITIES		**94**	1 253
Cash generated by operations	31	**487**	1 971
Interest received		**241**	180
Dividends received from equity accounted investees and other investments	32	**23**	39
Interest paid		**(557)**	(678)
Taxation paid	33	**(96)**	(152)
Cash available from operating activities		**98**	1 360
Dividends paid			
– to Altron equity holders		**–**	(104)
– to non-controlling interests		**(4)**	(3)
CASH FLOWS FROM/(UTILISED IN) INVESTING ACTIVITIES		**1 580**	(1 121)
Acquisition of subsidiaries and businesses net of cash acquired	34	**(46)**	(84)
Proceeds on the disposal of subsidiaries and businesses net of cash disposed of	35	**2 048**	42
Proceeds on the disposal of associates net of cash disposed of	35	**12**	7
Proceeds on disposal of property, plant and equipment and intangible assets	36	**147**	52
Decrease/(increase) in rental finance advances		**1**	(31)
Additions to intangible assets		**(123)**	(131)
Additions to property, plant and equipment		**(191)**	(338)
Other investing activities	37	**(268)**	(638)
CASH FLOWS UTILISED IN FINANCING ACTIVITIES		**(1 479)**	(117)
Loans advanced		**2 065**	136
Loans repaid		**(3 532)**	(253)
Buy-back of non-controlling interests		**(12)**	–
NET INCREASE IN CASH AND CASH EQUIVALENTS		**195**	15
Net cash and cash equivalents at the beginning of the year		**326**	291
Cash and cash equivalents at the beginning of the year		**206**	291
Cash previously classified as held for sale		**120**	–
Effect of exchange rate fluctuations on cash held		**(192)**	20
Net cash classified as held for sale		**88**	(120)
NET CASH AND CASH EQUIVALENTS AT THE END OF THE YEAR	9	**417**	206

STATEMENT OF CHANGES IN EQUITY

FOR THE YEAR ENDED 28 FEBRUARY 2017

GROUP **R millions**	Share capital and premium (note 10)	Treasury shares (note 10)	Foreign currency translation reserve (note 11)	Premium/ discount on non-controlling equity transactions (note 11)	
	Attributable to Altron equity holders				
Balance at 28 February 2015	2 735	(299)	288	(3 317)	
Total comprehensive income for the year					
Loss for the year	–	–	–	–	
Other comprehensive income					
Foreign currency translation differences in respect of foreign operations	–	–	102	–	
Realisation of foreign currency translation reserve on disposal of subsidiary	–	–	(13)	–	
Remeasurement on net defined benefit asset	–	–	–	–	
Effective portion of changes in the fair value of cash flow hedges	–	–	–	–	
Total other comprehensive income	–	–	89	–	
Total comprehensive income for the year	–	–	89	–	
Transactions with owners, recorded directly in equity					
Contributions by and distributions to owners					
Dividends to equity holders	–	–	–	–	
Share-based payment transactions	–	–	–	–	
Total contributions by and distributions to owners	–	–	–	–	
Changes in ownership interests in subsidiaries					
Buy-back of non-controlling interests	–	–	–	–	
Total changes in ownership interests in subsidiaries	–	–	–	–	
Total transactions with owners	–	–	–	–	
Balance at 29 February 2016	2 735	(299)	377	(3 317)	
Total comprehensive income for the year					
Loss for the year	–	–	–	–	
Other comprehensive income					
Foreign currency translation differences in respect of foreign operations	–	–	(59)	–	
Realisation of foreign currency translation reserve on disposal of subsidiaries	–	–	(132)	–	
Realisation of foreign currency translation reserve on closure of held for sale group	–	–	(22)	–	
Remeasurement on net defined benefit asset	–	–	–	–	
Effective portion of changes in the fair value of cash flow hedges	–	–	–	–	
Reclassification of reserves on disposal	–	–	–	287	
Total other comprehensive income	–	–	(213)	287	
Total comprehensive income for the year	–	–	(213)	287	
Transactions with owners, recorded directly in equity					
Contributions by and distributions to owners					
Dividends to equity holders	–	–	–	–	
Issue of share capital	12	–	–	–	
Share-based payment transactions	–	–	–	–	
Total contributions by and distributions to owners	12	–	–	–	
Changes in ownership interests in subsidiaries					
Buy-back of non-controlling interests	–	–	–	(212)	
Non-controlling interest disposed	–	–	–	–	–
Total changes in ownership interests in subsidiaries	–	–	–	(212)	
Total transactions with owners	12	–	–	(212)	
Balance at 28 February 2017	2 747	(299)	164	(3 242)	

Attributable to Altron equity holders							
Cash flow hedging reserve note (11)	Share-based payments reserve (note 11)	Statutory reserves (note 11)	Fair value reserve (note 11)	Retained earnings (note 11)	**Total**	Non-controlling interests	**Total equity**
(3)	157	95	275	3 708	**3 639**	123	**3 762**
–	–	–	–	(873)	**(873)**	(227)	**(1 100)**
–	–	–	–	–	**102**	(2)	**100**
–	–	–	–	–	**(13)**	–	**(13)**
–	–	–	60		**60**		**60**
4	–	–	–	–	**4**	–	**4**
4	–	–	60	–	**153**	(2)	**151**
4	–	–	60	(873)	**(720)**	(229)	**(949)**
–	–	–	–	(104)	**(104)**	(3)	**(107)**
–	32	–	–	–	**32**	1	**33**
–	32	–	–	(104)	**(72)**	(2)	**(74)**
–	–	–	–	–	**–**	(3)	**(3)**
–	–	–	–	–	**–**	(3)	**(3)**
–	32	–	–	(104)	**(72)**	(5)	**(77)**
1	189	95	335	2 731	**2 847**	(111)	**2 736**
–	–	–	–	(185)	**(185)**	(117)	**(302)**
–	–	–	–	–	**(59)**		**(59)**
–	–	–	–	–	**(132)**	–	**(132)**
					(22)	–	**(22)**
–	–	–	26		**26**	–	**26**
(6)	–	–	–	–	**(6)**	(1)	**(7)**
–	–	–	(97)	(190)	**–**	–	**–**
(6)	–	–	(71)	(190)	**(193)**	(1)	**(194)**
(6)	–	–	(71)	(375)	**(378)**	(118)	**(496)**
–	–	–	–	–	**–**	(4)	**(4)**
–	(12)	–	–	–	**–**	–	**–**
–	11	–	–	–	**11**	1	**12**
–	(1)	–	–	–	**11**	(3)	**8**
–	–	–	–	–	**(212)**	200	**(12)**
–	–	–	–	–	**–**	(208)	**(208)**
–	–	–	–	–	**(212)**	(8)	**(220)**
–	(1)	–	–	–	**(201)**	(11)	**(212)**
(5)	188	95	264	2 356	**2 268**	(240)	**2 028**

NOTES TO THE FINANCIAL STATEMENTS
FOR THE YEAR ENDED 28 FEBRUARY 2017

R millions	Land and buildings	Plant and machinery	Motor vehicles, furniture and equipment	IT equipment and software	Capital work in progress	Total
1. PROPERTY, PLANT AND EQUIPMENT						
Cost						
Balance at 28 February 2015	727	2 766	415	1 135	107	**5 150**
Additions at cost	19	52	28	134	105	**338**
Acquisitions through business combinations	4	–	18	8	–	**30**
Disposals	(65)	(53)	(58)	(68)	(9)	**(253)**
Disposals of operations	(1)	(6)	(8)	(5)	–	**(20)**
Reclassifications	2	58	(36)	46	(86)	**(16)**
Translation of foreign operations	59	197	14	24	–	**294**
Balance at 29 February 2016	745	3 014	373	1 274	117	**5 523**
Additions at cost	**20**	**19**	**34**	**99**	**19**	**191**
Disposals	**(131)**	**(84)**	**(44)**	**(302)**	**(20)**	**(581)**
Disposals of operations	**(202)**	**(1 790)**	**(73)**	**(205)**	**(24)**	**(2 294)**
Reclassifications	**–**	**10**	**–**	**15**	**(26)**	**(1)**
Translation of foreign operations	**(38)**	**(43)**	**(6)**	**(15)**	**–**	**(102)**
Balance at 28 February 2017	**394**	**1 126**	**284**	**866**	**66**	**2 736**
Accumulated depreciation and impairment losses						
Balance at 28 February 2015	219	1 883	300	843	17	**3 215**
Depreciation for the year	31	92	35	127	–	**285**
Acquisitions through business combinations	1	–	12	5	–	**18**
Impairments	71	283	7	47	–	**408**
Disposals	(36)	(51)	(49)	(64)	(1)	**(201)**
Disposals of operations	(1)	(5)	(6)	(4)	–	**(16)**
Reclassifications	1	(1)	(26)	27	(17)	**(16)**
Translation of foreign operations	27	177	11	19	–	**234**
Balance at 29 February 2016	**313**	**2 378**	**284**	**1 000**	**(1)**	**3 974**
Depreciation for the year	**10**	**15**	**24**	**87**	**–**	**136**
Impairments	**9**	**245**	**18**	**21**	**1**	**294**
Disposals	**(27)**	**(82)**	**(42)**	**(300)**	**–**	**(451)**
Disposals of operations	**(126)**	**(1 530)**	**(65)**	**(184)**	**–**	**(1 905)**
Reclassifications	**–**	**(1)**	**–**	**–**	**–**	**(1)**
Translation of foreign operations	**(8)**	**(38)**	**(5)**	**(11)**	**–**	**(62)**
Balance at 28 February 2017	**171**	**987**	**214**	**613**	**–**	**1 985**

1. PROPERTY, PLANT AND EQUIPMENT (CONTINUED)

R millions	Land and buildings	Plant and machinery	Motor vehicles, furniture and equipment	IT equipment and software	Capital work in progress	Total
Carrying amount at 29 February 2016 before items classified as held-for-sale	432	636	89	274	118	**1 549**
Carrying amount: Property, plant and equipment classified as held-for-sale	(248)	(555)	(29)	(46)	(53)	**(931)**
Cost	(522)	(2 828)	(184)	(535)	(54)	**(4 123)**
Accumulated depreciation and impairment losses	274	2 273	155	489	1	**3 192**
Carrying amount at 29 February 2016	184	81	60	228	65	**618**
Carrying amount at 28 February 2017 before items classified as held-for-sale	**223**	**139**	**70**	**253**	**66**	**751**
Carrying amount: Property, plant and equipment classified as held-for-sale	**(59)**	**(72)**	**(7)**	**(23)**	**(21)**	**(182)**
Cost	**(185)**	**(999)**	**(82)**	**(154)**	**(24)**	**(1 444)**
Accumulated depreciation and impairment losses	**126**	**927**	**75**	**131**	**3**	**1 262**
Carrying amount at 28 February 2017	**164**	**67**	**63**	**230**	**45**	**569**

IMPAIRMENT OF PROPERTY, PLANT AND EQUIPMENT

R291 million of the R294 million impairments resulted from an assessment of the carrying value of the assets compared to the fair value less costs to sell for the Powertech Transformers, Powertech Batteries, Powertech System Integrators, Crabtree and Altech Multimedia businesses that are classified as disposal groups held-for-sale (refer to note 38).

Fair value less cost to sell has been determined with reference to indicative offers received from prospective buyers.

ENCUMBERED ASSETS

Certain data processing, motor vehicles and office equipment, included in the above amounts, was encumbered as security for finance leases (refer to note 13). The carrying amounts are as follows:

R millions	2017	2016
Finance leases	**4**	8
Assets under construction		
Included in the cost of capital work in progress are the following categories of assets:		
Plant and machinery	**65**	105
IT equipment and software	**1**	13
	66	118

1. PROPERTY, PLANT AND EQUIPMENT CONTINUED

USEFUL LIVES

Useful lives are reflected under accounting policies.

Management have assessed the appropriateness of useful lives and residual values of property, plant and equipment.

2. INTANGIBLE ASSETS, INCLUDING GOODWILL

R millions	Goodwill	Customer relation-ships	Trade names, designs, patents and trademarks	Distribution rights and licence agreements	Proprietary software	**Total**
Cost						
Balance at 28 February 2015	1 375	237	1 156	156	35	**2 959**
Additions at cost	–	1	19	87	9	**116**
Development costs capitalised	–	–	100	–	–	**100**
Arising on business combinations	88	19	8	–	8	**123**
Disposals of operations	(1)	(1)	–	–	–	**(2)**
Transfers between categories	–	16	(40)	–	(10)	**(34)**
Translation of foreign operations	36	8	12	2	–	**58**
Balance at 29 February 2016	1 498	280	1 255	245	42	**3 320**
Additions at cost	**–**	**–**	**23**	**45**	**–**	68
Development costs capitalised	**–**	**–**	**99**	**–**	**–**	99
Disposals	**–**	**–**	**(159)**	**(60)**	**(2)**	(221)
Disposals of operations	**(69)**	**(44)**	**(5)**	**–**	**(9)**	(127)
Translation of foreign operations	**(38)**	**(10)**	**(4)**	**(1)**	**–**	(53)
Balance at 28 February 2017	**1 391**	**226**	**1 209**	**229**	**31**	3 086
Accumulated amortisation and impairment losses						
Balance at 28 February 2015	459	225	803	45	22	**1 554**
Amortisation for the year	–	15	94	55	1	**165**
Impairment losses	230	–	133	4	–	**367**
Transfers between categories	–	(3)	(21)	–	(10)	**(34)**
Disposals of operations	(1)	(1)	–	–	–	**(2)**
Translation of foreign operations	15	7	7	2	–	**31**
Balance at 29 February 2016	703	243	1 016	106	13	**2 081**
Amortisation for the year	**–**	**12**	**30**	**42**	**2**	86
Impairment losses	**25**	**–**	**129**	**31**	**1**	186
Disposals	**–**	**–**	**(156)**	**(59)**	**(2)**	(217)
Disposals of operations	**(69)**	**(44)**	**(1)**	**–**	**–**	(114)
Translation of foreign operations	**(12)**	**(11)**	**(3)**	**(1)**	**–**	(27)
Balance at 28 February 2017	**647**	**200**	**1 015**	**119**	**14**	1 995

2. INTANGIBLE ASSETS, INCLUDING GOODWILL (CONTINUED)

R millions	Goodwill	Customer relation-ships	Trade names, designs, patents and trademarks	Distribution rights and licence agreements	Proprietary software	Total
Carrying amount at 29 February 2016 before items classified as held-for-sale	795	37	239	139	29	**1 239**
Carrying amount: goodwill and intangibles held-for-sale	(25)	–	(127)	(32)	(13)	**(197)**
Cost	(664)	(80)	(745)	(63)	(13)	**(1 565)**
Accumulated amortisation and impairment losses	639	80	618	31	–	**1 368**
Carrying amount at 29 February 2016	770	37	112	107	16	**1 042**
Carrying amount at 28 February 2017 before items classified as held-for-sale	**744**	**26**	**194**	**110**	**17**	1 091
Carrying amount: Goodwill and Intangibles held-for-sale	**–**	**–**	**(59)**	**–**	**(3)**	**(62)**
Cost	**(582)**	**(80)**	**(771)**	**(54)**	**(4)**	**(1 491)**
Accumulated amortisation and impairment losses	**582**	**80**	**712**	**54**	**1**	**1 429**
Carrying amount at 28 February 2017	**744**	**26**	**135**	**110**	**14**	**1 029**

IMPAIRMENT LOSSES

DETERMINATION OF THE RECOVERABLE AMOUNT

The carrying value of indefinite useful life intangible assets, intangible assets not yet available for use and goodwill are 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.

DISTRIBUTION RIGHTS AND LICENCE AGREEMENTS

The group owns the rights to distribute Xerox equipment in 25 (2016: 25) 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, which agreement was renewed for a further 10 year period, effective 1 January 2011. These intangible assets have a carrying value of R19 million (2016: R19 million) and 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 calculated weighted average cost of capital of 19.7% (2016: 19.65%). In determining the future cash flows, management uses the earnings before interest and tax calculated based on approved budgeted revenue and actual achieved operating margins to be derived from this asset in the first year, and this is escalated for the next four years by the anticipated CPI of 6.6% (2016: 5%) before taking into account the terminal value and long-term growth rate of 3% (2016: 2.82%).

NOTES TO THE FINANCIAL STATEMENTS
FOR THE YEAR ENDED 28 FEBRUARY 2017 (CONTINUED)

2. INTANGIBLE ASSETS, INCLUDING GOODWILL (CONTINUED)

EVENTS AND CIRCUMSTANCES LEADING TO THE RECOGNITION OF IMPAIRMENT LOSSES

GOODWILL

The carrying amount of the Powertech Swanib Cables and Powertech Webroy cash-generating units were determined to be higher than their recoverable amounts, based on fair value less cost to sell. Impairment losses of R24 million and R1 million respectively were recognised and allocated to goodwill. The impairment of R24 million is included in the Powertech Other operating segment and the R1 million impairment is included in the Powertech Battery Group operating segment.

OTHER INTANGIBLE ASSETS

The R161 million impairment of development costs capitalised resulted from an assessment of the carrying value of the assets compared to the fair value less costs to sell for the Powertech Transformers, Powertech Batteries, Powertech System Integrators, Crabtree and Altech Multimedia businesses that are classified as disposal groups held-for-sale.

Fair value less cost to sell has been determined with reference to indicative offers received from prospective buyers.

IMPAIRMENT TESTS FOR CASH-GENERATING UNITS CONTAINING GOODWILL

The following units have significant carrying amounts of goodwill net of impairment losses and currency translation effects:

R millions	2017	2016
Bytes Document Solutions (Xerox)	135	135
Bytes Healthcare Solutions	82	82
Altech Netstar	30	30
Pinpoint Communications	37	34
Swanib Cables	–	24
Bytes Systems Integration	80	80
Arrow Altech	1	1
Bytes Managed Solutions	53	53
Altech Fleetcall	33	33
Altech Nupay	65	65
Bytes People Solutions	48	48
BUS Telecoms	25	25
Security Partnerships	82	112
Bytes Universal Systems	73	73
	744	795
Less goodwill classified as held-for-sale (refer to note 38)	–	(25)
	744	770

DESCRIPTION OF IMPAIRMENT TESTS AND KEY ASSUMPTIONS

Impairment tests on goodwill are conducted on an annual basis using a discounted cash flow valuation model on the basis of value-in-use or fair value less cost to sell.

For the purpose of impairment testing, goodwill is allocated to the operating divisions or businesses which represent the lowest level within the group at which the goodwill is monitored for internal management purposes.

VALUE-IN-USE

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 to the cost structure based on business plans.

2. INTANGIBLE ASSETS, INCLUDING GOODWILL (CONTINUED)

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 5.23% and 16.46% (2016: 6.01% and 18.39%) at year-end. Perpetuity growth rates applied ranged between 0.3% and 5.0% (2016: 0.3% and 5.0%), depending on the territory in which the business operates.

A reasonably possible change in the assumptions used to calculate the value-in-use is not likely to cause the carrying value of the above cash-generating units to materially exceed their recoverable amounts.

USEFUL LIVES

Useful lives are reflected under accounting policies.

R millions	GROUP 2017	GROUP 2016
3. EQUITY-ACCOUNTED INVESTMENTS AND OTHER INVESTMENTS		
Interest in joint venture	**164**	145
Interests in associates	**4**	4
Less: Equity-accounted investments and other investments held-for-sale (refer to note 38)	**(145)**	(145)
	23	4
Other investments		
Non-current loans receivable at amortised cost		
Participation loan to Technologies Acceptances Receivables Proprietary Limited ("TAR")	**187**	178
Non-current available-for-sale investments at fair value		
Preference share investment in Technologies Acceptances Receivables Proprietary Limited	**21**	21
Investment in Aberdare Cables Proprietary Limited (note 39)	**94**	–
	302	199
Refer Annexure 1 for details.		
4. RENTAL FINANCE ADVANCES		
Assets at amortised cost		
Present value of minimum lease payments receivable	**177**	178
Less: Current portion (note 8)	**(64)**	(49)
Non-current finance lease receivable	**113**	129
Liabilities at amortised cost (included under loans)		
Present value of minimum lease payments payable (note 13)	**192**	178
Less: Current portion (note 13)	**(70)**	(49)
Non-current finance lease liability	**122**	129

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.

NOTES TO THE FINANCIAL STATEMENTS
FOR THE YEAR ENDED 28 FEBRUARY 2017 (CONTINUED)

4. RENTAL FINANCE ADVANCES (CONTINUED)

	GROUP	
R millions	**2017**	2016
The underlying loans receivable and payable are settled in monthly instalments over periods of up to seven 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	**177**	178
Interest receivable	**36**	46
Future minimum lease payments receivable	**213**	224

	2017		2016	
R millions	**Future minimum lease payments**	**Present value of minimum lease payments**	Future minimum lease payments	Present value of minimum lease payments
Non-derivative financial assets				
Finance lease assets are received as follows:				
Less than one year	**83**	**64**	69	49
Between one and five years	**130**	**113**	151	126
More than five years	**–**	**–**	4	3
	213	**177**	224	178
Non-derivative financial liabilities				
Finance lease liabilities are payable as follows:				
Less than one year	**91**	**70**	69	49
Between one and five years	**139**	**122**	151	126
More than five years	**–**	**–**	4	3
	230	**192**	224	178

4. RENTAL FINANCE ADVANCES (CONTINUED)

R millions	GROUP 2017	GROUP 2016
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	**177**	178
The maximum exposure to, and concentration of, credit risk for finance lease assets at the reporting date by type of customer was:		
Parastatals/government	**53**	58
Corporates	**124**	120
	177	178
The maximum exposure to, and concentration of, credit risk for finance lease assets at the reporting date by geographical region was:		
South Africa	**177**	178

All customers are subjected to stringent credit vetting. It is our experience that only large corporates and parastatals/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.

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:

	Carrying amount	Con-tractual cash flows	6 months or less	6 to 12 months	1 to 2 years	2 to 5 years	More than 5 years
28 February 2017							
Non-derivative financial assets							
Finance lease assets	**177**	**213**	**43**	**40**	**67**	**63**	**–**
Non-derivative financial liabilities							
Finance lease liabilities	**(192)**	**(230)**	**(47)**	**(44)**	**(75)**	**(64)**	**–**
29 February 2016							
Non-deravative financial assets							
Finance lease assets	178	224	36	33	60	91	4
Non-derivative financial liabilities							
Finance lease liabilities	(178)	(224)	(36)	(33)	(60)	(91)	(4)

Exposure to interest rate risk

A significant portion of 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 significant exposure to interest rate risk as a result of these arrangements.

NOTES TO THE FINANCIAL STATEMENTS
FOR THE YEAR ENDED 28 FEBRUARY 2017 (CONTINUED)

	GROUP	
R millions	2017	2016
5. NON-CURRENT RECEIVABLES AND OTHER ASSETS		
Non-current trade receivables	**45**	99
Customer financial lease receivables	**115**	67
Less short-term portion included in trade receivables	**(115)**	(160)
Contract fulfilment costs	**360**	340
Opening balance	**340**	1 143
Additions	**237**	634
Terminations	**(1)**	(184)
Disposal	**–**	(1 086)
Expensed during the year*	**(216)**	(167)
Less: Non-current receivables classified as held-for-sale (refer to note 38)	**(1)**	(1)
	404	345

** The amount expensed on contract fulfilment costs is included in EBITDA.*

Customer financial lease receivables

Customer financial lease receivables relate to the disposed Autopage business and represent amounts due by customers in respect of the equipment component of airtime and data usage service contracts. The amounts due are receivable over the contract term and all amounts are expected to be collected in the next 12 months.

The interest rate inherent in the lease is nil.

The carrying amount of customer financial lease receivables represents the maximum credit exposure.

Credit risk is solely concentrated in South Africa and is split between corporates, small and medium enterprises ("SMEs") and individual customers.

Contract fulfilment costs

Contract fulfilment costs include hardware, fitment, commissions and other costs directly attributable to the negotiation and conclusion of customer service contracts. These costs are expensed over the expected period of the customer service contract, which varies up to three years.

	GROUP	
R millions	2017	2016
6. DEFERRED TAXATION		
6.1 Deferred tax movement		
Balance at the beginning of the year	**(222)**	(165)
Recognised in profit or loss	**64**	(113)
Charged directly in equity	**(1)**	3
Acquisitions of subsidiaries	**–**	9
Prior year adjustment	**30**	1
Translation differences	**–**	(1)
Disposal of subsidiaries	**18**	1
Deferred tax balances previously classified as held-for-sale	**(43)**	–
Deferred tax balances classified as held-for-sale	**(1)**	43
Balance at the end of the year	**(155)**	(222)

6. DEFERRED TAXATION (CONTINUED)

		GROUP	
	R millions	**2017**	2016
6.2	**Deferred tax balances**		
	Attributable to the following temporary differences recognised at the normal tax rate in South Africa of 28% (2016: 28%) or the normal tax rate for foreign jurisdictions, unless otherwise indicated:		
	Property, plant and equipment	**34**	98
	Intangible assets	**45**	60
	Capital work in progress	**21**	(37)
	Prepaid expenditure	**20**	14
	Receipts in advance	**(20)**	(24)
	Receivables	**(14)**	(10)
	Contract allowances	**1**	7
	Provisions, accruals and allowances	**(97)**	(203)
	Tax losses	**(142)**	(170)
	Share scheme recharge liabilities	**(2)**	(4)
	Other	**–**	4
	Deferred tax balances classified as held-for-sale	**(1)**	43
		(155)	(222)
	The above balance comprises:		
	Total deferred tax liabilities	**46**	37
	Less: Deferred tax liabilities classified as held-for-sale (refer to note 38)	**(3)**	(3)
	Deferred tax liabilities	**43**	34
	Total deferred tax assets	**(200)**	(302)
	Less: Deferred tax assets classified as held-for-sale (refer to note 38)	**2**	46
	Deferred tax assets	**(198)**	(256)
		(155)	(222)
	Altron has used judgement and determined that the deferred tax asset is recoverable based on expected future taxable profits.		
	Tax losses		
	Estimated tax losses and deductible temporary differences available for set-off against future taxable income:	**1 887**	1 937
	Continuing operations	**502**	417
	Discontinued operations	**1 385**	1 520
	Applied to reduce deferred tax	**(509)**	(610)
	Continuing operations	**(468)**	(295)
	Discontinued operations	**(41)**	(315)
	Unrecognised estimated tax losses	**1 378**	1 327
	Continuing operations	**34**	122
	Discontinued operations	**1 344**	1 205

R millions		GROUP 2017	2016
7. INVENTORIES			
Raw materials		**216**	619
Work in progress		**336**	588
Finished goods		**733**	1 298
Merchandise		**289**	378
Consumable stores		**20**	65
		1 594	2 948
Less: Inventories classified as held-for-sale (refer to note 38)		**(548)**	(1 796)
		1 046	1 152
Inventories carried at cost		**756**	858
Inventories carried at net realisable value		**290**	294
		1 046	1 152
Write-downs of inventories of R10 million (2016: R193 million) occurred in the group.			
8. TRADE AND OTHER RECEIVABLES, INCLUDING DERIVATIVES			
Gross trade receivables		**2 765**	3 711
Less: Impairment allowance		**(199)**	(179)
Less: Other allowances*		**(49)**	(64)
Receivable from associate		**31**	50
Current portion of rental finance advances	(note 4)	**64**	49
Derivative assets at fair value: used for hedging		**18**	41
Deposits		**17**	18
Prepayments		**141**	80
Revenue accrued on contracts not yet billed		**114**	108
VAT receivable		**17**	51
Customer financial lease receivables	(note 5)	**115**	67
Contract fulfilment costs	(note 5)	**360**	340
Autopage cell captive receivable		**21**	31
Other receivables		**303**	332
Proceeds receivable on disposal of investment	(note 35)	**28**	1 314
Less: Receivables classified as held-for-sale	(note 38)	**(673)**	(1 600)
		3 073	4 349
Non-current	(note 5)	**404**	345
Current		**2 669**	4 004
		3 073	4 349

** Other allowances comprise of credit note and settlement discounts allowances.*

R millions	GROUP 2017	2016

8. TRADE AND OTHER RECEIVABLES, INCLUDING DERIVATIVES (CONTINUED)

Exposure to credit risk

The maximum exposure to credit risk at the reporting date was represented by:

	2017	2016
Gross trade receivables	**2 765**	3 711
Less: Impairment allowance	**(199)**	(179)
Less: Other allowances*	**(49)**	(64)
Receivable from associate	**31**	50
Deposits	**17**	18
Customer financial lease receivables	**115**	67
Proceeds receivable on disposal of investment	**28**	1 314
Other receivables	**71**	141
	2 779	5 058

** Other allowances comprise of credit note and settlement discount allowances*

The maximum exposure to credit risk for trade and other receivables at the reporting date by type of customer was:

	2017	2016
Parastatals/government	**557**	635
Corporates	**1 817**	3 589
SMEs	**381**	645
Individuals	**24**	189
	2 779	5 058

The group generally deals with the larger corporates who have a sound credit standing. In certain cases credit risk insurance cover is obtained as security. Credit risk in respect of corporates and SMEs 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 trade and other receivables at the reporting date by geographical region was:

	2017	2016
South Africa	**2 089**	4 091
Rest of Africa	**245**	351
Europe	**303**	548
Rest of world	**142**	68
	2 779	5 058

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. With regards to cross-border trade, credit risk is managed through the use of letters of credit and credit insurance as considered necessary.

8. TRADE AND OTHER RECEIVABLES, INCLUDING DERIVATIVES (CONTINUED)

Impairment allowance

The following table illustrates the relationship between aged receivables and the impairment allowance.

R millions	2017 Trade and other receivables	2017 Impairment allowance	2016 Trade and other receivables	2016 Impairment allowance
Not past due	**1 985**	**(12)**	3 878	(3)
Past due 0 to 30 days	**245**	**(1)**	530	(15)
Past due 31 to 120 days	**278**	**(9)**	352	(19)
Past due 121 to 365 days	**199**	**(16)**	314	(91)
Past due 365+ days	**271**	**(161)**	163	(51)
	2 978	**(199)**	5 237	(179)

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

Customer financial lease receivables with overdue customer balances are also included in the monthly review process.

Except under exceptional circumstances, 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:

R millions	2017	2016
Balance at the beginning of the year	**179**	138
Impairment loss recognised	**87**	102
Disposals of operations	**(17)**	–
Translation	**(1)**	6
Allowance utilised	**(49)**	(67)
Balance at the end of the year	**199**	179
Analysis of impairment loss recognised		
Financial difficulties/bankruptcy	**85**	102
Dispute	**2**	–
	87	102
Currency risk		
Currency risk positions are reflected in note 27.		
Derivative assets at fair value		
Derivative assets at fair value include:		
Forward exchange contracts used for hedging		
– Fair value hedge	**18**	41
	18	41

Credit risk on derivative assets

The Group limits its exposure to credit risk by only entering into forward contracts with counterparties that have a sound credit rating.

Given these high credit ratings, management does not expect any counterparty to fail to meet its obligations.

R millions	2017	2016
9. CASH AND CASH EQUIVALENTS		
Cash at bank	**1 402**	1 730
Less: Cash at bank classified as held-for-sale (refer to note 38)	**(29)**	(239)
	1 373	1 491
Bank overdrafts	**(1 073)**	(1 404)
Less: Bank accounts classified as held-for-sale (refer to note 38)	**117**	119
	(956)	(1 285)
Net cash and cash equivalents per the statement of cash flows	**417**	206

Credit risk

The group limits its credit risk exposure by investing only with financial institutions that have a sound credit rating. Management monitors these financial institutions' ratings on an active basis. Management does not expect any counterparty to fail to meet its obligations.

Interest risk

Interest rate risk is monitored by management in light of the net cash position. Bank overdrafts and cash balances are subject to market related interest rates.

Currency risk

Currency risk positions are reflected in note 27.

	GROUP AND COMPANY			
	2017 Number of shares	2016 Number of shares	**2017 R millions**	2016 R millions
10. SHARE CAPITAL AND PREMIUM				
10.1 Authorised				
A Ordinary shares of 2 cents each	**247 500 000**	247 500 000	**5**	5
N Ordinary shares of 0.01 cent each	**500 000 000**	500 000 000	**–**	–
			5	5
10.2 Issued				
A Ordinary shares				
In issue	**105 669 131**	105 669 131	**2**	2
Less: Own shares acquired by subsidiary	**(3 246 469)**	(3 246 469)		
Net A ordinary shares	**102 422 662**	102 422 662		
N Ordinary shares				
In issue at the beginning of the year	**262 341 582**	262 311 667	**–**	–
Issued in terms of share schemes	**2 029 764**	29 915	**–**	–
In issue at the end of the year	**264 371 346**	262 341 582	**–**	–
Less: Own shares acquired by subsidiary	**(27 704 013)**	(27 704 013)		
Net N Ordinary shares	**236 667 333**	234 637 569		
Total number of shares in issue at the end of the year, net of own shares acquired	**339 089 995**	337 060 231		

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10. SHARE CAPITAL AND PREMIUM (CONTINUED)

		GROUP AND COMPANY			
		2017 Number of shares	2016 Number of shares	**2017 R millions**	2016 R millions
10.3	**Share premium**				
	Balance at the beginning of the year			**2 733**	2 733
	Share premium arising from the issue of shares in terms of share schemes			**12**	–
	Balance at the end of the year			**2 745**	2 733
10.4	**Total issued share capital and premium**			**2 747**	2 735
10.5	**Treasury shares**				
	A Ordinary and N Ordinary shares acquired by subsidiary at cost			**299**	299

		2017 Number of shares	2016 Number of shares
10.6	**Unissued**		
	A Ordinary shares		
	Shares under the control of the directors until the forthcoming annual general meeting	**141 830 869**	141 830 869
		141 830 869	141 830 869
	N Ordinary shares		
	Shares reserved to meet the requirements of:		
	Share Appreciation Rights	**8 290 329**	10 963 348
	Performance Share Awards	**1 639 533**	855 552
	Bonus Share Grants	**1 904 301**	2 773 333
	Shares reserved for allocation under employee share schemes	**17 592 881**	16 867 527
	Shares under the control of the directors until the forthcoming annual general meeting	**206 201 609**	206 198 658
		235 628 654	237 658 418

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

A 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.

N Ordinary shares

Holders of N Ordinary shares rank *pari passu* with the A 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 note 26 for events after the reporting period related to changes in the Altron capital structure.

10. SHARE CAPITAL AND PREMIUM (CONTINUED)

Treasury shares

The directors will seek to obtain a general authority to repurchase shares of the company not exceeding 5% of the company's A ordinary and/or N ordinary issued share capital in any one financial year at the next annual general meeting.

	Share Appreciation Rights	Performance Share Awards	Bonus Share Grants	Total share options
10.7 Employee share options				
– N Ordinary shares				
Number of options allocated at 28 February 2015	15 023 758	1 829 423	2 959 241	19 812 422
Number of options lapsed/forfeited/reinstated	(4 060 410)	(966 291)	(163 573)	(5 190 274)
Number of options exercised	–	(7 580)	(22 335)	(29 915)
Number of options allocated at 29 February 2016	**10 963 348**	**855 552**	**2 773 333**	**14 592 233**
Number of options granted	**870 571**	**1 295 093**	**1 124 121**	**3 289 785**
Number of options lapsed/forfeited/reinstated	**(3 543 590)**	**(304 322)**	**(167 228)**	**(4 015 139)**
Number of options exercised	**–**	**(206 790)**	**(1 825 926)**	**(2 032 716)**
Number of options allocated at 28 February 2017	**8 290 329**	**1 639 533**	**1 904 301**	**11 834 163**

2 952 options were exercised during the current financial year and only listed in the new financial year.

10.8 The Altron 2009 Share Plan

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

Date granted	Exercise price per share	Share Appreciation Rights	Performance Share Awards	Bonus Share Grants
28 November 2011	R21,50	905 760		
10 December 2012	R21,10	899 736		
16 August 2013	R20,26	1 859 198		
15 August 2014	R25,51	1 899 868		
15 August 2014	R0,00		344 440	
15 August 2014	R0,00			780 180
22 February 2017	R9,90	870 570		
22 February 2017	R0,00		1 295 093	
22 February 2017	R0,00			1 124 121
21 October 2011	R24,75	590 820		
30 January 2013	R17,94	1 264 377		
		8 290 329	**1 639 533**	**1 904 301**

10. SHARE CAPITAL AND PREMIUM (CONTINUED)

10.8 The Altron 2009 Share Plan (continued)

Terms of schemes

1. Altron 2009 Share Plan – Equity settled

The share plan was approved by the shareholders in the general meeting on 11 May 2009. It comprises three elements as follows:

- **Share Appreciation Rights**

  These grant participants rights to acquire shares subject to meeting future performance vesting conditions. Vesting occurs in equal tranches over a three year period commencing on the third anniversary of the grant, subject to meeting the vesting conditions. These rights lapse six years after the grant date.

- **Performance Share Awards**

  Performance shares award participants with shares subject to meeting future performance vesting conditions. These rights vest and are exercised three years from the award date to the extent that the performance criteria have been met. Up to three times the number of rights may be awarded in shares. The full value of all the vested Performance Shares will be settled to the Participants in shares as the exercise price is Rnil per share.

- **Bonus Share Grants**

  The Bonus Share Scheme is a three year scheme. The vesting period is three years from the initial date of the grant provided that the participants are still in the employ of the company.

  Participants will receive a grant that matches, according to a specified ratio, a portion of the Participants' annual performance bonus.

  The full value of the vested Bonus Shares will be settled to the participants in shares as the exercise price per share is Rnil per share.

2. Share Linked Incentives (SLIs) – Cash-settled

On 9 December 2015 and 1 March 2016, the Group granted SLIs to employees that entitle them to a cash payment after three years of service. The SLIs expire at the end of a three-year period after grant date.

The amount of the cash payment is determined based on the increase in the share price of the Company between grant date and the time of exercise and other performance criteria.

The details of the number of options outstanding at the financial year-end are as follows:

Date granted	Share price at grant date	29 February 2016	Granted	Forfeited/ adjusted	Exercised	**28 February 2017**
9 December 2015	6,28	13 050 525	–	(849 263)	(35 456)	**12 165 806**
1 March 2016	5,30	–	12 063 339	(4 496 535)	–	**7 566 804**

10. SHARE CAPITAL AND PREMIUM (CONTINUED)

10.9 Share-based payments

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

	2017 Weighted average exercise price Rand	2017 Number of options (000s)	2016 Weighted average exercise price Rand	2016 Number of options (000s)
Altron				
Outstanding at the beginning of the year	**21,72**	**14 592**	17,01	19 812
Options lapsed/forfeited/reinstated	**20,42**	**(4 015)**	26,28	(5 190)
Exercised during the year	**–**	**(2 033)**	11,92	(30)
Granted during the year	**2,62**	**3 290**	–	–
Outstanding at the end of the year	**14,41**	**11 834**	21,72	14 592
Exercisable at the end of the year		**3 559**		5 543

The weighted average market price on exercised options was Rnil (2016: Rnil).

Exercise prices on outstanding options at the end of the period ranged from Rnil to R25.51 (2016: Rnil to R26.61).

The weighted average remaining period to vesting on outstanding options at the end of the period was 23 months (2016: 20 months).

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 for all options except for the performance share options which are valued using the Monte Carlo valuation model. 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.

Bonus and performance share awards vest in total at a point in time and are exercised after three years.

Fair value and assumptions of share options awarded during the year

	Share appreciation rights Altron	Bonus and Performance Shares Altron
2017		
Fair value at grant date (Rand)	**3.52 – 4.34**	**9,90**
Share price (Rand)	**9,90**	**9,90**
Exercise price (Rand)	**9,90**	**–**
Expected volatility	**39.25% – 32.62%**	**39,25%**
Option life (years)	**3 – 5**	**3**
Dividend yield	**0%**	**0%**
Risk-free interest rate	**7.78% – 8.13%**	**7,78%**
2016		
No share options under the 2009 share plan were granted.		

NOTES TO THE FINANCIAL STATEMENTS
FOR THE YEAR ENDED 28 FEBRUARY 2017 (CONTINUED)

10. SHARE CAPITAL AND PREMIUM (CONTINUED)

10.9 Share-based payments (continued)

Share-based payments issued by subsidiary companies

On 15 November 2016, Bytes Technology Group Limited (UK) issued and allotted B Ordinary shares to it's employees at £0.001. These shares carry no voting and no dividend rights.

The shares convert to fixed rate preference shares subject to meeting future performance vesting conditions at the end of 5 years. The number of shares to be converted will be calculated based on these performance conditions.

The number and weighted average exercise prices of these growth shares accounted for under IFRS 2 are as follows:

	Weighted average exercise price GBP 2017	Number of shares 2017
Bytes Technology Group Limited (UK)		
Granted during the year	72,33	1 000
Outstanding at the end of the year	72,33	1 000
Exercisable at the end of the year		–

The weighted average market price on exercised growth shares was £nil.

The weighted average remaining period to vesting on outstanding growth shares at the end of the period was 48 months.

The fair value of services received in return for shares granted is measured by reference to the fair value of the shares granted. The estimate of the fair value of the services received is measured using the Binomial Approach Model.

Fair value and assumptions of Bytes Technology Group Limited (UK) growth shares awarded during the year

	B Ordinary Shares Bytes Technology Group Limited (UK)
Fair value at grant date (GBP)	3,01
Share price (GBP)	65,76
Exercise price (GBP)	72,33
Expected volatility	25%
Time (Years)	5
Dividend yield	9.3%
Risk-free interest rate	1.40%

The B Ordinary shares includes both a service condition and a non-market performance condition.

The Share price is based on similar listed companies.

The expected volatility is based on historical volatilities of similar listed companies adjusted for the fact that Bytes Technology Group Limited (UK) is a private company.

The dividend yield has been calculated based on after tax profits available for distribution.

10. SHARE CAPITAL AND PREMIUM (CONTINUED)

10.9 Share-based payments (continued)

Employee expenses

R millions	GROUP 2017	GROUP 2016
Equity settled share schemes – Altron	12	35
Equity settled share schemes – Bytes Technology Group Limited (UK)	2	–
Cash-settled share linked incentives	23	1
Total expense recognised as employee costs (note 18.3)	**37**	36

R millions	GROUP 2017	GROUP 2016
11. RESERVES		
11.1 Retained earnings Are distributable and would be subject to the applicable taxation implications.	**2 356**	2 731
11.2 Foreign currency translation reserve Comprises all foreign exchange differences arising from the translation of the financial statements of foreign operations.	**164**	377
11.3 Premium/discount on non-controlling interest equity transactions Comprises the premium or discount on the subsequent purchase or sale of equity instruments in existing subsidiaries where there is no resulting change in control.	**(3 242)**	(3 317)
11.4 Cash flow hedging reserve 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.	**(5)**	1
11.5 Share-based payments reserve 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.	**188**	189
11.6 Statutory reserves Comprises the Capital Redemption Reserve funds as well as legal reserves of a foreign subsidiary.	**95**	95
11.7 Fair value reserve Comprises the cumulative net change in the fair value of available-for-sale investments, net of deferred taxation, until the investment is derecognised. The change in the remeasurement of the defined benefit plan through other comprehensive income is also being recorded in this reserve.	**264**	335
Total reserves	**(180)**	411

NOTES TO THE FINANCIAL STATEMENTS
FOR THE YEAR ENDED 28 FEBRUARY 2017 (CONTINUED)

12. B-BBEE TRANSACTIONS

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

12.1 Powertech group – Aberdare Cables Proprietary Limited (Aberdare) – Izingwe Aberdare Cables Investments Proprietary 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.

Effective 31 March 2014 the Powertech group recognised the deferred sale of the interest in Aberdare Cables to the Izingwe Consortium. The obligation to repay the funding has been fully transferred to Izingwe and thus the Powertech group has recognised the non-controlling interest in Aberdare Cables from 1 April 2014 at an effective shareholding of 25%.

Effective 30 June 2016, Aberdare was sold to Hengtong. The related non-controlling interests was accordingly derecognised. Refer to note 39.

12.2 Powertech Group – Powertech SA Proprietary Limited (Powertech SA) – Izingwe Investment Holdings Proprietary Limited (Izingwe)

Following the acquisition of IST by the Powertech Group in the 2008 financial year, 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% non-controlling interest has been fully recognised as there are no conditional terms to their ownership of the shares. When Powertech SA incurred losses in previous years there was no attribution of the cumulative loss to the non-controlling interest prior to the 2011 financial year.

In 2016, the entity repurchased the shares held by Izingwe.

12.3 Powertech Group – Powertech Transformers Proprietary Limited (Powertech Transformers) – Power Matla Proprietary Limited (Power Matla)

Power Matla previously owned a 25.1% stake in Desta Power Matla Proprietary Limited with the remaining 74.9% being owned by Powertech Transformers. Following Powertech's acquisition of the 50% shares in Powertech Transformers previously owned by ABB, Power Matla moved their shareholding up to the Powertech Transformers level.

Effective 1 March 2009, Power Matla swapped its 25.1% stake in Desta Power Matla for a 16.77% stake in Powertech Transformers, based on market valuations of both entities.

At the same time, Power Matla acquired a further 3.23% stake in Powertech Transformers for R25 million, thereby increasing their stake to 20%. Since the transactions were completed at fair value and settled in cash, no IFRS 2 charge arose and the transaction and the relevant non-controlling interests have been recognised.

12. B-BBEE TRANSACTIONS (CONTINUED)

12.4 Bytes Group – Bytes Technology Group South Africa Proprietary Limited (Bytes SA) – Kagiso Strategic Investments Proprietary 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 2009, 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.

During the previous financial year the preference shares were redeemed in full and so the put option provided by Altron was cancelled.

On 9 May 2014 the group entered into an agreement to acquire the 27% of Bytes SA that it does not already own from the Kagiso Tiso Holdings Group of companies for R669 million. The shares were repurchased effective 30 June 2014. R210 million of the purchase price was settled via the issue of Altron N ordinary shares by way of a vendor placement, with the balance being settled from cash resources.

12.5 Altech Group – Altech Netstar Group Proprietary Limited – Thebe Investment Corporation Proprietary Limited and Identity Capital Partners Proprietary Limited

In December 2010 the Altech Group entered into an empowerment transaction where Thebe Investment Corporation Proprietary Limited and Identity Capital Partners Proprietary Limited acquired a 25% plus one share shareholding in the Altech Netstar Group.

This 25.1% non-controlling interest has been fully recognised as there are no conditional terms to their ownership of the shares.

As part of the vendor funding arrangement Altech Netstar declared a dividend equal to the fair value of the Netstar businesses to Altech.

As a result the B-BBEE partners paid no consideration for the 25.1% stake, however, the entity in which they invested had negative equity amounting to R1.38 billion. In line with group accounting policies and IAS 27, this resulted in a premium on non-controlling interest which was recognised directly in equity.

12.6 Altech Group – Altech Radio Holdings Proprietary Limited – Southern Palace Group of Companies Proprietary Limited

The Altech Group entered into an empowerment transaction where the Southern Palace Group of Companies Proprietary Limited acquired a 25% plus one share shareholding in Altech Radio Holdings Proprietary Limited, the holding company for Altech Alcom Motomo Proprietary Limited, Altech Alcom Radio Distributors Proprietary Limited and Altech Fleetcall Proprietary Limited, effective 1 March 2011.

This 25.1% non-controlling interest has been fully recognised as there are no conditional terms to their ownership of the shares.

12.7 Altech Group – UEC's African business – Power Matla Proprietary Limited, Empower a Thousand Proprietary Limited and Epiworx Investment Proprietary Limited

In March 2011 the Altech Group signed agreements to sell 25% plus one share of its interest in UEC's African business to PowerMatla Proprietary Limited, Empower a Thousand Proprietary Limited and Epiworx Investment Proprietary Limited. This transaction became effective from 1 September 2011.

This 25.1% non-controlling interest has been fully recognised as there are no conditional terms to their ownership of the shares.

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R millions	GROUP 2017	2016
13. LOANS		
13.1 Non-current loans		
Loans at amortised cost		
Rental finance liabilities (note 4)	**192**	178
Finance lease liabilities	**39**	149
Unsecured bank loans	**–**	3 375
Secured bank loans	**2 000**	–
Loans from non-controlling interests	**1**	1
Loans at fair value		
Deferred purchase considerations	**27**	54
Non-interest-bearing loans at fair value		
Deferred purchase considerations	**2**	4
	2 261	3 761
Less: Payable within one year shown as current loans	**333**	1 056
Less: Short-term portion of long-term loans classified as held-for-sale (refer to note 38)	**(21)**	(53)
Total current loans	**312**	1 003
Non-current loans	**1 928**	2 705
Less: Long-term portion of long-term loans classified as held-for-sale (refer to note 38)	**5**	30
Total non-current loans	**1 923**	2 675
13.2 Current loans		
Current portion of loans at amortised cost		
Current portion of rental finance liabilities (note 4)	**70**	49
Current portion of finance lease liabilities	**35**	89
Current portion of unsecured bank loans	**200**	885
Current portion of deferred purchase considerations	**28**	33
Current portion of long-term loans	**333**	1 056

13. LOANS (CONTINUED)

13.2 Current 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 2017 Carrying value R millions	29 February 2016 Carrying value R millions
Secured					
Rental finance liabilities	ZAR	9.86% to 15.77%	2021	**192**	178
Finance lease liabilities	ZAR	Linked to prime	2019	**2**	3
Finance lease liabilities	EUR	2.47% to 3.45%	2017	**–**	14
Finance lease liabilities	CHF	0.25%	2018	**24**	45
Finance lease liabilities	USD	10.25%	2018	**13**	87
Secured bank loan	ZAR	JIBAR + 3.65%	2022	**1 000**	–
Secured bank loan	ZAR	JIBAR + 3.65%	2020	**1 000**	–
Unsecured					
Unsecured bank loan	EUR	Euribor + 2.25%	2016	**–**	7
Unsecured bank loan	EUR	Euribor + 3.5%	2016	**–**	3
Unsecured bank loan	ZAR	JIBAR + 2.1%	2019	**–**	1 000
Unsecured bank loan	ZAR	JIBAR + 2.1%	2017	**–**	1 865
Unsecured bank loan	ZAR	JIBAR + 1.75%	2017	**–**	250
Unsecured bank loan	ZAR	JIBAR + 1.5%	2017	**–**	250
Loan from non-controlling interests	ZAR	0%		**1**	1
Deferred purchase consideration	ZAR	9.25%*	2018	**1**	3
Deferred purchase consideration	ZAR	8.5%*	2016	**–**	11
Contingent purchase consideration	ZAR	2.25%*	2017	**26**	38
Deferred purchase consideration	ZAR	9.25%	2016	**–**	2
Deferred purchase consideration	ZAR	0.0%	2018	**2**	4
				2 261	3 761

** Historical imputed discount rate.*

Security

Finance lease liabilities are secured by equipment with a carrying amount of R8 million (2016: R8 million). Rental finance liabilities are largely matched by reciprocal rental finance receivables (refer to note 4).

Bank loans have been secured by way of cross-guarantees from various entities within the TMT Group. In addition to this, the Altech Netstar Group has pledged and ceded all the preference shares, securities and other ownership interests it holds in Altech Netstar. Similarly, Altron TMT SA Group has pledged and ceded all the shares, securities and other ownership interests it holds, in Altron TMT and Altech Netstar.

NOTES TO THE FINANCIAL STATEMENTS
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13. LOANS (CONTINUED)

Finance lease liabilities

Finance lease liabilities are payable as follows:

R millions	28 February 2017 Future minimum lease payments	28 February 2017 Present value of minimum lease payments	29 February 2016 Future minimum lease payments	29 February 2016 Present value of minimum lease payments
Less than one year	35	39	89	89
Between one to five years	4	–	64	60
	39	39	153	149

Liquidity risk

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

28 February 2017 Non-derivative financial liabilities R'million	Currency	Carrying amount	Con-tractual cash flows	6 months or less	6 to 12 months	1 to 2 years	2 to 5 years	More than 5 years
Rental finance liabilities	ZAR	192	230	47	44	75	64	–
Finance lease liabilities	ZAR	2	2	2	–	–	–	–
Finance lease liabilities	CHF	24	24	13	7	4	–	–
Finance lease liabilities	USD	13	13	–	13	–	–	–
Unsecured bank loan	ZAR	1 000	1 301	155	149	282	715	–
Unsecured bank loan	ZAR	1 000	1 328	55	54	110	1 109	–
Loan from non-controlling interests	ZAR	1	1	–	–	–	–	1
Deferred purchase consideration	ZAR	1	1	1	–	–	–	–
Deferred purchase consideration	ZAR	2	2	2	–	–	–	–
Contingent purchase consideration	ZAR	26	26	26	–	–	–	–
		2 261	2 928	301	267	471	1 888	1

13. LOANS (CONTINUED)

29 February 2016 Non-derivative financial liabilities R millions	Currency	Carrying amount	Con-tractual cash flows	6 months or less	6 to 12 months	1 to 2 years	2 to 5 years	More than 5 years
Rental finance liabilities	ZAR	178	223	36	33	60	90	4
Finance lease liabilities	ZAR	3	3	2	–	1	–	–
Finance lease liabilities	EUR	14	14	4	4	6	–	–
Finance lease liabilities	CHF	45	45	16	8	21	–	–
Finance lease liabilities	USD	87	91	55	–	36	–	–
Unsecured bank loan	EUR	7	7	7	–	–	–	–
Unsecured bank loan	EUR	3	3	3	–	–	–	–
Unsecured bank loan	ZAR	1 000	1 149	267	143	330	409	–
Unsecured bank loan	ZAR	1 865	1 952	43	44	1 865	–	–
Unsecured bank loan	ZAR	250	254	2	252	–	–	–
Unsecured bank loan	ZAR	250	254	2	252	–	–	–
Loan from non-controlling interests	ZAR	1	1	–	–	–	–	1
Deferred purchase consideration	ZAR	3	4	1	3	–	–	–
Deferred purchase consideration	ZAR	11	11	11	–	–	–	–
Contingent purchase consideration	ZAR	38	38	–	16	22	–	–
Deferred purchase consideration	ZAR	2	2	1	–	–	1	–
Deferred purchase consideration	ZAR	4	4	1	–	3	–	–
		3 761	4 055	451	755	2 344	500	5

NOTES TO THE FINANCIAL STATEMENTS
FOR THE YEAR ENDED 28 FEBRUARY 2017 (CONTINUED)

13. LOANS (CONTINUED)

13.2 Current loans (continued)

Profile

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

Variable-rate instruments

R millions	Carrying amount 2017	2016
Financial liabilities		
ZAR	**2 194**	3 546
EUR	**–**	10
	2 194	3 556

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 and equity 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 for 2016.

	Profit or loss and equity	
R'millions	**100 bp increase**	100 bp decrease
28 February 2017		
Variable-rate loans	**(22)**	22
29 February 2016		
Variable-rate loans	**(36)**	36

Currency risk

Currency risk positions on borrowings that do not match the functional currencies of the underlying operations of the group, are reflected in note 27.

R millions	**2017**	2016
Borrowing facilities In terms of the articles of association, the borrowing powers of the group are unlimited.		
Unutilised banking facilities	**515**	858

R millions	Onerous contracts	Warranties and fault rectification	Total
14. PROVISIONS			
Non-current provisions	–	28	28
Current portion included in current liabilities	13	40	53
Total provisions at 29 February 2016	13	68	81
Provisions raised during the year	**4**	**28**	**32**
Disposal of subsidiaries	**(5)**	**(10)**	**(15)**
Translation	**–**	**–**	**–**
Provisions utilised during the year	**–**	**(11)**	**(11)**
Total provisions at 28 February 2017	**12**	**75**	**87**
Non-current provisions	–	13	13
Less: Non-current provisions classified as held-for-sale (refer to note 38)	–	(8)	(8)
Total non-current provisions	–	5	5
Current provision included in current liabilities	12	62	74
Less: Current provisions classified as held-for-sale (refer to note 38)	(12)	(46)	(58)
Total current provisions	–	16	16
	–	21	21

Refer to accounting policies for a description of provisions.

R millions	2017	2016
15. TRADE AND OTHER PAYABLES, INCLUDING DERIVATIVES		
Trade and other payables	**3 029**	5 195
Derivative liability at fair value: used for hedging	**93**	40
Payroll liabilities	**316**	350
Vat accrual	**14**	27
Cash-settled share-based payment liability	**24**	1
Receipts in advance	**508**	654
Less: Trade and other payables, including derivatives, classified as held-for-sale (refer to note 38)	**(807)**	(1 763)
	3 177	4 504

(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.

15. TRADE AND OTHER PAYABLES, INCLUDING DERIVATIVES (CONTINUED)

Currency risk

Most amounts owed in foreign currency are covered by foreign exchange contracts (refer to note 27).

Interest rate risk

The group has no material exposure to interest rate risk in respect of suppliers.

(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.

Estimate of when revenues are expected to be earned on these receipts:

R millions	Carrying amounts	6 months or less	6 to 12 months	1 to 2 years	2 to 5 years
28 February 2017	**508**	**228**	**177**	**80**	**23**
29 February 2016	654	407	167	69	11

R millions	2017	2016
(c) Derivative liability at fair value		
Derivative liability at fair value includes:		
Cash flow hedge	**10**	–
Forward exchange contracts used for fair value hedging (note 27.2)	**83**	40
Total	**93**	40

16. 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 between 10% and 20% (2016: 10% and 20%), 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 7% and 20% of pensionable emoluments.

The group's contribution to these funds amounted to R229 million (2016: R253 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 sufficient information to account for them as defined benefit plans is not available.

The group's contribution to these other funds amounted to R49 million (2016: R57 million).

Defined benefit plans

The benefit plans disclosed below are only in respect of members with minimum entitlement benefits and retirees with purchased defined benefit pensions.

For details on the related employee benefit expenses, see note 18.3.

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 pension from the fund, though this option has now been closed to new employees joining the group after 31 May 2014. The base pension and subsequent increases granted, based on weighted average investment returns on funds, are guaranteed by the pension fund.

16. RETIREMENT BENEFIT PLANS (CONTINUED)

All employees with a defined benefit underpin who retire in the fund have their share of fund topped up (if necessary) at the time of retirement to enable them to purchase a pension in the fund equal to 1/45th of the average of the final two year's salary for each year of service rendered by the employee. All employees are treated identically.

The defined benefit plan is administered by a single pension fund that is legally separated from the group. The board of the pension fund comprises three employees, one pensioner and four employer representatives. The board of the pension fund is required by law to act in the best interests of the plan participants and is responsible for setting certain policies (e.g. investment, contribution and indexation policies) of the fund.

This defined benefit plan exposes the group to actuarial risks, such as longevity risk, currency risk, interest rate risk and market (investment) risk.

Funding

The defined benefit plans are fully funded by the group's subsidiaries and members as discussed above. The funding requirements are based on the pension fund's actuarial measurement framework set out in its funding policies. The funding is based on a separate actuarial valuation for funding purposes for which the assumptions may differ from the assumptions below. The defined benefit component relating to the active members is funded by the employers through a guarantee reserve that resides in the fund. Under the latest IAS 19 valuation this reserve is fully funded on a total service cost basis and has a surplus of R178 million (2016: R211 million). The defined benefit component relating to the pensioners is also fully funded and retains an investment reserve in order to manage volatility in its investment returns.

The group expects to pay R38 million in contributions to its defined benefit plan in the next financial year.

	R millions	2017	2016
16.1	**Value of obligations**		
	Fair value of plan assets	**4 346**	4 436
	Present value of funded obligations	**(4 129)**	(4 200)
	Surplus	**217**	236
	Amount not recognised due to asset ceiling limitation	**(39)**	(25)
	Defined benefit asset recognised at the end of the year	**178**	211
16.2	**Components of current year expense**		
	Current service cost	**(39)**	(43)
	Interest cost	**(422)**	(360)
	Interest income on plan assets	**446**	383
	Interest on asset ceiling	**(3)**	(6)
		(18)	(26)
16.3	**Amounts recognised in other comprehensive income are as follows:**		
	Loss on plan assets excluding interest income	**(158)**	(245)
	Actuarial gain	**196**	253
	Effect of asset ceiling limit	**(12)**	52
		26	60
16.4	**Reconciliation of defined benefit obligation**		
	Present value of defined benefit obligation at beginning of year	**4 200**	4 383
	Current service cost	**39**	43
	Interest cost	**422**	360
	Benefits paid	**(377)**	(372)
	Employee contributions to defined contribution fund credits subject to defined benefit underpin	**7**	9
	Transfers from defined contribution fund	**34**	30
	Actuarial gains	**(196)**	(253)
	– Actuarial loss/(gain) arising on financial assumptions	**12**	(75)
	– Actuarial gain – other	**(208)**	(178)
	Present value of defined benefit obligation at end of year	**4 129**	4 200

R millions	2017	2016
16. RETIREMENT BENEFIT PLANS (CONTINUED)		
16.5 Reconciliation of fair value of plan assets		
Assets at market value at beginning of year	**4 436**	4 644
Interest income on plan assets	**446**	383
Loss on plan assets excluding interest income	**(158)**	(245)
Contributions paid	**42**	46
Contribution holiday	**(77)**	(50)
Benefits paid	**(377)**	(372)
Transfers from defined contribution fund	**34**	30
	4 346	4 436
16.6 Reconciliation of asset ceiling		
Asset ceiling at the beginning of the year	**25**	71
Net interest on asset ceiling	**3**	6
Effect of asset ceiling not in profit and loss	**12**	(52)
Asset ceiling at the end of the year	**40**	25
Plan assets		
Plan assets comprise:		
Equities:		
– Local	**31.5%**	30.3%
– International	**19.0%**	21.3%
Fixed interest		
– Local	**26.1%**	25.8%
– International	**4.6%**	5.2%
Property	**4.1%**	3.9%
Collective investments:		
– Local	**10.2%**	9.7%
Cash and other	**3.0%**	3.2%
Net current assets	**1.5%**	0.6%

All equity securities and government bonds have quoted prices in active markets.

The board of trustees, in conjunction with the pension fund's investment advisor, operate the investments of the fund under an investment strategy that is aligned to the liabilities of the fund and is used to determine a strategic asset allocation. The investments are managed within defined rebalancing bands in accordance with that strategic asset allocation.

Defined benefit obligation

Actuarial assumptions

The following were the principal actuarial assumptions at the reporting date (expressed as weighted averages):

	2017	2016
Discount rate	**9.9%**	10.4%
Future salary growth	**7.0%**	7.0%
Future pension growth	**4.7%**	5.1%
Inflation	**6.0%**	6.0%

At 28 February 2017, the weighted-average duration of the defined benefit obligation was 13.0 years (2016: 13.5 years).

16. RETIREMENT BENEFIT PLANS (CONTINUED)

16.5 Reconciliation of fair value of plan assets (continued)

Sensitivity analysis

Reasonably possible changes at the reporting date to one of the relevant actuarial assumptions, holding other assumptions constant, would have affected the defined benefit asset by the amounts shown below.

R millions	2017 Defined benefit asset recognised Increase	2017 Defined benefit asset recognised Decrease
28 February 2017		
Discount rate (1% movement)	**210**	(105)
Salary increase (1% movement)	**(140)**	206
Pension increase (1% movement)	**(85)**	222

R millions	2016 Defined benefit asset recognised Increase	2016 Defined benefit asset recognised Decrease
28 February 2015		
Discount rate (1% movement)	244	(161)
Salary increase (1% movement)	(166)	241
Pension increase (1% movement)	(144)	255

Although the analysis does not take account of the full distribution of cash flows expected under the plan, it does provide an approximation of the sensitivity of the assumptions shown.

R millions	GROUP 2017	GROUP 2016
17. REVENUE		
Goods sold	**14 500**	18 244
Services rendered	**5 147**	8 267
Rental finance income	**70**	81
	19 717	26 592
Continuing operations	**13 892**	14 357
Discontinued operations	**5 825**	12 235
	19 717	26 592
18. OPERATING PROFIT BEFORE CAPITAL ITEMS		
Total operations		
Is stated after taking account of the following items:		
18.1 Auditors' remuneration		
Audit fees	**26**	31
Fees for other services	**1**	4
	27	35

18. OPERATING PROFIT BEFORE CAPITAL ITEMS (CONTINUED)

18.2 Directors' and prescribed officers' remuneration

Non-executive directors Fees for services as directors	Subsidiaries	Altron	2017 R'000 Total	2016 R'000 Total
N Adami+++		94	**94**	471
MC Berzack		651	**651**	613
G Gelink	63	809	**872**	726
MJ Leeming	63	1334	**1 397**	973
S Mabaso-Koyana++		62	**62**	196
Dr PM Maduna		527	**527**	373
JRD Modise		784	**784**	574
D Mokhobo		480	**480**	355
R Ntuli+		–	**–**	312
SN Susman		558	**558**	415
Dr WP Venter (Chairman)#		2450	**2 450**	3400
	126	7 749	**7 875**	8 408

 # Fee inclusive of all board and sub-committee roles throughout the group
+ Resigned 12 November 2015
++ Resigned 13 June 2016
+++ Resigned 31 May 2016

R'000	Guaranteed pay	Defined contribution pension payments	Performance related bonuses (accrued)	Other bonuses	Other payments	Share option expense#	2017 Total
Full-time directors							
Executive							
RE Venter	**6 956**	**1 368**	**5 325**	**–**	**–**	**3 077**	**16 726**
AMR Smith	**3 357**	**524**	**2 149**	**5 821**	**–**	**1 645**	**13 496**
	10 313	**1 892**	**7 474**	**5 821**	**–**	**4 722**	**30 222**

R'000	Guaranteed Pay	Defined Contribution pension payments	Performance-related bonuses (accrued)	Other bonuses	Other payments	Share option expense#	2016 Total
Full-time directors							
Executive							
RE Venter	6 956	1 368	1 398	246	–	2 728	12 696
AMR Smith	3 357	524	1 179	91	–	1 065	6 216
CG Venter**	2 593	327	–	310	15 000	3 690	21 920
RJ Abraham***	3 894	973	5 051	148	–	1 548	11 614
	16 800	3 192	7 628	795	15 000	9 031	52 446

 # IFRS 2 income statement expense in respect of options granted to directors
*** Resigned 31 July 2015*
**** Retired 29 February 2016*

18. OPERATING PROFIT BEFORE CAPITAL ITEMS (CONTINUED)

18.2 Directors' and prescribed officers' remuneration (continued)

	Total salary	Defined contri-bution pension payments	Perfor-mance-related bonuses (accrued)	Other bonuses	Share option expense#	2017 Total
Prescribed officers						
NM Kayton	**3 529**	**384**	**–**	**3 913**	**457**	**8 283**
AG Johnston	**1 711**	**250**	**–**	**–**	**–**	**1 961**
W Oosthuysen	**3 399**	**276**	**1 734**	**–**	**2 560**	**7 969**
L Savage*	**3 053**	**647**	**2 202**	**–**	**2 854**	**8 756**
A Holden	**2 960**	**740**	**3 290**	**–**	**2918**	**9 908**
	14 652	**2 297**	**7 226**	**3 913**	**8 789**	**36 877**

	Total salary	Defined Contri-bution pension payments	Perfor-mance related bonuses (accrued)	Other bonuses	Share option expense#	2016 Total
Prescribed officers						
NM Kayton	3 361	366	604	–	770	5 101
AG Johnston	2 415	353	415	43	618	3 844
W Oosthuysen	3 399	276	413	174	794	5 056
L Savage*	1 596	385	1 050	120	432	3 583
	10 771	1 380	2 482	337	2 614	17 584

** Appointed 1 August 2015*

 # IFRS 2 income statement expense in respect of options granted to prescribed officers

18. OPERATING PROFIT BEFORE CAPITAL ITEMS (CONTINUED)

18.2 Directors' and prescribed officers' remuneration (continued)

Directors' options	Entity	Allocation date	Strike price	Balance 1-Mar-16	Converted/ awarded	Lapsed	Exercised	Exercise date	Net gains R'000s	Exercise price	**Balance 28-Feb-17**	Expiry date
CG Venter	Altron PS	2013/08/19	n/a	61 566			61 566	2016/05/20	357	–	**–**	Feb-16
	Altron BS	2013/08/19	n/a	26 833			26 833	2016/05/20	156	–	**–**	Feb-16
	Altron PS	2013/08/19	n/a	35 410			35 410	2016/05/20	205	–	**–**	Aug-16
	Altron BS	2013/08/19	n/a	24 543			24 543	2016/05/20	142	–	**–**	Aug-16
	Altron PS	2014/08/19	n/a	15 787			15 787	2016/05/20	92	–	**–**	Aug-17
	Altron BS	2014/08/19	n/a	67 185			67 185	2016/05/20	390	–	**–**	Aug-17
AMR Smith	Altron SAR	2009/12/02	25,50	15 441		15 441					**–**	Dec-15
	Altron SAR	2011/01/14	26,61	15 915		15 915					**–**	Jan-17
	Altron SAR	2011/12/02	21,50	24 815		3 540					**21 275**	Dec-17
	Altron SAR	2012/12/12	21,10	31 059		3 878					**27 181**	Dec-18
	Altron PS	2012/12/12	n/a	25 823		25 823					**–**	Dec-15
	Altron BS	2012/12/12	n/a	7 096			7 096	2016/05/20	41	–	**–**	Dec-15
	Altron SAR	2013/08/19	20,26	37 841		4 205					**33 636**	Aug-19
	Altron PS	2013/08/19	n/a	27 969		27 969					**–**	Aug-16
	Altron BS	2013/08/19	n/a	7 945			7 945	2016/10/20	52	–	**–**	Aug-16
	Altron SAR	2014/08/19	25,51	34 990							**34 990**	Aug-20
	Altron PS	2014/08/19	n/a	25 862							**25 862**	Aug-17
	Altron BS	2014/08/19	n/a	35 917							**35 917**	Aug-17
	Altron PS	2017/02/28	n/a	–	98 580						**98 580**	Feb-20
	Altron BS	2017/02/28	n/a	–	36 908						**36 908**	Feb-20
RE Venter	Altron SAR	2009/12/02	25,50	36 808		36 808					**–**	Dec-15
	Altron SAR	2011/01/14	26,61	38 467		38 467					**–**	Jan-17
	Altron SAR	2011/12/02	21,50	59 976		8 557					**51 419**	Dec-17
	Altron SAR	2012/12/12	21,10	74 002		9 240					**64 762**	Dec-18
	Altron PS	2012/12/12	n/a	72 385		72 385					**–**	Dec-15
	Altron BS	2012/12/12	n/a	21 317			21 317	2016/05/20	124	–	**–**	Dec-15
	Altron SAR	2013/08/19	20,26	86 694		9 633					**77 061**	Aug-19
	Altron PS	2013/08/19	n/a	75 386		75 386					**–**	Aug-16
	Altron BS	2013/08/19	n/a	18 404			18 404	2016/10/20	121	–	**–**	Aug-16
	Altron SAR	2014/08/19	25,51	75 049							**75 049**	Aug-20
	Altron PS	2014/08/19	n/a	65 260							**65 260**	Aug-17
	Altron BS	2014/08/19	n/a	92 352							**92 352**	Aug-17
	Altron PS	2017/02/28	n/a	–	236 666						**236 666**	Feb-20
	Altron BS	2017/02/28	n/a	–	43 789						**43 789**	Feb-20

18. OPERATING PROFIT BEFORE CAPITAL ITEMS (CONTINUED)

18.2 Directors' and prescribed officers' remuneration (continued)

Directors' options	Entity	Allocation date	Strike price	Balance 1-Mar-16	Converted/ awarded	Lapsed	Exercised	Exercise date	Net gains R'000s	Exercise price	**Balance 28-Feb-17**	Expiry date
RJ Abraham	Altron SAR	2009/12/02	25,50	20 725		20 725					**–**	Dec-15
	Altron SAR	2011/01/14	26,61	22 328		22 328					**–**	Jan-17
	Altron SAR	2011/12/02	21,50	30 676		30 676					**–**	Dec-17
	Altron SAR	2012/12/12	21,10	36 675		36 675					**–**	Dec-18
	Altron PS	2012/12/12	n/a	30 496			30 496	2016/05/20			**–**	Dec-15
	Altron BS	2012/12/12	n/a	49 594			49 594	2016/05/20	288		**–**	Dec-15
	Altron SAR	2013/08/19	20,26	45 458		45 458					**–**	Aug-19
	Altron PS	2013/08/19	n/a	33 666			33 666	2016/05/20			**–**	Aug-16
	Altron BS	2013/08/19	n/a	17 743			17 743	2016/05/20	103		**–**	Aug-16
	Altron SAR	2014/08/19	25,51	41 402		41 402					**–**	Aug-20
	Altron PS	2014/08/19	n/a	30 601		20 912	9 689	2016/05/20			**–**	Aug-17
	Altron BS	2014/08/19	n/a	52 218			52 218	2016/05/20	302		**–**	Aug-17

Prescribed officers' options	Entity	Allocation date	Strike price	Balance 1-Mar-16	Converted/ awarded	Lapsed	Exercised	Exercise date	Net gains R'000s	Exercise price	**Balance 28-Feb-17**	Expiry date
NM Kayton	Altron SAR	2009/12/02	25,50	11 088		11 088					**–**	Dec-15
	Altron SAR	2011/01/14	26,61	11 530		11 530					**–**	Jan-17
	Altron SAR	2011/12/02	21,50	19 613		2 613					**17 000**	Dec-17
	Altron SAR	2012/12/12	21,10	31 010		3 872					**27 138**	Dec-18
	Altron PS	2012/12/12	n/a	25 782		25 782					**–**	Dec-15
	Altron BS	2012/12/12	n/a	6 611			6 611	2016/05/20	38		**–**	Dec-15
	Altron SAR	2013/08/19	20,26	37 781		4 198					**33 583**	Aug-19
	Altron PS	2013/08/19	n/a	27 925		27 925					**–**	Aug-16
	Altron BS	2013/08/19	n/a	7 051			7 051	2016/10/20	47		**–**	Aug-16
	Altron SAR	2014/08/19	25,51	33 606							**33 606**	Aug-20
	Altron PS	2014/08/19	n/a	24 839							**24 839**	Aug-17
	Altron BS	2014/08/19	n/a	7 280							**7 280**	Aug-17
AG Johnston	Altron SAR	2009/12/02	25,50	9 922		9 922					**–**	Dec-15
	Altron SAR	2011/01/14	26,61	11 530		11 530					**–**	Jan-17
	Altron SAR	2011/12/02	21,50	17 977		17 977					**–**	Dec-17
	Altron SAR	2012/12/12	21,10	23 025		23 025					**–**	Dec-18
	Altron PS	2012/12/12	n/a	14 639		14 639					**–**	Dec-15
	Altron BS	2012/12/12	n/a	4 300			4 300	2016/05/20	25		**–**	Dec-15
	Altron SAR	2013/08/19	20,26	28 052		28 052					**–**	Aug-19
	Altron PS	2013/08/19	n/a	15 856		15 856					**–**	Aug-16
	Altron BS	2013/08/19	n/a	4 433			4 433	2016/10/20	29		**–**	Aug-16
	Altron SAR	2014/08/19	25,51	24 953		24 953					**–**	Aug-20
	Altron PS	2014/08/19	n/a	14 104		14 104					**–**	Aug-17
	Altron BS	2014/08/19	n/a	19 279		19 279					**–**	Aug-17

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FOR THE YEAR ENDED 28 FEBRUARY 2017 (CONTINUED)

18. OPERATING PROFIT BEFORE CAPITAL ITEMS (CONTINUED)

18.2 Directors' and prescribed officers' remuneration (continued)

Prescribed officers' options	Entity	Allocation date	Strike price	Balance 1-Mar-16	Converted/ awarded	Lapsed	Exercised	Exercise date	Net gains R'000s	Exercise price	**Balance 28-Feb-17**	Expiry date
WH Oosthuysen	Altron SAR	2013/08/19	24,75	21 661		3 094					**18 567**	Nov-17
	Altron SAR	2013/08/19	17,94	38 287		4 743					**33 544**	Feb-19
	Altron PS	2013/08/19	n/a	22 973		22 973					**–**	Feb-16
	Altron BS	2013/08/19	n/a	5 048			5 048	2016/05/20	29	–	**–**	Feb-16
	Altron SAR	2013/08/19	20,26	31 876		3 542					**28 334**	Aug-19
	Altron PS	2013/08/19	n/a	18 017		18 017					**–**	Aug-16
	Altron BS	2013/08/19	n/a	8 292			8 292	2016/10/20	55	–	**–**	Aug-16
	Altron SAR	2014/08/19	25,51	33 134							**33 134**	Aug-20
	Altron PS	2014/08/19	n/a	23 463							**23 463**	Aug-17
	Altron BS	2014/08/19	n/a	18 728							**18 728**	Aug-17
	Altron PS	2017/02/28	n/a	–	78 503						**78 503**	Feb-20
	Altron BS	2017/02/28	n/a	–	11 693						**11 693**	Feb-20
LM Savage	Altron SAR	2013/08/19	17,94	42 508		5 314					**37 194**	Feb-19
	Altron PS	2013/08/19	n/a	25 505		25 505					**–**	Feb-16
	Altron BS	2013/08/19	n/a	8 369			8 369	2016/05/20	49	–	**–**	Feb-16
	Altron SAR	2013/08/19	20,26	32 468		3 608					**28 860**	Aug-19
	Altron PS	2013/08/19	n/a	18 351		18 351					**–**	Aug-16
	Altron BS	2013/08/19	n/a	1 382			1 382	2016/10/20	9	–	**–**	Aug-16
	Altron SAR	2014/08/19	25,51	30 613							**30 613**	Aug-20
	Altron PS	2014/08/19	n/a	17 303							**17 303**	Aug-17
	Altron BS	2014/08/19	n/a	19 489							**19 489**	Aug-17
	Altron PS	2017/02/28	n/a	–	93 987						**93 987**	Feb-20
	Altron BS	2017/02/28	n/a	–	32 880						**32 880**	Feb-20
A Holden	Altron SAR	2011/01/14	26,61	15 378		15 378					**–**	Jan-17
	Altron SAR	2011/12/02	21,50	20 556		2 741					**17 815**	Dec-17
	Altron SAR	2012/12/12	21,10	24 129		3 016					**21 113**	Dec-18
	Altron PS	2012/12/12	n/a	11 802		11 802					**–**	Dec-15
	Altron BS	2012/12/12	n/a	19 194			19 194	2016/05/20	111	–	**–**	Dec-15
	Altron SAR	2013/08/19	20,26	32 511		3 612					**28 899**	Aug-19
	Altron PS	2013/08/19	n/a	18 376		18 376					**–**	Aug-16
	Altron BS	2013/08/19	n/a	13 188			13 188	2016/10/20	87	–	**–**	Aug-16
	Altron SAR	2014/08/19	25,51	28 457							**28 457**	Aug-20
	Altron PS	2014/08/19	n/a	16 084							**16 084**	Aug-17
	Altron BS	2014/08/19	n/a	24 768							**24 768**	Aug-17
	Altron PS	2017/02/28	n/a	–	93 987						**93 987**	Feb-20
	Altron BS	2017/02/28	n/a	–	53 804						**53 804**	Feb-20

CRI – conditional rights
SAR – share appreciation rights
PS – performance shares (free shares)
BS – bonus shares (free shares)

Conditional rights and share appreciation rights are net settled and are subject to performance conditions. Exercised amounts related to conditional rights and not the number of shares traded. Where performance conditions have not been met, a portion of the award lapses.

18. OPERATING PROFIT BEFORE CAPITAL ITEMS (CONTINUED)

18.2 Directors' and prescribed officers' remuneration (continued)

Share-linked incentives	Entity	Allocation date	Strike price	Balance 1-Mar-16	Adjusted	Lapsed	Exercised	Exercise date	Gains R'000s	Exercise price	**Balance 28-Feb-17**	Expiry date
RE Venter		2015/12/01	6,28	1 530 460	–	–	–	–	–	–	**1 530 460**	Dec-18
		2016/03/01	5,30	3 411 422	(3 357 982)	–	–	–	–	–	**53 440**	Mar-19
AMR Smith		2015/12/01	6,28	662 158	–	–	–	–	–	–	**662 158**	Dec-18
		2016/03/01	5,30	1 431 443	(1 138 553)	–	–	–	–	–	**292 890**	Mar-19
AG Johnston		2015/12/01	6,28	405 083	–	405 083	–	–	–	–	**–**	Dec-18
		2016/03/01	5,30	907 398	–	907 398	–	–	–	–	**–**	Mar-19
WH Oosthuysen		2015/12/01	6,28	465 589	–		–	–	–	–	**465 589**	Dec-18
		2016/03/01	5,30	1 204 909	–	–	–	–	–	–	**1 204 909**	Mar-19
LM Savage		2015/12/01	6,28	581 360	–	–	–	–	–	–	**581 360**	Dec-18
		2016/03/01	5,30	1 364 754	–	–	–	–	–	–	**1 364 754**	Mar-19
A Holden		2015/12/01	6,28	583 237	–	–	–	–	–	–	**583 237**	Dec-18
		2016/03/01	5,30	1 364 754	–	–	–	–	–	–	**1 364 754**	Mar-19

NOTES TO THE FINANCIAL STATEMENTS
FOR THE YEAR ENDED 28 FEBRUARY 2017 (CONTINUED)

18. OPERATING PROFIT BEFORE CAPITAL ITEMS (CONTINUED)

18.2 Directors' and prescribed officers' remuneration (continued)

Total operations

Is stated after taking account of the following items:

		GROUP	
	R millions	2017	2016
18.3	**Employee remuneration (including directors' remuneration)**	**4 161**	4 687
	Share-based payments – equity settled (note 10.9)	**14**	35
	Share-based payments – cash-settled (note 10.9)	**23**	1
	Retirement and provident funds	**278**	310
		4 476	5 033
	Continuing operations	**3 403**	3 395
	Discontinued operations	**1 073**	1 638
18.4	**Fees paid**		
	Managerial fees	**8**	11
	Technical, consultancy and administration	**258**	282
		266	293
	Continuing operations	**128**	124
	Discontinued operations	**138**	169
18.5	**Foreign exchange (gains)/losses**		
	Gains	**(179)**	(252)
	Losses	**340**	211
	Forward exchange contracts fair value adjustments	**65**	–
		226	(41)
	Being:		
	Realised	**103**	20
	Unrealised	**123**	(61)
	Continuing operations	**47**	7
	Discontinued operations	**179**	(48)
18.6	**Net decrease in provisions (note 14)**	**6**	1
18.7	**Operating lease charges**		
	Property	**179**	215
	Plant, equipment and vehicles	**43**	46
		222	261

R millions	GROUP 2017	GROUP 2016
19. CAPITAL ITEMS		
Continuing operations		
Impairment of goodwill	–	(51)
Impairment of intangibles	–	(22)
Net profit/(loss) on disposal of property, plant and equipment	1	(5)
Impairment of property, plant and equipment	(3)	–
Profit on disposal of subsidiary and operations	2	9
Impairment of equity-accounted investment	(2)	–
Reversal of impairment	10	–
	8	(69)
Discontinued operations		
Profit on disposal of discontinued operations	22	309
Impairment of property, plant and equipment	–	(60)
Impairment of intangible assets	(16)	(78)
Net profit on disposal of property, plant and equipment	12	5
Impairment of equity-accounted investment	–	(51)
Impairment of goodwill	–	(179)
Release of foreign currency translation surplus	22	–
Release of discontinuance provision	12	–
Impairment of held-for-sale disposal groups	(548)	(385)
	(496)	(439)
Total	(488)	(508)
Details on the impairment losses for property, plant and equipment is provided in note 1 and for intangible assets in note 2.		
20. FINANCIAL INCOME		
Recognised in profit or loss		
Dividend income on available-for-sale financial assets	2	9
Interest income on financial assets carried at amortised cost	241	184
Dividend received from joint venture	20	–
	263	193
Continuing operations	218	149
Discontinued operations	45	44
	263	193
21. FINANCIAL EXPENSE		
Recognised in profit or loss		
Interest expense on financial liabilities carried at amortised cost	558	685
Continuing operations	441	310
Discontinued operations	117	375
	558	685
22. SHARE OF PROFIT OF EQUITY-ACCOUNTED INVESTEES, NET OF TAXATION		
Attributable earnings	–	18
Continuing operations	–	2
Discontinued operations	–	16
	–	18

R millions	GROUP 2017	2016
23. TAXATION		
23.1 Taxation charge		
Current year		
– normal tax	**116**	150
– capital gains tax	**12**	–
– deferred tax	**64**	(252)
– deferred capital gains tax	**–**	139
– withholdings tax	**2**	2
Adjustment to prior years		
– normal tax	**(87)**	4
– deferred tax	**30**	1
Income tax expense	**137**	44
Continuing operations	**98**	114
Discontinued operations	**39**	(70)
23.2 Reconciliation of effective tax rate	**%**	%
South African normal tax rate	**(28,0)**	(28,0)
Adjusted for:		
Non-deductible expenditure	**18,7**	6,1
– Non deductible interest expense	**6,0**	0,1
– Sales of businesses	**2,4**	–
– Unrealised foreign exchange	**3,6**	0,2
– Other	**6,7**	5,8
Goodwill impaired	**4,2**	6,1
Non-taxable income	**(22,4)**	(1,2)
Capital gains tax rate differential	**5,3**	(1,4)
Foreign tax rate differential	**(7,6)**	(2,1)
Income from associates	**–**	(0,5)
Withholdings tax	**1,5**	0,2
Temporary differences and tax losses not recognised	**152,5**	27,2
Utilisation of previously unrecognised tax losses	**(4,8)**	(2,7)
Prior year adjustments	**(35,2)**	0,5
Net increase	**112,2**	32,2
Effective tax rate	**84,2**	4,2

R millions	GROUP 2017 Gross	2017 Net of tax and non-controlling interests	2016 Gross	2016 Net of tax and non-controlling interests

24. EARNINGS PER SHARE

24.1 Reconciliation between earnings and headline earnings

R millions	2017 Gross	2017 Net of tax and non-controlling interests	2016 Gross	2016 Net of tax and non-controlling interests
Earnings attributable to Altron equity holders		(185)		(873)
Adjustments for:				
Impairment of goodwill	–	–	230	199
Impairment of equity-accounted investments	2	2	51	51
Impairment of intangible assets	16	11	100	80
Profit on disposal of subsidiary and businesses	(24)	(24)	(318)	(246)
Impairment of held-for-sale disposal groups	548	476	384	237
Net profit on disposal of property, plant and equipment	(13)	1	–	20
Impairment of property, plant and equipment	3	3	61	44
Release of discontinuance provision	(12)	(12)	–	–
Release of foreign currency translation surplus	(22)	(22)	–	–
Reversal of impairment	(10)	(10)	–	–
Headline earnings		**240**		(488)
Headline earnings per share (cents)		**71**		(145)

24.2 Reconciliation between earnings and headline earnings from continuing operations

R millions	2017 Gross	2017 Net of tax and non-controlling interests	2016 Gross	2016 Net of tax and non-controlling interests
Earnings attributable to Altron equity holders		395		354
Adjustments for:				
Impairment of goodwill	–	–	51	51
Impairment of intangible assets	–	–	22	22
Profit on disposal of subsidiary and businesses	(2)	(2)	(9)	(6)
Net (profit)/loss on disposal of property, plant and equipment	(1)	(1)	5	4
Impairment of property, plant and equipment	3	3	–	–
Impairment of equity-accounted investments	2	2	–	–
Reversal of impairment	(10)	(10)	–	–
Headline earnings		**387**		425
Headline earnings per share (cents)		**114**		126

NOTES TO THE FINANCIAL STATEMENTS
FOR THE YEAR ENDED 28 FEBRUARY 2017 (CONTINUED)

		GROUP			
		2017		2016	
	R millions	Gross	Net of tax and non-controlling interests	Gross	Net of tax and non-controlling interests
24.	**EARNINGS PER SHARE (CONTINUED)**				
24.3	**Reconciliation between earnings and headline earnings from discontinued operations**				
	Earnings attributable to Altron equity holders		**(580)**		(1 227)
	Adjustments for:				
	Impairment of goodwill	**–**	**–**	179	148
	Impairment of equity-accounted investments	**–**	**–**	51	51
	Impairment of intangible assets	**16**	**11**	78	58
	Profit on disposal of subsidiary and businesses	**(22)**	**(22)**	(309)	(240)
	Net (profit)/loss on disposal of property, plant and equipment	**(12)**	**2**	(5)	16
	Impairment of property, plant and equipment	**–**	**–**	61	44
	Impairment of held-for-sale disposal groups	**548**	**476**	384	237
	Release of foreign currency translation surplus	**(22)**	**(22)**	–	–
	Release of discontinuance provision	**(12)**	**(12)**	–	–
	Headline earnings		**(147)**		(913)
	Headline earnings per share (cents)		**(43)**		(271)

		GROUP	
		2017 Number of shares	2016 Number of shares
24.4	**Reconciliation of weighted average number of shares**		
	Issued shares at the beginning of the year (A ordinary and N ordinary shares)	**368 010 713**	367 980 798
	Effect of own shares held at the beginning of the year	**(30 950 482)**	(30 950 482)
	Effect of shares issued in May	**1 046 233**	–
	Effect of shares issued in June	**–**	5 067
	Effect of shares issued in July	**–**	13 937
	Effect of shares issued in September	**293 008**	–
	Effect of shares issued in October	**44 827**	–
	Effect of shares issued in February	**171**	
	Weighted average number of shares	**338 444 470**	337 049 320
24.5	**Reconciliation between number of shares used for earnings per share and diluted earnings per share**		
	Weighted average number of shares	**338 444 470**	337 049 320
	Dilutive options	**1 227 181**	4 425 026
	Weighted average number of shares (diluted)	**339 671 651**	341 474 346

24. EARNINGS PER SHARE (CONTINUED)

R millions	GROUP 2017	2016
24.6 Reconciliation between earnings attributable to Altron equity holders and fully diluted earnings are as follows:		
Earnings attributable to Altron equity holders	**(185)**	(873)
Dilutive earnings attributable to B-BBEE non-controlling interests in subsidiaries (note 12)	**–**	–
Fully diluted earnings	**(185)**	(873)

R millions	GROUP 2017 Gross	2017 Net of tax and non-controlling interests	2016 Gross	2016 Net of tax and non-controlling interests
24.7 Reconciliation between headline earnings attributable to Altron equity holders and fully diluted headline earnings				
Headline earnings		**240**		(488)
Dilutive earnings attributable to B-BBEE non-controlling interests in subsidiaries	**–**	**–**	–	–
Fully diluted headline earnings		**240**		(488)
Diluted headline earnings per share (cents)		**71**		(143)
24.8 Reconciliation between headline earnings and normalised headline earnings				
Normalised headline earnings have been presented to demonstrate the impact of material, non-operational once-off costs associated with accessing benefits that will only be realised in subsequent reporting periods, as well as certain restructuring costs, on the headline earnings of the group.				
The presentation of normalised headline earnings is not an IFRS requirement.				
Headline earnings are reconciled to normalised headline earnings as follows:				
Headline earnings		**240**		(488)
Inventory written off	**–**	**–**	108	81
Impairment of receivables	**–**	**–**	50	50
Lease cancellation	**–**	**–**	6	4
Restructuring costs	**–**	**–**	129	98
		240		(255)
Normalised headline earnings per share (cents)		**71**		(76)
24.9 Reconciliation between diluted headline earnings and normalised diluted headline earnings				
Diluted headline earnings		**240**		(488)
Inventory written off	**–**	**–**	108	81
Impairment of receivables	**–**	**–**	50	50
Lease cancellation	**–**	**–**	6	4
Restructuring costs	**–**	**–**	129	98
		240		(255)

	GROUP			
	2017		2016	
R millions	Gross	Net of tax and non-controlling interests	Gross	Net of tax and non-controlling interests
Normalised diluted headline earnings per share (cents)		**71**		(75)

24. EARNINGS PER SHARE (CONTINUED)

24.9 Reconciliation between diluted headline earnings and normalised diluted headline earnings (continued)

Basic earnings per share is calculated by dividing the earnings attributable to Altron equity holders by the weighted average number of A ordinary and N ordinary shares in issue during the year.

Basic headline earnings per share is calculated by dividing headline earnings by the weighted average number of A ordinary and N ordinary 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.

	GROUP	
R millions	2017	2016
25. COMMITMENTS		
25.1 Capital expenditure		
Contracts for capital expenditure not provided for in the financial statements	**10**	10
Capital expenditure authorised but not contracted for	**11**	45
	21	55
This expenditure will be incurred in the ensuing year and will be financed from existing cash resources.		
25.2 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	**125**	212
Plant, equipment and vehicles	**21**	29
	146	241
One to five years		
Property	**284**	286
Plant, equipment and vehicles	**34**	31
	318	317
Thereafter		
Property	**1**	46
Total	**465**	604

26. EVENTS AFTER THE REPORTING PERIOD

Post year-end and in accordance with the circular issued to shareholders on or about 9 February 2017, the Altron group bought back all of the issued N shares in exchange for the issue of new A shares. All of the N shares were then cancelled. Following the implementation of this transaction the total number of shares in issue reduced from 370 million to 344 million.

As part of the transaction Value Capital Partners then injected R400 million of equity funding in exchange for 54 million A shares. Following the implementation of the transaction the number of shares in issue has increased to 398 million in total and 370 million net of treasure shares.

27 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.

27.1 Foreign currency risk

Forward 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 periods presented.

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

	28 February 2017 Foreign amount				29 February 2016 Foreign amount			
Millions	SEK	GBP	Euro	USD	SEK	GBP	Euro	USD
Other non-current assets	–	–	–	–	–	3	–	–
Trade and other receivables	–	–	1	11	–	–	3	8
Cash and cash equivalents	–	–	1	3	–	1	1	7
Loans	–	–	–	(2)	–	–	–	(3)
Trade and other payables	–	(10)	(2)	(41)	(1)	(8)	(5)	(54)
Gross balance sheet exposure	–	(10)	–	(29)	(1)	(4)	(1)	(42)
Forecast transactions	(2)	–	(2)	(42)	–	–	(2)	(17)
Gross exposure	(2)	(10)	(2)	(71)	(1)	(4)	(3)	(59)
Forward exchange contracts	2	10	4	71	1	7	5	52
Net exposure	–	–	2	–	–	3	2	(7)

27 FINANCIAL RISK MANAGEMENT (CONTINUED)

27.1 Foreign currency risk (continued)

The following significant exchange rates were used for the conversion of foreign operations and transactional balances:

	2017 Average rate	2017 Closing rate	2016 Average rate	2016 Closing rate
British Pound	**18,92**	**16,27**	20,43	22,11
Euro	**15,72**	**13,91**	14,90	17,27
US Dollar	**14,26**	**13,14**	13,52	15,88
Swedish Krona	**1,66**	**1,45**	1,59	1,85

Sensitivity analysis

A 1% strengthening/weakening in the Rand against the following currencies at 28 February 2017 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 2016.

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

R millions	Profit or loss strengthening	Profit or loss weakening
28 February 2017		
British Pound	**–**	**–**
Euro	**(0,3)**	**0,3**
US Dollar	**–**	**–**
Swedish Krona	**–**	**–**
29 February 2016		
British Pound	**(0,7)**	**0,7**
Euro	**(0,3)**	**0,3**
US Dollar	**1,1**	**(1,1)**
Swedish Krona	**–**	**–**

27 FINANCIAL RISK MANAGEMENT (CONTINUED)

27.2 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)

Millions	2017 Foreign amount	2017 Rand amount	2016 Foreign amount	2016 Rand amount
British Pounds	**10**	**172**	7	166
US Dollars	**69**	**987**	51	817
Euros	**4**	**63**	5	87
Swedish Krona	**2**	**3**	1	2
Australian Dollars	**2**	**20**	1	14
Chinese Yuan Renminbi	**–**	**–**	1	(3)
Swiss Francs	**1**	**11**	1	(11)
		1 256		1072
Comprising foreign exchange contracts:				
– to pay		**1 479**		1 200
– to receive		**(223)**		(128)
		1 256		1 072
Value of contracts at mark-to-market		**1 181**		1 073
Foreign exchange contract derivative asset at fair value (refer to note 8)		**18**		41
Foreign exchange contract derivative liability at fair value (refer to note 15)		**(93)**		(40)
Contracts in respect of forecast transactions				
The group has entered into certain forward exchange contracts, included above, which do not relate to specific items appearing on the balance sheet, but were entered into to cover foreign commitments not yet due. The contracts will be utilised for purposes of inventory procurement during the following year.				
– to pay		**782**		367
– to receive		**(125)**		(48)
		657		319

27.3 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. At 28 February 2017, the commodity forward contract derivative liability was Rnil (2016: Rnil).

27.4 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 certain fixed rate financial assets or liabilities:

- Finance lease liabilities (R39 million) (refer to note 13).
- Deferred purchase considerations (R29 million) (refer to note 13).

27 FINANCIAL RISK MANAGEMENT (CONTINUED)

27.5 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 loans receivable, trade and other receivables, rental finance advances, commodity and foreign exchange 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 high credit ratings, management does not expect any counterparty to fail to meet its obligations.

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

Guarantees

The group's policy is to provide financial guarantees only to wholly-owned subsidiaries. At 28 February 2017 no third party guarantees were outstanding (2016: none).

27 FINANCIAL RISK MANAGEMENT (CONTINUED)

27.6 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:

- R1,7 billion (2016: R2,3 billion) overdraft facility that is unsecured. Interest payable is linked to the prime and money market interest rates.

27. FINANCIAL RISK MANAGEMENT (CONTINUED)

27.7 Fair values and risk management

(a) Accounting classifications and fair values

The following table shows the carrying amounts and fair values of financial assets and liabilities, including their levels in the fair value hierarchy. It does not include fair value information for financial assets and financial liabilities not measured at fair value if the carrying amount is a reasonable approximation of fair value.

28 February 2017

R millions	Note	Carrying amount Held-for-trading	Designated at fair value	Fair value-hedging instruments
Financial assets measured at fair value				
Equity investments	3	–	–	–
Derivative assets at fair value: used for hedging	8	–	–	**18**
		–	–	**18**
Financial liabilities measured at fair value				
Derivative liabilities at fair value: used for hedging	15	–	–	**(93)**
Deferred purchase considerations		–	**(29)**	
		–	**(29)**	**(93)**

29 February 2016

R millions	Note	Carrying amount (restated) Held-for-trading	Designated at fair value	Fair value-hedging instruments
Financial assets measured at fair value				
Equity investments	3	–	–	–
Derivative assets at fair value:used for hedging	8	–	–	41
		–	–	41
Financial liabilities measured at fair value				
Derivative liabilities at fair value:used for hedging	15	–	–	(40)
Deferred purchase considerations		–	(58)	
		–	(58)	(40)

Financial assets that are not measured at fair value namely; rental finance advances, trade and other receivables, cash and cash equivalents and non-current receivables are categorised as loans and receivables. It has been concluded that the carrying amount of these assets approximates their fair value.

Financial liabilities that are not measured at fair value namely; loans, bank overdrafts and trade and other payables are categorised as other financial liabilities. It has been concluded that the carrying amount of these liabilities approximates their fair value.

The recoverable amounts of certain items of property, plant and equipment, goodwill, and intangible assets has been based on fair value less costs to sell, which has been determined with reference to indicative offers received from prospective buyers. These fair values are considered to be level 3 items in the fair value hierarchy.

The different levels as disclosed in the table above have been defined as follows:

Level 1 Quoted prices (unadjusted) in active markets for identical assets or liabilities.
Level 2 Inputs other than quoted prices included within Level 1 that are observable for the asset or liability, either directly (i.e. as prices) or indirectly (i.e. derived from prices).
Level 3 Inputs for the asset or liability that are not based on observable market date (unobservable inputs).

Carrying amount					Fair value			
Held-to-maturity	**Loans and receivables**	**Available-for-sale**	**Other financial liabilities**	**Total**	**Level 1**	**Level 2**	**Level 3**	**Total**
–	–	115	–	115	–	–	115	115
–	–	–	–	18	–	18	–	18
–	–	115	–	133	–	18	115	133
–	–	–	–	(93)	–	(93)	–	(93)
–	–	–	–	(29)	–		(29)	(29)
–	–	–	–	(122)	–	(93)	(29)	(122)

Carrying amount (restated)					Fair value			
Held-to-maturity	Loans and receivables	Available-for-sale	Other financial liabilities	Total	Level 1	Level 2	Level 3	Total
–	–	21	–	21	–	–	21	21
–	–	–	–	41	–	41	–	41
–	–	21	–	62	–	41	21	62
–	–	–	–	(40)	–	(40)	–	(40)
–	–	–	–	(58)	–		(58)	(58)
–	–	–	–	(98)	–	(40)	(58)	(98)

27. FINANCIAL RISK MANAGEMENT (CONTINUED)

27.7 Fair values and risk management (continued)

(b) Measurement of fair values

Valuation techniques and significant unobservable inputs

The following tables show the valuation techniques used in measuring Level 2 and Level 3 fair values, as well as the significant unobservable inputs used:

Financial instruments measured at fair value

Type	Valuation technique	Significant unobservable inputs	Inter-relationship between significant unobservable inputs and fair value measurements
Derivative assets and liabilities at fair value: used for hedging	Market comparison technique: The fair value of foreign currency and commodity contracts (used for hedging) are market-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	Not applicable	Not applicable
Preference share in Technologies Acceptances Receivables Proprietary Limited	The discounted cash flow method was used to present value the forecasted income from the preference share investment over a ten-year (2016: ten year) period. The directors' valuation is equal to the fair value.	Discount rate of 15.18% (2016: 18.25%) Forecast annual perpetuity growth 3% (2016: 3.5%)	The estimated fair value would increase/(decrease) if: • the discount rate were lower/(higher) • the annual revenue growth rate were higher/(lower)
Deferred purchase consideration	Discounted cash flows: The valuation model considers the present value of the expected payment, discounted using a risk adjusted discount rate. The expected payment is determined by considering the possible scenarios of forecast adjusted profit after tax, the amount to be paid under each scenario and the probability of each scenario	Forecast annual revenue growth rate 21 – 23% (2016: 21 – 23%) • Forecast adjusted Profit after tax margin 23% – 29% (2016: 23% – 29%) • Risk-adjusted discount rate 9.25% (2016: 9.25%)	The estimated fair value would increase/(decrease) if: • the annual revenue growth rate were higher/(lower) • the adjusted PAT margin were higher/(lower); or • the risk-adjusted discount rate were lower/(higher).

27. FINANCIAL RISK MANAGEMENT (CONTINUED)

27.7 Fair values and risk management (continued)

Transfers

There were no transfers between Levels 1, 2 or 3 of the fair value hierarchy for the years ended 28 February 2017 and 29 February 2016.

Reconciliation of Level 3 fair values

The movement in Level 3 fair valued equity investments available-for-sale relates to the derecognition of the investment in Izingwe Aberdare Cables Investments Proprietary Limited in the year ended 28 February 2017. Refer to note 3.

Reconciliation of deferred purchase consideration	
Balance at 29 February 2016	58
Raised during the year	7
Released during the year	(2)
Unwinding of interest	1
Foreign exchange	1
Repaid during the year	(36)
Balance at 28 February 2017	**29**

27.8 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 non-controlling 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 current gearing levels of the group are regarded as too high and the board is executing on a strategy to reduce this significantly. The non-core businesses identified during the year are in the process of being disposed of and the proceeds generated will be used to reduce borrowing levels. The Group's board has determined a medium-term targeted debt level of 1.0× EBITDA.

The group's target is to achieve a return on capital employed of between 20% and 25%. This can only be achieved once the group has been refocused in its core activities.

Altron's share capital consists of 105.7 million A ordinary shares and 264,3 million N ordinary shares. Management does not make any distinction between the two types of equity in managing the capital of the company.

The group utilises a share scheme, as approved by the shareholders, as a long-term retention mechanism for senior executives and other key employees. The three components, which are disclosed fully in note 10 of the financial statements, each contain a performance element so that the interests of existing shareholders and management are aligned. Awards under this scheme are in accordance with a total remuneration strategy and are 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 in 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 5% 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 borrowing obligations.

In the current year, the group re-negotiated the term debt structure with the relevant banks given the significant proceeds that were received from the Aberdare and Autopage disposals. Draw-down of the new facilities took place on 27 February 2017.

For the 28 February 2017 measurement date, the group's net debt-to-attributable-EBITDA ratio is limited to three times and attributable EBITDA divided by net finance charges is limited to a minimum of 2.5 times. The attributable EBITDA divided by net finance charges ratio will increase every six months by 0.5 times limited to 3.5 times at 28 February 2018. In the event that these parameters were exceeded the lenders would be able to require immediate repayment.

Altron has complied with the required covenant at year-end.

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.

28. RELATED-PARTY TRANSACTIONS

The group has a related-party relationship with its subsidiaries (see note 2), associates and joint ventures (see Annexure 1) and with its directors (refer below) and key management personnel (refer below).
All these transactions occur on an arm's-length basis.

R millions	2017	2016
28.1 Associates and joint ventures		
Sale of goods and services to joint venture	–	1
Sale of goods and services to associates	293	133
Services received from associates	–	133
Interest earned from associate	6	8
Dividends received from joint venture	20	25
Dividends received from associates	1	4
Management fees received from associates	2	11

28.2 Directors

Details relating to directors' emoluments are disclosed in note 18.2

At 28 February 2017 the directors of the company held direct and indirect interests, including family interests, in 59 350 755 of the company's issued A ordinary shares (2016: 59 350 755) and 6 740 811 of the company's issued N ordinary shares (2016: 6 740 811). Details of shares held per individual director are listed below. A total of 1 020 707 share appreciation rights, performance share options and bonus share options are allocated to directors in terms of the company's employee share scheme.

2017	Direct beneficial		Direct non-beneficial	
Name of director	A Ordinary shares	N Ordinary shares	A Ordinary shares	N Ordinary shares
Dr WP Venter	8 709 770	34 055	–	–
RE Venter	–	186 997	–	–
MC Berzack	–	220 190	–	–
MJ Leeming	2 500	–	–	–
AMR Smith	–	53 952	–	–
Total	8 712 270	495 194	–	–

2017	Indirect beneficial		Indirect non-beneficial	
Name of director	A Ordinary shares	N Ordinary shares	A Ordinary shares	N Ordinary shares
Dr WP Venter	31 247 827	–	19 367 000*	6 197 129*
MC Berzack	1 357	–	–	–
MJ Leeming	130 005	226 168	–	–
SN Susman	–	35 000	–	–
Total	31 379 189	261 168	19 367 000	6 197 129

* *Non-executive chairman and director, Dr WP Venter, and his family and related trusts, are the controlling shareholders of the company.*

28 RELATED-PARTY TRANSACTIONS (CONTINUED)

28.2 Directors (continued)

2016 Name of director	Direct beneficial A Ordinary shares	N Ordinary shares	Direct non-beneficial A Ordinary shares	N Ordinary shares
Dr WP Venter	8 709 770	34 055	–	–
RE Venter	–	147 276	–	–
RJ Abraham	19 801	46 943	–	–
MC Berzack	–	220 190	–	–
MJ Leeming	2 500	–	–	–
AMR Smith	–	38 911	–	–
Total	8 732 071	487 375	–	–

2016 Name of director	Indirect beneficial A Ordinary shares	N Ordinary shares	Indirect non-beneficial A Ordinary shares	N Ordinary shares
Dr WP Venter	31 247 827	–	19 367 000*	6 197 129*
MC Berzack	1 357	–	–	–
MJ Leeming	2 500	21 307	–	–
SN Susman	–	35 000	–	–
Total	31 251 684	56 307	19 367 000	6 197 129

* *Non-executive chairman and director, Dr WP Venter, and his family and related trusts, are the controlling shareholders of the company.*

28.3 Key management personnel

R millions	2017	2016
Key management personnel are defined as directors of the company and its principal subsidiary companies, Altron TMT Holdings (Proprietary) Limited and Power Technologies (Proprietary) Limited.		
The key management personnel compensations were as follows:		
Short-term employee benefits, including salaries and bonuses	75	84
Post-employment benefits	7	8
Equity compensation benefits	25	16
	107	108

NOTES TO THE FINANCIAL STATEMENTS
FOR THE YEAR ENDED 28 FEBRUARY 2017 (CONTINUED)

28. RELATED-PARTY TRANSACTIONS (CONTINUED)
28.4 Shareholders

Public and non-public shareholders (as at 28 February 2017)

	Number of share-holders	%	Number of shares	%
A ORDINARY SHARES				
Non-public shareholders	7	0,39	43 337 928	41,01
Directors and associates of the company	6	0,33	40 091 459	37,94
Repurchased shares	1	0,06	3 246 469	3,07
Public shareholders	1 798	99,61	62 331 203	58,99
Total	1 805	100,00	105 669 131	100,00
N ORDINARY SHARES				
Non-public shareholders	11	0,26	28 483 928	10,78
Directors and associates of the company	8	0,19	775 118	0,29
Repurchased shares	2	0,05	27 704 013	10,48
Share trust	1	0,02	4 797	0,00
Public shareholders	4 160	99,74	235 829 702	89,22
Total	4 171	100,00	264 313 630	100,00

MATERIAL SHAREHOLDERS

Beneficial shareholders (excluding directors) holding 5% or more of the company's listed A ordinary shares as at 28 February 2017 were the following:

	Number of shares	%
Biltron	50 614 827	47,90
Sanlam	8 573 386	8,11
Total	59 188 213	56,01

Beneficial shareholders (excluding directors) holding 5% or more of the company's listed N ordinary shares as at 28 February 2017 were the following:

	Number of shares	%
Sanlam	50 924 239	19,27
Coronation Fund Managers	36 203 883	13,70
Altron Finance Proprietary Limited	27 704 013	10,48
Total	114 832 135	43,45

29. 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 business.
- **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 25 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.

29. JUDGEMENTS MADE BY MANAGEMENT (CONTINUED)

- **Impairment of assets**
  The impairment of goodwill is tested at least annually. The discounted cash flow valuation model is used on the basis of value-in-use or fair value less costs to sell. 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 fair value of disposal groups held-for-sale, is determined with reference to indicative offers received from prospective buyers.

- **Post-employment benefit obligations**
  Post-retirement defined benefits are provided for certain existing and former employees (see note 16).

  The actuarial valuation method used to value the obligations is the projected unit method. The principal actuarial assumptions used include a discount rate, inflation rate, future salary growth rate and a future pension growth rate.

- **Technologies Acceptances Receivables Proprietary Limited ("TAR")**
  The relevant activities identified by management with regards to the securitisation vehicle are the credit vetting of leases and the management of leases upon default.

  Although Altron is exposed to variable returns from TAR due to the loan funding provided and the preference share investment held in TAR, it does not have the power over the above relevant activities that have an effect on TAR's returns based on management's consideration of a weighting of the various factors and indicators surrounding the securitisation vehicle.

30. 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 2017.

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

DISCLOSURE INITIATIVE (AMENDMENTS TO IAS 7)

The amendments provide for disclosures that enable users of financial statements to evaluate changes in liabilities arising from financing activities, including both changes arising from cash flow and non-cash changes. This includes providing a reconciliation between the opening and closing balances for liabilities arising from financing activities.

The amendments are effective for the group for the year ending 28 February 2018.

IFRS 15 REVENUE FROM CONTRACTS WITH CUSTOMERS

This standard replaces IAS 11 Construction Contracts, IAS 18 Revenue, IFRIC 13 *Customer Loyalty Programmes*, IFRIC 15 *Agreements for the Construction of Real Estate*, IFRIC 18 *Transfer of Assets from Customers* and SIC-31 *Revenue – Barter of Transactions Involving Advertising Services*.

The standard contains a single model that applies to contracts with customers and two approaches to recognising revenue: at a point in time or over time. The model features a contract-based five-step analysis of transactions to determine whether, how much and when revenue is recognised.

This new standard will most likely have a significant impact on the Group, which will include a possible change in the timing of when revenue is recognised and the amount of revenue recognised. The Group is currently performing a detailed assessment of the impact of this standard on the Group. Management will finalise their transition option on completion of the detailed assessment.

The new standard is effective for the group for the year ending 28 February 2019 with restatement of comparatives required.

RECOGNITION OF DEFERRED TAX ASSETS FOR UNREALISED LOSSES (AMENDMENTS TO IAS 12)

The amendments provide additional guidance on the existence of deductible temporary differences, which depend solely on a comparison of the carrying amount of an asset and its tax base at the end of the reporting period, and is not affected by possible future changes in the carrying amount or expected manner of recovery of the asset.

The amendments also provide additional guidance on the methods used to calculate future taxable profit to establish whether a deferred tax asset can be recognised.

The amendments are effective for the group for the year ending 28 February 2018.

NOTES TO THE FINANCIAL STATEMENTS
FOR THE YEAR ENDED 28 FEBRUARY 2017 (CONTINUED)

30. STANDARDS AND INTERPRETATIONS IN ISSUE BUT NOT YET EFFECTIVE (CONTINUED)

CLARIFYING SHARE-BASED PAYMENT ACCOUNTING (AMENDMENTS TO IFRS 2)

Currently, there is ambiguity over how a company should account for certain types of share-based payment arrangements. The IASB has responded by publishing amendments to IFRS 2 Share-based Payment.

The amendments cover three accounting areas:

Measurement of cash-settled share-based payments – the new requirements do not change the cumulative amount of expense that is ultimately recognised, because the total consideration for a cash-settled share-based payment is still equal to the cash paid on settlement.

Classification of share-based payments settled net of tax withholdings – the amendments introduce an exception stating that, for classification purposes, a share-based payment transaction with employees is accounted for as equity-settled if certain criteria are met.

Accounting for a modification of a share-based payment from cash-settled to equity-settled – the amendments clarify the approach that companies are to apply.

The new requirements could affect the classification and/or measurement of these arrangements – and potentially the timing and amount of expense recognised for new and outstanding awards. The amendments are effective for the group for the year ending 28 February 2019.

IFRS 9 FINANCIAL INSTRUMENTS

On 24 July 2014, the IASB issued the final IFRS 9 *Financial Instruments Standard*, which replaces earlier versions of IFRS 9 and completes the IASB's project to replace IAS 39 *Financial Instruments: Recognition and Measurement*.

This standard may have an impact on the Group, given the revised requirements on the classification and measurement of financial assets. In addition, the IFRS 9 impairment model has been changed from an "incurred loss" model from IAS 39 to an "expected credit loss" model, which could impact the financial assets impairment allowances raised. The new standard is effective for the group for the year ending 28 February 2019 with restatement of comparatives required. The group is currently performing a detailed assessment of the impact of this standard on the group.

IFRS 16 LEASES

IFRS 16 was published in January 2016. It sets out the principles for the recognition, measurement, presentation and disclosure of leases for both parties to a contract, i.e. the customer ("lessee") and the supplier ("lessor"). IFRS 16 replaces the previous leases Standard, IAS 17 *Leases*, and related Interpretations. IFRS 16 has one model for lessees which will result in almost all leases being included on the balance sheet. No significant changes have been included for lessors.

The new standard is effective for the group for the year ending 29 February 2020, with early adoption permitted only if the entity also adopts IFRS 15. The transitional requirements are different for lessees and lessors. The group is currently performing a detailed assessment of the impact of this standard on the group. Once completed, management will be in a position to decide whether the standard will be adopted at the same time as IFRS 15 and IFRS 9.

30. STANDARDS AND INTERPRETATIONS IN ISSUE BUT NOT YET EFFECTIVE (CONTINUED)

NON-APPLICABLE STANDARDS, AMENDMENTS AND INTERPRETATIONS

The other remaining standards, amendments and interpretations issued but not yet effective have been assessed for applicability to the group and management has concluded that they are not applicable to the business of the group and will therefore have no impact on future financial statements.

	GROUP	
R millions	**2017**	2016
31. CASH GENERATED BY OPERATIONS		
Operating profit before capital items	**618**	(74)
Adjustments for:		
Depreciation and amortisation	**222**	450
Expensing of contract fulfilment costs during the year	**216**	167
Terminations of contract fulfilment costs	**1**	59
Share-based payment expense	**37**	36
Movement in provisions	**20**	(7)
Pension contribution holiday received	**77**	50
Unrealised foreign exchange gains	**123**	(61)
Other non-cash movements	**(6)**	(92)
Cash generated before movements in working capital	**1 308**	528
Decrease/(increase) in inventories	**295**	(67)
(Increase)/decrease in trade and other receivables	**(175)**	1 186
(Decrease)/increase in trade and other payables	**(941)**	324
	487	1 971
32. DIVIDENDS RECEIVED FROM EQUITY ACCOUNTED INVESTEES AND OTHER INVESTMENTS		
Dividends receivable at the beginning of the year	**1**	1
Dividends declared during the year	**23**	39
Dividends receivable at the end of the year	**(1)**	(1)
	23	39
33. TAXATION PAID		
Amounts unpaid at the beginning of the year	**(145)**	(125)
Amounts recognised in profit or loss	**(43)**	(154)
Businesses disposed	**(6)**	1
Translation differences	**7**	(3)
Taxation payable classified as held-for-sale (refer to note 38)	**5**	16
Taxation receivable classified as held-for-sale (refer to note 38)	**(2)**	(41)
Taxation payable previously classified as held-for-sale (refer to note 38)	**(16)**	–
Taxation receivable previously classified as held-for-sale (refer to note 38)	**41**	–
Taxation on Autopage cell captive	**1**	9
Interest and penalties	**(8)**	–
Withholdings tax	**6**	–
Amounts unpaid at the end of the year	**64**	145
	(96)	(152)

NOTES TO THE FINANCIAL STATEMENTS
FOR THE YEAR ENDED 28 FEBRUARY 2017 (CONTINUED)

R millions	GROUP 2017	GROUP 2016
34. ACQUISITION OF SUBSIDIARIES AND BUSINESSES NET OF CASH ACQUIRED		
Property, plant and equipment	–	(12)
Intangibles – fair value adjustment	–	(35)
Inventories	–	(6)
Trade and other receivables	–	(22)
Trade and other payables	–	36
Provisions	–	9
Deferred tax	–	9
Net loans	–	24
Net cash	–	(9)
Non-controlling interest	–	(3)
Goodwill arising on acquisition	–	(88)
Purchase consideration	–	(97)
Less: Deferred purchase considerations	–	33
Cash paid	–	(64)
Less: Cash acquired	–	9
Less: Deferred purchase consideration paid relating to prior year acquisition	**(36)**	(29)
Other	**(10)**	–
	(46)	(84)
35. PROCEEDS ON DISPOSAL OF SUBSIDIARIES, ASSOCIATE AND BUSINESSES NET OF CASH DISPOSED OF		
Property, plant and equipment	**389**	4
Goodwill and intangible assets	**13**	54
Non-current receivables and other assets	–	1 086
Deferred tax	**18**	1
Inventories	**968**	43
Taxation receivable	**6**	–
Trade and other receivables	**989**	42
Loans – non current	**(16)**	–
Trade and other payables	**(1 037)**	(177)
Loans – current	**(9)**	–
Provisions	**(15)**	–
Taxation payable	–	(1)
Net cash	**(152)**	7
Non-controlling interest	**(208)**	–
	946	1 059
Realisation of foreign currency translation reserve on disposal of subsidiaries	**(132)**	(13)
Profit on disposal of subsidiary and businesses	**24**	317
Proceeds on disposal	**838**	1 363
Proceeds receivable at the beginning of the year (refer to note 8)	**1 314**	–
Proceeds receivable at the end of the year (refer to note 8)	**(28)**	(1 314)
Discontinuance provisions	**(229)**	–
Final settlement on disposal of Altech West Africa	**10**	–
Investment in Aberdare Cables Proprietary Ltd (17.5%)	**(94)**	–
Less: Cash disposed	**152**	(7)
Loans repaid	**85**	–
Proceeds received on disposal of subsidiaries and businesses	**2 048**	42

R millions	GROUP 2017	2016
35. PROCEEDS ON DISPOSAL OF SUBSIDIARIES, ASSOCIATE AND BUSINESSES NET OF CASH DISPOSED OF (CONTINUED)		
Disposal of equity-accounted investment		
Carrying amount of investment disposed	**–**	18
Profit on disposal of equity accounted investment	**–**	1
Proceeds on disposal	**–**	19
Proceeds receivable at the beginning of the year	**12**	–
Proceeds receivable at the end of the year	**–**	(12)
Proceeds received on disposal of associate	**12**	7
Total proceeds received on disposals	**2 060**	49
36. PROCEEDS ON DISPOSAL OF PROPERTY, PLANT AND EQUIPMENT AND INTANGIBLE ASSETS		
Carrying amount	**134**	52
Profit on disposal	**13**	–
Proceeds received on disposal	**147**	52
37. OTHER INVESTING ACTIVITIES		
Increase in loans to associates and other investments	**(9)**	(16)
Investment in Contract Fulfilment Costs	**(237)**	(634)
Investment in other	**(36)**	–
Cash received from Autopage cell captive	**14**	12
	(268)	(638)

NOTES TO THE FINANCIAL STATEMENTS
FOR THE YEAR ENDED 28 FEBRUARY 2017 (CONTINUED)

38. ASSETS AND LIABILITIES CLASSIFIED AS HELD-FOR-SALE AND DISCONTINUED OPERATIONS

		GROUP	
R millions		2017	2016
Discontinued operations			
During the previous financial year, the decision was taken to dispose of the Powertech group and the UEC group and, as a result, these businesses have been classified as discontinued operations. The relevant requirements of IFRS 5 have been met for this classification.			
The Powertech and UEC businesses were a discontinued operation in the prior year.			
The comparative discontinued operation information also included the Altech Autopage and Node businesses which were disposed of in the previous financial year.			
Cash flows used in discontinued operation:			
Net cash (utilised in)/generated from operating activities		**(21)**	424
Net cash generated from/(utilised in) investing activities		**878**	(509)
Net cash utilised in financing activities		**(20)**	(75)
Net cash inflow/(outflow) for the year		**837**	(160)
Assets and liabilities classified as held-for-sale			
Effect of disposal on the balance sheet of the group			
During the previous financial year, the decision was taken to dispose of the Powertech group and the UEC group and, as a result, these business have been classified as held-for-sale in the current year. The relevant requirements of IFRS 5 continues to have been met for this classification.			
Management believe that the remaining disposals will be effected in the 2018 financial year.			
The Powertech and UEC businesses were classified as held-for-sale in the prior year.			
The comparative held-for-sale information also included the Altech Autopage business which was disposed of in the previous financial year.			
Assets classified as held-for-sale	Note	**1 644**	4 996
Property, plant and equipment	1	**182**	931
Intangible assets	2	**62**	172
Goodwill	2	**–**	25
Equity-accounted investments	3	**145**	145
Non-current receivables and other assets	5	**1**	1
Deferred taxation	6	**2**	46
Inventories	7	**548**	1 796
Trade and other receivables	8	**673**	1 600
Taxation receivable		**2**	41
Cash and cash equivalents	9	**29**	239
Liabilities classified as held-for-sale		**1 024**	2 058
Loans (non-current)	13	**5**	30
Provisions (non-current)	14	**8**	23
Deferred taxation	6	**3**	3
Loans (current)	13	**21**	53
Bank overdrafts	9	**117**	119
Provisions (current)	14	**58**	51
Trade and other payables	15	**807**	1 763
Taxation payable		**5**	16

38. ASSETS AND LIABILITIES CLASSIFIED AS HELD-FOR-SALE AND DISCONTINUED OPERATIONS (CONTINUED)

Breakdown of disposal groups held-for-sale:

R millions	Note	Power-tech Trans-formers	Power-tech Battery Group	Multi-media Group	Power-tech System Integra-tors Group	Other	Impair-ments	Total
		2017						
Assets classified as held-for-sale		805	498	348	182	359	(548)	1 644
Property, plant and equipment	1	201	155	61	11	45	(291)	182
Intangible assets	2	106	8	80	13	–	(145)	62
Goodwill	2	–	1	–	–	24	(25)	–
Equity-accounted investments	3	–	–	–	–	145	–	145
Non-current receivables and other assets	5	–	–	–	1	–	–	1
Deferred taxation	6	–	–	–	–	2	–	2
Inventories	7	301	163	74	13	84	(87)	548
Trade and other receivables	8	141	147	163	129	93	–	673
Taxation receivable		–	–	–	–	2	–	2
Cash and cash equivalents	9	56	24	(30)	15	(36)	–	29
Liabilities classified as held-for-sale		276	124	290	109	225	–	1 024
Loans (non-current)	13	5	–	–	–	–	–	5
Provisions (non-current)	15	–	–	8	–	–	–	8
Deferred taxation	6	–	–	1	–	2	–	3
Loans (current)	13	21	–	–	–	–	–	21
Bank overdrafts	9	–	–	–	–	117	–	117
Provisions (current)	15	38	11	3	6	–	–	58
Trade and other payables	16	212	113	279	103	100	–	807
Taxation payable		–	–	(1)	–	6	–	5

39. DISPOSAL OF SUBSIDIARIES, ASSOCIATES AND BUSINESSES

DISPOSAL OF THE ABERDARE GROUP

Effective 30 June 2016, Power Technologies disposed of 75% of its 70% equity interest in Aberdare Cables. Aberdare International also disposed of 100% of its equity interest in Aberdare Europe. This operation formed part of the Powertech group, which has been disclosed as a discontinued operation. The disposal did not include the group's 50% shareholding in the CBI Telecom Cables joint venture. As part of the transaction the group has a put option to the acquirer of the Aberdare group. This put option is fixed at the same value as the initial transaction and can be exercised two years after the conclusion of a new B-BBEE structure. The remaining interest in the Aberdare group is included in other investments on the group balance sheet.

Net assets of Aberdare group disposed:

R millions	2017
Non-current assets	**410**
Property, plant and equipment	386
Other	24
Current assets	**1 919**
Inventories	920
Trade and other receivables, including derivatives	988
Other	11
Non-current liabilities	**(16)**
Loans	(10)
Other	(6)
Current liabilities	**(1 216)**
Bank overdraft	(160)
Trade and other payables, including derivatives	(1 031)
Other	(25)
Disposal value	**1 097**
Less: non-controlling interest de-recognised	(208)
Less: Investment in Aberdare Cables (17.5%)	(94)
Less: Proceeds receivable	(7)
Profit on disposal of subsidiaries	36
Realisation of foreign currency translation surplus on disposal	(132)
Net cash disposed	151
Loans settled	85
Proceeds received on disposal	**928**

39. DISPOSAL OF SUBSIDIARIES, ASSOCIATES AND BUSINESSES (CONTINUED)

DISPOSAL OF 100% INTEREST IN STRIKE TECHNOLOGIES, A DIVISION OF POWERTECH SYSTEM INTEGRATORS PROPRIETARY LTD

Effective 30 June 2016, Powertech System Integrators disposed of its Strike Technologies division for R16 million. This operation formed part of the Powertech group, which has been disclosed as a discontinued operation.

DISPOSAL OF 100% INTEREST IN TIS, A DIVISION OF POWERTECH SYSTEM INTEGRATORS PROPRIETARY LTD

Effective 30 November 2016, Powertech System Integrators disposed of its TIS division for R27 million. This operation formed part of the Powertech group, which has been disclosed as a discontinued operation.

Net assets of the above operations disposed:

R millions	2017
Non-current assets	11
Current assets	51
Current liabilities	(5)
Disposal value	**57**
Loss on disposal of businesses	(14)
Proceeds receivable	(21)
Proceeds received on disposal	**22**

ANNEXURE 1

INTERESTS IN OTHER ENTITIES

For the latest company structure please go to www.altron.com

NON-CONTROLLING INTERESTS

The following subsidiaries have material NCI:

Name	Principal place of business/country of incorporation	Ownership interests held by NCI 2017	2016*
Altech Netstar Proprietary Limited	South Africa	**25% + 1 share**	25% + 1 share
Altech UEC South Africa Proprietary Limited	South Africa	**25% + 1 share**	25% + 1 share
Arrow Altech Proprietary Limited	South Africa	**50%**	50%
Aberdare Cables Proprietary Limited	South Africa	**0%**	25%*
Powertech Transformers Proprietary Limited	South Africa	**20%**	20%
Powertech System Integrators Proprietary Limited	South Africa	**0%**	25% + 1 share

** Effective ownership percentage after taking into account cross shareholding*

DISPOSAL OF THE ABERDARE GROUP

Effective 30 June 2016, Power Technologies disposed of 75% of its 70% equity interest in Aberdare Cables. The disposal did not include the group's 50% shareholding in the CBI Telecom Cables joint venture (refer to Annexure 1 Joint Ventures). The non-controlling interests related to the Aberdare Group were accordingly derecognised.

BUY BACK OF NON-CONTROLLING INTEREST IN POWERTECH SYSTEM INTEGRATORS PROPRIETARY LIMITED

In 2016, the entity repurchased the shares held by Izingwe for R11 million.

NON-CONTROLLING INTERESTS (CONTINUED)

The following table summarises the information relating to each of the Group's subsidiaries that has material non-controlling interests (NCI), before any inter-group eliminations.

The information presented includes results from continuing and discontinuing operations.

	2017							
R millions	Altech UEC South Africa	Altech Netstar	Arrow Altech	Powertech Trans-formers	Aberdare Cables	Power-tech System inte-grators	Other non-material NCI	Total NCI
Revenue	934	1 112	602	1 041	1 270	330		
(Loss)/profit	(55)	8	28	(450)	20	(141)		
(Loss)/profit attributable to non-controlling interests	(14)	2	14	(90)	5	(36)	2	(117)
Other comprehensive income	(6)	–	–	–	–	–		
Total comprehensive income	(61)	8	28	(450)	20	(141)		
Total comprehensive income attributable to non-controlling interests	(15)	2	14	(90)	5	(36)	2	(118)
Current assets	180	379	224	503	–	–		
Non-current assets	51	442	22	(40)	–	–		
Equity loan	354	–	–	–	–	–		
Share-based payments	(2)	–	–	–	–	–		
Current liabilities	(247)	(418)	(89)	(685)	–	–		
Non-current liabilities	(518)	(1 501)	(3)	(5)	–	–		
Net assets	(182)	(1 098)	154	(227)	–	–		
Net assets attributable to non-controlling interests at 29 February 2016	(30)	(273)	67	47	224	(164)	18	(111)
Buy-back of non-controlling interests	–	–	–	–	–	200	–	200
Acquired during the year	–	–	–	–	(32)	–	32	–
Disposed of during the year	–	–	–	–	(197)	–	(11)	(208)
Total comprehensive income attributable to non-controlling interests	(15)	2	14	(90)	5	(36)	2	(118)
Dividends paid to non-controlling interests during the year	–	–	(4)	–	–	–	–	(4)
Share of other reserve movements	–	–	–	–	–	–	1	1
Net assets attributable to non-controlling interests at 28 February 2017	(45)	(271)	77	(43)	–	–	42	(240)

ANNEXURE 1 CONTINUED

NON-CONTROLLING INTERESTS (CONTINUED)

	2016							
	Altech UEC South Africa	Altech Netstar	Arrow Altech	Powertech Trans-formers	Aberdare Cables	Powertech System integrators	Other non-material NCI	Total NCI
Revenue	809	1 090	419	957	3 138	770		
Profit/(loss)	(258)	4	17	(191)	(259)	(211)		
Profit/(loss) attributable to non-controlling interests	(65)	1	8	(48)	(65)	(53)	(5)	(227)
Other comprehensive income	–	–	–	–	(4)	–	(4)	
Total comprehensive income	(258)	4	17	(191)	(263)	(211)		
Total comprehensive income attributable to non-controlling interests	(65)	1	8	(48)	(66)	(53)	(6)	(229)
Current assets	282	310	200	716	1 300	331		
Non-current assets	57	444	21	299	401	(146)		
Equity loan	354	–	–	–	–	–		
Current liabilities	(286)	(352)	(85)	(769)	(759)	(366)		
Non-current liabilities	(525)	(1 507)	(3)	(23)	(34)	(457)		
Net assets	(118)	(1 105)	133	223	908	(638)		
Net assets attributable to non-controlling interests at 28 February 2015	35	(271)	61	95	290	(111)	24	123
Buy-back of non-controlling interests	–	(3)	–	–	–	–	–	(3)
Total comprehensive income attributable to non-controlling interests	(65)	1	8	(48)	(66)	(53)	(6)	(229)
Dividends paid to non-controlling interests during the year	–	–	(3)	–	–	–	–	(3)
Share of other reserve movements		–	1	–	–	–	–	1
Net assets attributable to non-controlling interests at 29 February 2016	(30)	(273)	67	47	224	(164)	18	(111)

ASSOCIATE COMPANIES

The Group has no material associates.

The table below summarises the associate entities in which the group holds an interest:

Investment	Nature of business
Battery Technologies Proprietary Limited	A leading supplier to a number of major utilities and financial institutions in the highly-specialised field of stationary and solar battery power.
Bytes Healthcare Solutions international operations	Provides healthcare IT and eCommerce solutions in Saudi Arabia and Namibia.
Aeromaritime International Management Services Proprietary Limited	Provides services of clearing for both imports and exports, international forwarding on both seafreight and airfreight, local and national freight distribution and cross-border road freight to neighbouring countries in Africa.
Alcon Marepha Proprietary Limited	Manufacturer of medium-voltage power cable and aluminium conductors.

The following is summarised financial information for the Group's interest in associates:

	Altron controlled interest		(Decrease)/increase in investment		Attributable share of profit/(loss)		Dividends received		(Decrease)/increase in impairment		Total investment	
	2017 %	2016 %	**2017 R millions**	2016 R millions	**2017 R millions**	2016 R millions	**2017 R millions**	2016 R millions	**2017 R millions**	2016 R millions	**2017 R millions**	2016 R millions
Unlisted												
Bytes Healthcare Solutions international operations	**49,9**	49,9	**–**	–	**1**	2	**(1)**	(1)	**–**	–	**2**	2
Battech Proprietary Limited	**49,9**	49,9	**–**	–	**–**	(9)	**–**	–	**–**	(51)	**–**	–
Alcon Marepha Proprietary Limited	**–**	–	**–**	(18)	**–**	2	**–**	(3)	**–**	–	**–**	–
Aeromaritime International Management Services Proprietary Limited	**20,0**	20,0	**–**	–	**–**	–	**–**		**–**	–	**2**	2
			–	(18)	**1**	(5)	**(1)**	(4)	**–**	(51)	**4**	4

The Group provides a treasury service to Aeromaritime International Management Services Proprietary Limited (AIMS). Included in trade receivables is an amount receivable from AIMS amounting to R31 million (2016: 51 million), which bears interest at prime plus 0.25% and has no repayment terms. This loan is utilised to fund the working capital requirements of the associate in fulfilling the services provided to Altron Group companies.

ANNEXURE 1 CONTINUED

JOINT VENTURES

The group holds a material interest in the following jointly controlled entity:

- CBI Electric Aberdare ATC Telecom Cables (ATC) – Refer below

ATC is the only joint arrangement which is material to the group. The group participates in this joint arrangement through Powertech Telecom Cables. ATC is a telecom cable manufacturing joint venture with CBI Electric. Both Powertech Telecom Cables and CBI have a 50% board representation with no casting vote. Unanimous consent is required for decisions over relevant activities as no single party has an outright majority.

The arrangement does not give rise to either party having rights to substantially all economic benefits relating to the arrangement as the majority of ATC's output is sold to independent third parties. Furthermore, neither Powertech Telecom Cables nor CBI has undertaken or is obliged to provide any loans, share capital or to give any guarantee or indemnity in respect of any liabilities or obligations of ATC (the initial working capital loan has been settled).

Accordingly, the Group has classified its interest in ATC as a joint venture.

The investment in ATC is classified as held-for-sale and is accordingly not equity accounted. The dividend received is accounted for as finance income in the group financial statements.

The following table summarises the financial information of ATC as included in its own financial statements, adjusted for fair value adjustments at acquisition and any differences in accounting policies. The table also reconciles the summarised financial information to the carrying amount of the group's interest in ATC, which is accounted for using the equity method. Refer to note 3.

R millions	**2017**	2016
Revenue	**991**	756
Profit after tax*	**67**	45
Other comprehensive income	**–**	–
Total comprehensive income	**67**	**45**
* Includes:		
Depreciation and amortisation of R9 million (2016: R11 million)		
Net interest received of R3 million (2016: R2 million)		
Income tax expense of R26 million (2016: R17 million)		
Current assets **	**391**	349
Non-current assets	**141**	139
Current liabilities	**(146)**	(126)
Non-current liabilities	**(20)**	(23)
**Includes:		
Cash and cash equivalents of R40 million (2016: R76 million)		
Net assets	**366**	339
Group's interest in net assets of investee at beginning of year	**170**	172
Total comprehensive income attributable to the group	**34**	23
Dividends received during the year	**(20)**	(25)
Group's interest in net assets of investee at end of year	**184**	170
On acquisition group adjustments	**(25)**	(25)
IFRS 5 Non-current assets held-for-sale – cession of equity accounting	**(14)**	–
Carrying amount of interest in investee at end of year	**145**	145

INVOLVEMENT WITH UNCONSOLIDATED STRUCTURED ENTITIES

PREFERENCE SHARE IN TECHNOLOGIES ACCEPTANCES RECEIVABLES PROPRIETARY LIMITED (TAR)

TAR is a securitisation vehicle based in South Africa used to house leases predominately related to equipment sold by the group.

The group owns one variable rate-cumulative redeemable preference share in TAR. At the reporting date, a fair value assessment was undertaken which, using recognised valuation principles and techniques, indicated that the preference share was fairly valued at R21 million (2016: R21 million). The discounted cash flow method was used to present the value of the forecasted income from the preference share investment over a ten year (2016: ten year) period using an effective discount rate of 15.18% (2016: 18.25%) and perpetuity growth rate of 3.0% (2016: 3.5%). The directors' valuation is equal to the fair value.

The group has concluded that it does not control, and therefore should not consolidate, the TAR securitisation vehicle. TAR was formed to pool leases of the group's products. In substance, TAR's purpose is to facilitate the financing of lease equipment by the group as a senior funder and to house the lease transactions. When considering Altron's lack of practical ability to direct the relevant activities of TAR as well as agency vs. principal considerations, Altron does not have power over the relevant activities and hence does not control TAR.

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

EXPOSURE TO CREDIT RISK

The maximum exposure to credit risk for the group in relation to the repayment of loans receivable at the balance sheet date amounts to R51 million (2016: R178 million).

TAR is exposed to the risk of customers defaulting on their lease rental payments.

All customers are credit vetted, credit is only extended to customers in accordance with the stipulations of the securitisation vehicle, and is effectively secured by the underlying assets. Bad debt experience is in line with expectations given the nature of the book.

ANNEXURE 1 CONTINUED

INVOLVEMENT WITH UNCONSOLIDATED STRUCTURED ENTITIES (CONTINUED)

EXPOSURE TO INTEREST RATE RISK

The TAR participation loan notes earn a minimum interest rate of JIBAR plus 1.65% (2016 – JIBAR plus 1.65%) and a maximum interest rate of prime plus 6%. Any return in excess of the prime plus 6% cap is declared as a dividend against the group's preference share investment in TAR.

The following table summarises the financial information of TAR as included in its own financial statements:

R million	2017	2016
ABRIDGED BALANCE SHEET		
Non-current assets	**776**	745
Current assets (excluding cash)	**53**	47
Cash and cash equivalents	**64**	58
Total assets	**893**	850
Current liabilities	**(20)**	(17)
Non-current liabilities	**(864)**	(827)
Total liabilities	**(884)**	(844)
Equity	**9**	6
ABRIDGED STATEMENTS OF COMPREHENSIVE INCOME		
Revenue	**112**	89
Expenditure	**(108)**	(82)
Profit before tax	**4**	7
Taxation	**(1)**	(2)
Profit for the year	**3**	5
Other comprehensive income		
Total comprehensive income for the period	**3**	5

ANNEXURE 2

SEGMENT ANALYSIS

The following summary describes the operations and related products and services in each of the Group's reportable segments:

Altech Autopage Group*	Sales, distribution and services provision for cellular network operations.
Altech Multimedia Group (UEC)**	Design and manufacture of satellite and terrestrial digital set-top box decoders.
Altech Netstar Group	Stolen Vehicle Recovery (SVR) and Fleet Management business.
Systems Integration Group	Networking, hardware, software, storage, services, software integration, SAP and management consulting, Microsoft certified solutions provider and a provider of Data Warehousing, CRM services and support.
Radio Holdings Group	Design, installation and project management of Motorola radio systems.
Other Altech Segments	Telecommunications middleware, payment systems and solutions, secure solutions and smartcard technologies as well as distribution of a range of professional electronic components and products.
Bytes Technology Group UK Software	Systems integration, Microsoft certified solutions provider in the United Kingdom.
Bytes Document Solutions Group	Distributor of Xerox products and services.
Bytes Managed Solutions	Exclusive South African distributor of NCR products for ATMs. Managed services and repairs for PC workspace products.
Bytes Secure Transaction Solutions	Healthcare IT and eCommerce solutions, managed payment solutions and electronic transactions.
Bytes Universal Systems	Designs, develops and implements specialised solutions.
Other Bytes Segments	Classroom and e-learning systems for IT professional training. IT and business process outsourcing services.
Powertech Cables Group**	Manufacturing of medium- and low-voltage power cables, data cable systems, metallic cables and accessories operating in South Africa, its neighbouring countries and the Iberian peninsula.
Powertech Transformers Group**	Manufacturing of power and distribution transformers.
Powertech Battery Group**	Manufacturing and distribution of automotive batteries and DC power systems.
Powertech System integrators**	Diversified engineering solution business.
Other Powertech Segments**	Includes the lighting control gear, electrical accessories, standby power and rectifier systems and solar systems.

ANNEXURE 2 CONTINUED

SEGMENT ANALYSIS (CONTINUED)

	Revenue			EBITDA		
	Feb 2017	Feb 2016	Growth Cur/Pyr	**Feb 2017**	EM%	Feb 2016
Altech Autopage Group*	**316**	5 188	(93.9%)	**(75)**	(23.7%)	(209)
Altech Multimedia Group (UEC)**	**1 225**	1 030	18.9%	**3**	0.2%	(160)
Altech Netstar Group	**1 224**	1 161	5.4%	**266**	21.7%	252
Systems Integration Group	**1 545**	1 497	3.2%	**63**	4.1%	65
Radio Holdings Group	**1 127**	953	18.3%	**84**	7.5%	75
Other Altech Segments	**602**	419	43.7%	**40**	6.6%	32
Altech Group	**6 039**	10 248	(41.1%)	**381**	6.3%	55
Bytes Technology Group UK Software	**4 084**	3 554	14.9%	**136**	3.3%	132
Bytes Document Solutions Group	**1 636**	2 117	(22.7%)	**48**	2.9%	84
Bytes Managed Solutions	**1 321**	1 528	(13.5%)	**89**	6.7%	135
Bytes Secure Transaction Solutions	**992**	837	18.5%	**212**	21.4%	192
Bytes Universal Systems	**669**	703	(4.8%)	**63**	9.4%	73
Other Bytes Segments	**864**	741	16.6%	**89**	10.3%	54
Bytes Group	**9 566**	9 480	0.9%	**637**	6.7%	670
Altron TMT Group	**15 605**	19 728	(20.9%)	**1 018**	6.5%	725
Powertech Cables Group**	**1 836**	4 370	(58.0%)	**42**	2.3%	(3)
Powertech Transformers Group**	**1 041**	881	18.2%	**(75)**	(7.2%)	(156)
Powertech Battery Group**	**944**	931	1.4%	**76**	8.1%	74
Powertech System integrators**	**583**	770	(24.3%)	**(53)**	(9.1%)	(9)
Other Powertech Segments**	**197**	233	(15.5%)	**(57)**	(28.9%)	(62)
Powertech Group**	**4 601**	7 185	(36.0%)	**(67)**	(1.5%)	(156)
Corporate, consolidation and financial services	**(489)**	(321)	52.3%	**(111)**	22.7%	(193)
Altron Group	**19 717**	26 592	(25.9%)	**840**	4.3%	376

** The majority of this segment formed the discontinued operations.*

*** These segments formed part of the discontinued operations.*

EBITDA		Operating profit					Depreciation		
EM%	Growth Cur/Pyr	**Feb 2017**	OM%	Feb 2016	OM%	Growth Cur/Pyr	**Feb 2017**	Feb 2016	Growth Cur/Pyr
(4.0%)	64.1%	**(75)**	(23.7%)	(228)	(4.4%)	67.1%	–	(18)	100.0%
(15.5%)	101.9%	**3**	0.2%	(237)	(23.0%)	101.3%	–	(24)	100.0%
21.7%	5.6%	**209**	17.1%	203	17.5%	3.0%	(25)	(28)	10.7%
4.3%	(3.1%)	**48**	3.1%	45	3.0%	6.7%	(15)	(20)	25.0%
7.9%	12.0%	**69**	6.1%	68	7.1%	1.5%	(15)	(7)	(114.3%)
7.6%	25.0%	**38**	6.3%	24	5.7%	58.3%	(2)	(2)	
0.5%	592.7%	**292**	4.8%	(125)	(1.2%)	333.6%	(57)	(99)	42.4%
3.7%	3.0%	**129**	3.2%	124	3.5%	4.0%	(7)	(8)	12.5%
4.0%	(42.9%)	**38**	2.3%	77	3.6%	(50.6%)	(9)	(6)	(50.0%)
8.8%	(34.1%)	**69**	5.2%	128	8.4%	0%	(8)	(7)	(14.3%)
22.9%	10.4%	**188**	19.0%	173	20.7%	8.7%	(19)	(15)	(26.7%)
10.4%	(13.7%)	**56**	8.4%	63	9.0%	(11.1%)	(4)	(3)	(33.3%)
7.3%	64.8%	**29**	3.4%	7	0.9%	314.3%	(28)	(34)	17.6%
7.1%	(4.9%)	**509**	5.3%	572	6.0%	(11.0%)	(75)	(73)	(2.7%)
3.7%	40.4%	**801**	5.1%	447	2.3%	79.2%	(132)	(172)	23.3%
(0.1%)	1500.0%	**42**	2.3%	(59)	(1.4%)	171.2%	–	(56)	100.0%
(17.7%)	51.9%	**(75)**	(7.2%)	(177)	(20.1%)	57.6%	–	(18)	100.0%
7.9%	2.7%	**76**	8.1%	58	6.2%	31.0%	–	(16)	100.0%
(1.2%)	(488.9%)	**(53)**	(9.1%)	(16)	(2.1%)	(231.3%)	–	(4)	100.0%
(26.6%)	8.1%	**(57)**	(28.9%)	(74)	(31.8%)	23.0%	–	(12)	100.0%
(2.2%)	57.1%	**(67)**	(1.5%)	(269)	(3.7%)	75.1%	–	(106)	100.0%
60.1%	42.5%	**(116)**	23.7%	(252)	78.5%	54.0%	(4)	(7)	42.9%
1.4%	123.4%	**618**	3.1%	(74)	(0.3%)	935.1%	(136)	(285)	52.3%

ANNEXURE 2 CONTINUED

SEGMENT ANALYSIS (CONTINUED)

Revenues/EBITDA/operating profit from segments below the quantitative thresholds are attributable to smaller operating segments of the Altron Group.

None of those segments have met any of the quantitative thresholds for determining reportable segments for the reportable periods.

Quantitative thresholds have been calculated based on totals for the Altron Group and not per sub-group.

Inter-segment revenues represent transactions between reportable segments. The price is set on an arm's-length basis which is eliminated on consolidation.

	Feb 2017	Feb 2016
Segment EBITDA can be reconciled to group operating profit before capital items as follows:		
Segment EBITDA	**840**	376
Reconciling items:		
Depreciation	**(136)**	(285)
Amortisation	**(86)**	(165)
Total operating profit/(loss) before capital items	**618**	(74)
Discontinued operating loss before capital items	**110**	776
Continuing operations operating profit before capital items	**728**	702
Geographic information		
South Africa	**13 552**	19 856
Rest of Africa	**1 011**	1 500
Europe	**4 706**	4 893
North America	**55**	35
South America	**23**	20
Australasia	**157**	105
Middle East	**212**	156
Asia and Far East	**1**	27
	19 717	26 592

COMPANY FINANCIAL STATEMENTS

BALANCE SHEET

AT 28 FEBRUARY 2017

R'000	Notes	COMPANY 2017	2016
ASSETS			
Non-current assets		**2 994 646**	3 029 219
Investment in subsidiaries	2	**2 807 755**	2 804 349
Defined benefit asset	9	**177 909**	210 995
Group share scheme recharge receivable	5	**8 982**	13 875
Current assets		**901 438**	830 917
Trade and other receivables		**–**	242
Amount receivable from subsidiary	2	**901 000**	830 235
Cash and cash equivalents		**438**	440
Total assets		**3 896 084**	3 860 136
EQUITY AND LIABILITIES			
Shareholders' equity		**3 893 214**	3 857 260
Current liabilities		**2 870**	2 876
Trade and other payables		**2 707**	2 713
Taxation payable		**163**	163
Total equity and liabilities		**3 896 084**	3 860 136

STATEMENT OF COMPREHENSIVE INCOME

FOR THE YEAR ENDED 28 FEBRUARY 2017

		COMPANY	
R'000	Notes	2017	2016
Revenue			
Dividends received from subsidiaries		–	114 450
Operating expenditure		(610)	(5 396)
(Loss)/profit before taxation		(610)	109 054
Taxation	4	–	–
(Loss)/profit for the year		(610)	109 054
Other comprehensive income			
Items that will never be reclassified to profit or loss			
Remeasurement of defined benefit asset		26 118	60 043
Other comprehensive income for the year		26 118	60 043
Total comprehensive income for the year		25 508	169 097

STATEMENT OF CHANGES IN EQUITY

FOR THE YEAR ENDED 28 FEBRUARY 2017

COMPANY **R'000**	A Ordinary share capital (Note 3)	N Ordinary share capital (Note 3)	Share premium (Note 3)	Share-based payment reserve	Fair value reserve	Retained earnings	**Total equity**
Balance at 28 February 2015	2 113	26	2 733 094	157 480	180 000	697 649	3 770 362
Total comprehensive income for the year							
Profit for the year	–	–	–	–	–	109 054	109 054
Other comprehensive income							
Remeasurement of defined benefit asset	–	–	–	–	60 043	–	60 043
Total comprehensive income for the year	–	–	–	–	60 043	109 054	169 097
Transactions with owners, recorded directly in equity							
Share-based payments expense	–	–	–	31 507	–	–	31 507
Dividends paid	–	–	–	–	–	(114 063)	(114 063)
Shares issued	–	–	357	–	–	–	357
Total transactions with owners	–	–	357	31 507	–	(114 063)	(82 199)
Balance at 29 February 2016	**2 113**	**26**	**2 733 451**	**188 987**	**240 043**	**692 640**	**3 857 260**
Total comprehensive income for the year							
Loss for the year	**–**	**–**	**–**	**–**	**–**	**(610)**	**(610)**
Other comprehensive income							
Remeasurement of defined benefit asset	**–**	**–**	**–**	**–**	**26 118**	**–**	**26 118**
Total comprehensive income for the year	**–**	**–**	**–**	**–**	**26 118**	**(610)**	**25 508**
Transactions with owners, recorded directly in equity							
Share-based payments expense	**–**	**–**	**–**	**(1 469)**	**–**	**–**	**(1 469)**
Shares issued	**–**	**–**	**11 915**	**–**	**–**	**–**	**11 915**
Total transactions with owners	**–**	**–**	**11 915**	**(1 469)**	**–**	**–**	**10 446**
Balance at 28 February 2017	**2 113**	**26**	**2 745 366**	**187 518**	**266 161**	**692 030**	**3 893 214**

STATEMENT OF CASH FLOWS

FOR THE YEAR ENDED 28 FEBRUARY 2017

R'000	Notes	COMPANY 2017	COMPANY 2016
Cash flows from operating activities	6.1	**(2)**	(244)
Cash utilised in operations	6.1	**(2)**	(641)
Dividends received		**–**	114 450
Changes in working capital		**–**	117
Movement of loan with subsidiaries		**–**	137
Cash available from operating activities		**(2)**	114 063
Dividends paid		**–**	(114 063)
Taxation paid	6.2	**–**	(244)
Cash flows from financing activities			
Proceeds on issue of shares		**–**	357
(Decrease)/increase in cash and cash equivalents		**(2)**	113
Cash and cash equivalents at the beginning of the year		**440**	327
Cash and cash equivalents at the end of the year		**438**	440

NOTES TO THE FINANCIAL STATEMENTS

1. ACCOUNTING POLICIES

Please refer to the consolidated financial statements accounting policies.

R'000	Effective holding 2017 %	Effective holding 2016 %	Shares at cost less amounts written off 2017	Shares at cost less amounts written off 2016	Indebtedness 2017	Indebtedness 2016
2. INTEREST IN SUBSIDIARIES						
Altron Finance Proprietary Limited – ordinary shares	**100**	100	**235**	235	**901 000**	830 235
Altron Finance Proprietary Limited – preference shares	**100**	100	**2 633 952**	2 633 952		
Investment in subsidiaries – share-based payments			**173 568**	170 162		
			2 807 755	2 804 349	**901 000**	830 235

The above loan is unsecured, interest-free and has no fixed terms of repayment.

Altron Finance Proprietary Limited ("Alfin") holds investments in subsidiaries of the Allied Electronics Corporation Group, including the Powertech Group. During the year, the Powertech Group experienced continued depressed performance and the directors have impaired goodwill relating to companies within the Powertech Group in the consolidated financial statements. Given these circumstances, the directors conducted an impairment test to assess the recoverability of the company's investment in Alfin by comparing the net asset value of Alfin at year-end to the cost of the investment. Based on the results of the impairment test, the directors concluded that no impairment of the company's investment in Alfin was necessary at year-end.

R'000	COMPANY 2017	COMPANY 2016
3. SHARE CAPITAL AND PREMIUM		
Please refer to note 10 in the consolidated financial statements.		
4. TAXATION		
Current taxation	**–**	–
Reconciliation of rate of taxation		
	%	**%**
South African normal taxation rate	**28,0**	28,0
Non-taxable income	**–**	(29,4)
Non-deductible expenses	**(28,0)**	1,2
Effective taxation rate	**–**	–

NOTES TO THE FINANCIAL STATEMENTS
CONTINUED

		COMPANY	
	R'000	2017	2016
5.	**GROUP SHARE-BASED PAYMENTS**		
	Details of employee share options granted by the company are reflected in the consolidated financial statements notes 10.6 to 10.8.		
	Options granted under the "Altron 2009 Share Plan" are subject to a recharge arrangement with participating subsidiaries upon exercise of the options by employees of those companies and have been accounted for as follows:		
	Group share scheme recharge receivable at fair value	**8 982**	13 875
	The fair value of the share appreciation rights and the bonus share awards at grant date are determined based on the Black Scholes Model. The fair value of the performance awards is determined based on the Monte Carlo valuation model. The fair value of the group share scheme recharge receivable is remeasured at each balance sheet date and at settlement date. The model inputs at year-end were as follows:		
	Share price (Rand)	**9,90**	5,30
	Exercise price (Rand)	**9,90**	0 – 36.10
	Volatility	**39.25% – 32.62%**	29.11% – 48.81%
	Terms (years)	**3 – 5**	0 – 4.78
	Dividend yield	**–**	5.85%
	Risk-free interest rate	**7.78% – 8.13%**	8.37% – 9.12%
6.	**NOTES TO THE STATEMENT OF CASH FLOWS**		
6.1	**Cash utilised in operations**		
	(Loss)/profit before tax	**(610)**	109 054
	Adjustments for:		
	Dividends received	**–**	(114 450)
	Non-cash items	**608**	4 755
		(2)	(641)
6.2	**Taxation paid**		
	Taxation payable at the beginning of the year	**163**	407
	Recognised in profit or loss	**–**	–
	Taxation payable at the end of the year	**(163)**	(163)
		–	244

	COMPANY	
R'000	**2017**	2016
7. RELATED PARTIES		
The company has a related party relationship with its subsidiaries (see note 2)		
Dividends	**–**	114 450
The company received dividends from subsidiaries		
Shareholders		
The principal shareholders of the company are detailed in the analysis of shareholders in note 28.4 of the consolidated financial statements.		
Directors		
The company has a related party relationship with its directors (see note 28 of the consolidated financial statements). Directors' interests are disclosed in the directors' report and in note 28.2 of the consolidated financial statements.		
8. FINANCIAL RISK MANAGEMENT		
The carrying amount of financial assets represents the maximum credit exposure. The maximum exposure to credit risk at the reporting date was:		
Amount receivable from subsidiary	**901 000**	830 235
Trade and other receivables	**–**	242
Cash and cash equivalents	**438**	440
	901 438	830 917
Ageing of financial assets		
Not past due	**901 438**	830 917

9. DEFINED BENEFIT ASSET

Retirement benefit plans have been dealt with in the consolidated financial statements. See note 16.

10. EVENTS SUBSEQUENT TO YEAR END

Refer to note 26 in the consolidated financial statements for the company's events subsequent to year-end.

11. GOING CONCERN

The directors have made an assessment of the ability of the company to continue as a going concern. There are no indications that the company will not be a going concern in the year ahead.

SIX-YEAR FINANCIAL REVIEW (UNAUDITED) (TOTAL OPERATIONS)

ALLIED ELECTRONICS CORPORATION LIMITED

R millions	2017*	2016*	2015	2014	2013	2012	2011	2010
INCOME STATEMENT								
Revenue	**19 717**	26 592	27 623	27 772	24 744	23 563	22 810	22 336
Operating profit	**618**	(74)	827	1 342	1 034	1 384	1 524	1 477
Financial income	**263**	193	113	103	58	71	64	87
Financial expense	**(558)**	(685)	(511)	(363)	(226)	(156)	(163)	(163)
Profit from equity-accounted investees	**–**	18	15	14	15	(1)	2	2
Capital items	**(488)**	(508)	(400)	5	(1 449)	(900)	(291)	(105)
Profit before taxation	**(165)**	(1 056)	44	1 101	(568)	398	1 136	1 298
Taxation	**(137)**	(44)	(104)	(326)	(374)	(477)	(437)	(457)
Profit/(loss) after taxation	**(302)**	(1 100)	(60)	775	(942)	(79)	699	841
Attributable to non-controlling interests	**(117)**	(227)	(51)	160	(630)	(253)	157	298
Attributable to Altron equity holders	**(185)**	(873)	(9)	615	(312)	174	542	543
Headline earnings	**240**	(488)	312	603	417	603	719	625
Dividends paid	**–**	104	263	190	291	341	284	372
BALANCE SHEET								
Assets								
Property, plant and equipment	**569**	618	1 888	2 028	1 765	2 238	2 413	2 436
Intangible assets, including goodwill	**1 029**	1 042	1 405	1 725	1 597	1 716	2 274	2 754
Equity-accounted investments other investments	**325**	203	412	424	923	481	245	275
Non-current receivables and other assets	**404**	345	303	921	414	150	134	130
Rental finance advances	**113**	129	93	68	45	67	61	44
Defined benefit asset	**178**	211	190	180	–	–	–	–
Deferred taxation	**198**	256	205	150	119	148	202	200
Other current assets	**5 359**	10 152	9 291	9 135	6 848	6 410	5 709	5 433
Taxation receivable	**3**	–	54	74	–	–	–	–
Cash and cash equivalents	**1 373**	1 491	1 341	1 411	1 225	1 036	1 381	1 255
Total assets	**9 551**	14 447	15 182	16 116	12 936	12 246	12 419	12 527
Equity and liabilities								
Shareholders' equity	**2 268**	2 847	3 639	4 256	4 740	5 011	5 075	4 745
Non-controlling interests	**(240)**	(111)	123	258	489	810	1 239	1 610
Total equity	**2 028**	2 736	3 762	4 514	5 229	5 821	6 314	6 355
Non-current loans	**1 923**	2 675	3 191	283	626	754	830	689
Current loans	**312**	1 003	634	2 666	1 337	637	498	949
Loans	**2 235**	3 678	3 825	2 949	1 963	1 391	1 328	1 638
Other non-current liabilities	**48**	39	69	212	166	182	190	305
Bank overdraft	**956**	1285	1050	1777	385	550	128	81
Other current liabilities	**4 284**	6 709	6 476	6 664	5 193	4 302	4 459	4 148
Total equity and liabilities	**9 551**	14 447	15 182	16 116	12 936	12 246	12 419	12 527

** Continued and discontinued operations*

R millions	**2017***	2016*	2015	2014	2013	2012	2011	2010
RATIOS AND STATISTICS								
Earnings								
Basic (loss)/earnings per share (cents)	**(53,7)**	(259,0)	(2,7)	191,8	(99,0)	55,1	171,8	172,2
Headline earnings per share (cents)	**70,9**	(144,8)	93,8	188,1	132,0	190,8	227,7	198,4
Dividend proposed per share (cents)	**–**	–	31,0	80,0	60,0	92,0	108,0	90,0
Headline dividend cover (times)	**n/a**	n/a	3,0	2,4	2,2	2,1	2,1	2,2
Ordinary shares in issue (millions)								
– at year-end	**102**	102	102	102	102	102	102	102
– weighted average	**102**	102	102	102	102	102	102	102
Participating preference shares in issue (millions)								
– at year-end	**237**	235	235	222	214	214	214	213
– weighted average	**236**	235	231	219	214	214	214	213
Profitability								
Operating profit to revenue (%)	**3,1**	(0,3)	3,0	4,8	4,2	5,9	6,7	6,6
EBITDA	**840**	376	1 383	1 788	1 539	1 946	2 099	1 987
EBITDA to revenue (%)	**4,3**	1,4	5,0	6,4	6,2	8,3	9,2	8,9
Return on shareholders' equity (%)	**(11,4)**	(19,8)	9,3	15,2	9,1	11,6	13,6	13,0
Return on capital employed (%)	**14,5**	(1,2)	10,9	17,1	14,4	19,1	19,9	18,5
Return on operating assets (%)	**(8,3)**	(0,6)	6,4	9,8	9,7	13,2	14,6	13,8
Return on net assets (%)	**(12,2)**	(0,7)	9,9	17,2	14,5	19,1	20,0	18,3
Financial								
Current ratio	**1.2:1**	1.3:1	1.3:1	1.0:1	1.2:1	1.4:1	1.4:1	1.3:1
Acid test ratio	**1:1**	1.2:1	1.0:1	0.7:1	0.8:1	0.9:1	0.9:1	0.9:1
Net asset value per share	**669**	845	1 080	1 311	1 497	1 585	1 607	1 504
Shares								
Number of shareholders								
– ordinary shares	**1 805**	1 755	1 851	1 951	2 185	2 729	3 085	3 647
– participating preference shares	**4 171**	4 261	4 576	4 836	5 228	5 791	6 286	7 081
Price:earnings ratio (times)								
– ordinary shares	**14,6**	(3,7)	19,6	12,8	16,1	12,5	11,5	13,1
– participating preference shares	**14,0**	(3,7)	19,6	13,0	15,5	12,2	11,4	11,8
Market value per share at year-end (cents)								
– A ordinary shares	**1 035**	530	1 840	2 402	2 199	2 383	2 620	2 600
– N ordinary shares	**990**	530	1 840	2 450	2 110	2 320	2 590	2 350

SIX-YEAR FINANCIAL REVIEW (UNAUDITED) (TOTAL OPERATIONS) (CONTINUED)

ALLIED ELECTRONICS CORPORATION LIMITED

R millions	2017*	2016*	2015	2014	2013	2012	2011	2010
Other								
Consumer price index (percentage increase)	**6,6**	7,0	3,9	5,9	5,9	6,1	3,7	5,7
Production price index (percentage increase)	**5,9**	8,1	2,6	7,7	5,4	8,3	6,7	3,5
Number of permanent employees	**10 219**	12 676	12 049	12 904	12 852	13 232	12 812	12 311

** Continued and discontinued operations*

DEFINITIONS (UNAUDITED)

Acid test	The ratio of current assets excluding inventories to current liabilities.
Borrowings	All interest-bearing liabilities.
Borrowings ratio	The percentage of borrowings to total equity.
Capital employed	The total of total equity and borrowings.
Current ratio	The ratio of current assets to current liabilities.
Earnings	Attributable earnings as disclosed in the income statement.
EBITDA	Operating profit before depreciation and amortisation.
Headline dividend cover	Headline earnings per share divided by dividends proposed per share.
Market value per share	The sellers' price quoted by the JSE Limited.
Net asset value per share	Shareholders' equity divided by the number of shares in issue at year-end.
Operating assets	Total assets less investments, loans, deferred tax and cash.
Operating profit	Stated before capital items.
Price:earnings ratio	The market value per share divided by the headline earnings per share.
Return on capital employed	The percentage of operating profit to capital employed.
Return on net assets	The percentage of profit before tax, excluding finance costs and capital items to net assets.
Return on operating assets	The percentage of operating profit to operating assets.
Return on shareholders' equity	The percentage of attributable earnings to shareholders' equity, adjusted for net capital items and translation gains/losses.
Total assets	Property, plant and equipment, investments and loans together with current assets.

NOTES

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