



altron®

2018

INTEGRATED
ANNUAL
REPORT



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ABOUT THIS REPORT

This is the ninth integrated annual report (IAR) published by Allied Electronics Corporation Limited (Altron Limited or Altron) and aims to provide our stakeholders with a holistic view of how we have created value through our strategy, governance and performance. The IAR also sets out the group's ambitions and objectives for the 2019 financial year and beyond.

This report aims to reflect our financial and non-financial performance in a balanced and integrated manner. As such, we continue to frame our integrated report according to our four value drivers, namely financial sustainability, human capital, products and services and our operating context (previously referred to as external relationships). The report reflects on our approach, highlights, challenges, materiality, stakeholder engagement, operational risks and the performance of each of these drivers during the year.

REPORTING FRAMEWORK

Altron takes guidance on its operations and reporting from the King IV Report on Corporate Governance for South Africa 2016 (King IV Report or King IV) and aligns its reporting with the International Integrated Reporting Council's Integrated Reporting (<IR>) Framework (<IR> Framework), as well as the core level of the Global Reporting Initiative's (GRI) G4 Sustainability Reporting guidelines (GRI G4 guidelines).

Our financial statements are produced in accordance with the International Financial Reporting Standards (IFRS) and comply with the JSE Limited Listings Requirements (JSE Listings Requirements), as well as the Companies Act of South Africa, No. 71 of 2008, as amended (Companies Act).

ASSURANCE

The Altron group's 2018 annual financial statements are audited by KPMG. The broad-based black economic empowerment (B-BBEE) ratings of Altron, as well as those of its various subsidiaries, are independently verified by Empowerdex. The group's annual compliance report in terms of section 13G(2) of the Broad-Based Black Economic Empowerment Amendment Act, No. 46 of 2013 is published on the Altron website.

As in FY17, the group has decided not to assure its environmental footprint and health and safety disclosures by a third party. We rely on our internal audit function, managed by Deloitte, to provide independent oversight over controls and data integrity as part of the normal health and safety audit process.

SCOPE AND PARAMETERS

This report covers the performance of the group during the financial year spanning 1 March 2017 to 28 February 2018 (hereafter referred to as "FY18"). The report contains only the content deemed most critical to driving value creation for the group and its stakeholders going forward. Therefore, the contents of this report relate primarily to the activities and performance of our core operations. As such, information related to the group's core operations has been separated from that relating to non-core operations. In FY18, our core operations represented a total of 29 businesses.

FEEDBACK

We welcome all feedback – on this report and otherwise – via e-mail to wgroenewald@altron.com

Please refer to our public statements on our website (www.altron.com) for full and abridged financial statements and additional disclosures:

REPORT	FRAMEWORK	ASSURANCE PROVIDER
Annual Statutory Report	IFRS Companies Act	Management oversight; Audit committee; Board
Audited Annual Financial Statement	IFRS Companies Act	Management oversight; Audit committee; Board; Independent auditors (KPMG)
Governance Report	King IV Report Companies Act	Management oversight; Board; Governance, risk, compliance and sustainability (GRCS) foundation
Remuneration Report	King IV Report Companies Act	Management oversight; Remuneration committee; Board
Social and Ethics Report	King IV Report Companies Act	Management oversight; Ethics management committee; Social and ethics committee (SEC); Board

FORWARD-LOOKING STATEMENTS

Certain statements in this report constitute forward-looking statements. Such statements involve known and unknown risks, uncertainties and other factors that may cause the actual results, performance, objectives or achievements of the Altron group and its underlying operations, including joint ventures and foreign operations, as well as the information and communications technology (ICT) industry in which it operates, to potentially be materially different from future results, performance, objectives or achievements expressed or implied by these forward-looking statements. No assurance can be given that forward-looking statements will prove to be accurate and undue reliance should not be placed on such statements.

The performance of the Altron group is subject to the effect of changes in, *inter alia*, currency fluctuations, in certain instances, commodity prices, external micro and macroeconomic factors and the risks involved in the particular industries and jurisdictions in which we operate. The Altron group undertakes no obligation to update publicly or to release any revisions to these forward-looking statements to reflect events or circumstances after the date of publication of this report

or to reflect the occurrence of unanticipated events.

BOARD STATEMENT REGARDING THE ALTRON INTEGRATED ANNUAL REPORT

The board of directors (board) of Altron Limited, having been fully appraised of the sustainability issues contained in the 2018 IAR and having applied its collective mind, hereby:

- acknowledges responsibility for ensuring the integrity of the IAR;
- acknowledges responsibility for the preparation and presentation of the IAR;
- agrees that the IAR has been presented in accordance with the <IR> Framework, and the GRI G4 guidelines; and
- believes that, to the best of its knowledge, the IAR addresses all material issues and fairly presents the integrated performance of the Altron group and its impacts.

With regard to the King IV Report, the board adopts a holistic approach in applying these recommendations, with emerging issues and corporate governance developments continuously reassessed in line with the structure and positioning of the Altron group. The board's transparent approach with regard

to how judgement is exercised when considering the practice recommendations contained in the King IV Report is set out on page 27 of this report. The board approved the IAR on 12 June 2018 for release on or about 26 June 2018. The report was prepared under the supervision of the group company secretary, Mr WK Groenewald.

CERTIFICATE FROM THE COMPANY SECRETARY

In terms of section 88(2)(e) of the Companies Act 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 in respect of the year ended 28 February 2018 and that all such returns are true, correct and up to date.



WK Groenewald (FCIS)
Group Company Secretary
(for Altron Management Services Proprietary Limited)



Mteto Nyati

Chief Executive



MESSAGE FROM THE CHIEF EXECUTIVE

In FY18 we set out to reposition Altron for growth through a clearly defined One Altron strategy anchored in four strategic pillars, namely improve revenue growth, improve profitability, transform the customer experience and employee excellence.

THE ONE ALTRON STRATEGY

The One Altron strategy heralded a new era for the company. We introduced a singular approach to how we define ourselves and rallied our employees behind it. We introduced one purpose, one vision, one set of values and one goal: double earnings before interest, tax, depreciation and amortisation (EBITDA) over the next five years.

Pivoting Altron into a company squarely focused on ICT required a focused realignment of our business operations, key to which was the disposal of assets no longer core to our new strategy. Out of the nine operations targeted for disposal, six were successfully closed out. We are looking to dispose of the remaining assets in the new financial year. Of equal importance to our realignment process was turning the company into a highly streamlined organisation, with the leaders of our business operations forming part of the Altron group executive committee. We created a much leaner head office structure, which has significantly reduced our corporate cost base.

IMPROVE REVENUE GROWTH

Altron's strength lies in our diverse customer base of some 20 000 individual businesses which span both private and public sectors. As a result of this unique position, growth becomes inherently organic and acquisitive in nature for the company. We have invested in two key offshore acquisitions in the past financial year. The acquisition of UK-based IT reseller, Phoenix Software, by Bytes UK, allows us to serve the total UK market and has strengthened our position as one of the top Microsoft partners in the region. As such, we are better equipped to offer our UK customers in both the public and private sectors the most cost-effective technology solutions. Further to this, the acquisition of EZY2C, an Australian fleet management company, has allowed Altech Netstar to drive consolidation in a highly fragmented market, grow market share and further diversify its income stream in line with Altron's strategy to increase offshore earnings. We have also introduced a new sales programme which drives cross-selling through the customer base. By training our customer-facing staff on complementary products and services, and launching sales incentive plans which promote collaboration, our sales team is now working collaboratively across the various operating companies, offering customers end-to-end holistic technology solutions. This customer-centric approach drives organic growth and we are encouraged by the latest new customer wins.

MESSAGE FROM THE CHIEF EXECUTIVE [Continued]

IMPROVE PROFITABILITY

We removed costs to ensure bottom-line growth. We have achieved cost savings through the leaner but stronger head office structure. We consolidated Bytes Systems Integration (BSI) and Bytes Universal Systems (BUS). We restructured Bytes Document Solutions (BDS) and Bytes Managed Solutions (Bytes MS). Furthermore, we consolidated and centralised shared services – a step that has driven down costs across our operations and standardised processes such as procurement and business process outsourcing. Going forward, we see more of our operations moving into shared services and we aim to maintain lean management structures across the group.

EMPLOYEE EXCELLENCE

People are at the centre of everything that we do. We realise that this will require continued investment in talent, skills and leadership development. We are also developing a platform that offers employees an opportunity to grow their careers across the group's different operations and for the group to retain knowledge and skills through succession planning. Further to this, we are benchmarking the group's remuneration policy to ensure alignment to

industry peers. Going forward, employment equity and diversity at senior management level will remain a key focus and priority.

TRANSFORM THE CUSTOMER EXPERIENCE

We want our customers to benefit from our full suite of products and service offerings and to provide them with end-to-end solutions. To this end, we have invested in multi-skilling our sales team through the One Altron, One Customer programme. We are revamping all our customer touchpoints by leveraging digital technology. All our strategic customers have been assigned executive sponsors whose role will be to align Altron to the strategic priorities of our customers while strengthening relationships at C-suite level. We have embarked on a brand repositioning exercise and the new Altron brand will be introduced in the 2019 financial year.

OUR FINANCIAL PERFORMANCE AND CUSTOMER WINS

Our FY18 goal of doubling EBITDA over the next five years required us to start delivering this growth in the current financial year. We have achieved double-digit EBITDA growth of 19% on a normalised basis (R1,114 billion) which was

driven by exceptional growth in Bytes UK, Bytes Secure Transactions Solutions (BSTS) and Altech Netstar. The EYZ2C and Phoenix Software acquisitions also contributed to our positive results.

Normalised headline earnings per share increased by 19% to 135 cents, with return on capital employed (ROCE) at 21% for the year. We invested R970 million into the group, utilising own cash resources. At year-end our net debt position was R1,5 billion (on the completion of all non-core disposals).

In the South African market Altech Netstar has continued to gain market share in stolen vehicle recovery (SVR), telematics and fleet management. In February 2018 the Altech Netstar team signed the largest commercial deal in the history of the company with eThekweni Metro.

Altech Radio Holdings (ARH) secured a three-year contract with the Limpopo Provincial Government for the deployment of a broadband infrastructure network. We are proud of our contribution to this initiative which will transform communities through internet access.

BSI signed a strategic partnership with Irish-based Tango Telecoms and has secured a contract with MTN South Africa

to manage and reduce the cost of data while roaming for their customers. Furthermore, the operation has successfully concluded a contract to provide the South African Post Office (SAPO) with world-class biometric technology for the payment of social grants.

THE YEAR AHEAD

Looking ahead to FY19, the group will continue to position itself for growth by accelerating our acquisition strategy and identifying companies that will build our capabilities in cloud services, Internet of Things (IoT), data analytics and security. We are also looking to identify and introduce new innovations in the financial and health technology space, as well as fleet management.

Going forward, we will focus on deploying our local solutions into the African market and other emerging economies. We have a presence in over 25 countries through some of our operating companies, but our customers in those markets are not exposed to all that we can offer and how we can drive value for them. Our approach to the African market will be to ensure that our current customer base is exposed to our entire solutions offering and then we will explore acquisition opportunities which exist in our areas of focus.

We believe that our homegrown, tried and tested solutions and valuable strategic partnerships can greatly benefit these markets.

GRATITUDE

I would like to thank our employees for their resilience, dedication and focus during this time of change and, more specifically, for embracing our One Altron strategy and executing it timeously for us to go into the new financial year with an aligned position. My appreciation is also extended to our board. Under the guidance of our chairman, Mr Mike Leeming, we were able to achieve and reach important milestones during the 2018 financial year. As always, I would also like to acknowledge our customers, suppliers and investors for their ongoing support.



Mteto Nyati
Chief Executive



Mike Leeming

Chairman



MESSAGE FROM THE CHAIRMAN

FY18

was the year when Altron took significant steps in replacing the old with the new. The group has emerged from a challenging period of change and is now coming into its own as a strong contender in the ICT space.

OUR NEW OWNERSHIP STRUCTURE AND BOARD

After 53 years as a family-owned business, Altron has transformed into an independently run organisation with equal voting rights for all its shareholders. The transformation coincided with the investment of R400 million in capital by the newly formed Value Capital Partners (VCP), under the leadership of Messrs Antony Ball and Sam Sithole, both of whom were appointed as Altron board members on 9 March 2017. In addition, we welcomed Mr Stewart van Graan, the previous managing director of Dell Computers South Africa, and Mr Brett Dawson, the previous chief executive of Dimension Data, as non-executive directors during the year.

The group also announced the retirement of three long-standing directors, who had greatly assisted in guiding the business during a challenging period. Their support for shareholding and board changes was instrumental in establishing the foundation for the new Altron. To this end, I extend my gratitude to Messrs Myron Berzack (19 years), Jacob Modise (14 years) and Simon Susman (6 years).

We also announced the resignation of Mr Alex Smith as chief financial officer and executive director, with effect from 28 February 2018. Mr Tim Jacobs has been appointed as acting chief financial officer for a six-month period until 31 August 2018.

The Venter family remain significant shareholders in the group and Dr Bill Venter, who stepped down as chairman of the board on 28 February 2017, and Mr Robbie Venter, who retired as chief executive on 31 March 2017, continue to be strong supporters of the business in their roles as non-executive directors.

OUR NEW EXECUTIVE TEAM

Our first duty as the newly constituted board was to appoint our new chief executive, Mr Mteto Nyati, who joined Altron on 1 April 2017. As previous chief executive of Microsoft and MTN South Africa and having had significant leadership roles within IBM, he brings a wealth of knowledge and experience to the group and he has taken on his leadership role with great energy. We are also delighted with the quality and diversity of his new executive team and are confident that they will lead Altron successfully and establish the company as an employer of choice in the ICT sector.

MESSAGE FROM THE CHAIRMAN [Continued]

The relationship between the board and executive team has been constructive as we work together to improve all aspects of the company for the benefit of all our stakeholders. The executive team has benefited from an engagement that is collaborative, transparent and permits access to invaluable skills and extensive business networks.

Our focus remains on improving our board composition through diversity and ensuring that the board comprises the required skills, experience and knowledge to lead the group through our new era of growth.

GOVERNANCE

As chairman of the board, corporate governance is a key responsibility, ensuring that the board provides independent oversight of the group's strategy and performance. As such, together with the Altron company secretary, we ensure that we apply corporate governance practices as subscribed by, among others, the Companies Act, JSE Listings Requirements and King IV, as well as those contained in the Altron memorandum of incorporation and we continually seek to identify and address any shortcomings in our governance structures.

As a board we also seek to continuously improve our performance and accordingly we conducted a board evaluation to identify matters of concern and highlight areas for improvement.

We also appointed a chairman's committee to engage with the executive directors on a monthly basis. This forum provides an opportunity for both open dialogue and robust discussions that ensure greater alignment between the board and the executive. We also established an investment committee, with four non-executives joining three Altron executives on a regular basis to ensure appropriate capital allocation and to rigorously examine the merits of future acquisitions and disposals.

EXITING LEGACY OPERATIONS

During the year we successfully concluded the sale of six non-core assets. However, three non-core operations still remain. The challenging environment, combined with an uncertain political landscape, has constrained our plans to dispose of these operations, most especially for those legacy operations dependent on State-owned enterprises, Eskom in particular. We are, however, confident that the new financial year will see Altron successfully exiting all of these remaining legacy operations.

LOOKING AHEAD

We are enthusiastic about the financial year ahead and are optimistic about recent changes in government. We offer our full support to our newly elected president and we trust that under his leadership we will see an end to corruption and the dawn of a new era of economic

growth, foreign investment, job creation and responsible, ethical business conduct. It will take decisive leadership and a strong moral compass to address the challenges faced in government structures, as well as the policies and regulations that restrict business development and growth, entrepreneurship, and investor confidence.

We believe that as the Altron group grows and strengthens its position within the ICT sector, our product and service offerings will increasingly be a catalyst for growth in the South African economy and will greatly support the realisation of South Africa's National Development Plan (NDP). We are also excited about the value the group can and does bring in unlocking opportunities through building crucial ICT skills sets and leveraging our suite of technologies to address some of South Africa's most critical challenges.

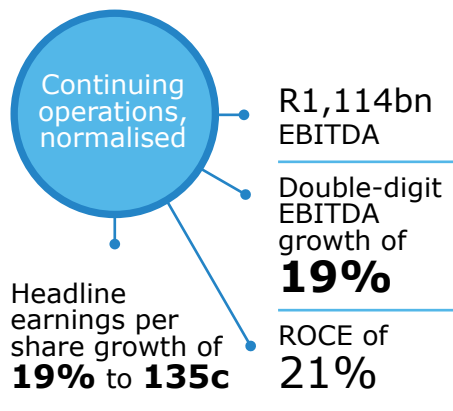
I would like to thank the board and executive team for their support, hard work and commitment in building a new Altron.

As a board we are committed to looking after the interests of all our stakeholders and to rewarding our shareholders who have supported us through the very difficult past few years.



Mike Leeming
Chairman





CONSTITUTION OF AN INVESTMENT COMMITTEE TO MANAGE CORPORATE ACTIONS AND CAPITAL ALLOCATION

STRATEGIC CLIENT WINS

Limpopo Provincial Government broadband network

eThekweni Municipality TETRA network

PUTCO fleet management

Passenger Rail Agency of South Africa (PRASA) GSM-R network

Divestment of non-core operations nearing completion



PERFORMANCE HIGHLIGHTS



More than **8 000** employees participated in group-wide ethics training

Research and development (R&D)

- Jamming Resist™
- Collision avoidance platform for the mining sector
- Pairing of recovery units
- Five patents were filed

Launch of a company-wide innovation programme

BRINGING INNOVATION THAT MATTERS:

- Smart City blueprint
- Med-e-Mass partnership with the City of Johannesburg
- SAPO grant deployment through biometric technology

Enhancing customer excellence through our **One Altron, One Customer** approach

- We continue to streamline our internal sales effort
- Our 250+ strong South African sales team has participated in our One Altron, One Customer training programme



PERFORMANCE SUMMARY

Financial sustainability	FY18	Core	Non-core	FY17	Core	Non-core	FY16	Core	Non-core
Revenue (Rm)	17 681	14 734	2 938	19 717	13 892	5 825	26 592	14 357	12 235
EBITDA (Rm)	1 043	1 035	8	840	950	(11)	376	888	(512)
EBITDA margin (%)	5,9	7,0	0,3	4,26	6,84	(1,89)	1,4	6,2	(4,2)
Operating profit/(loss) (Rm)	791	783	8	618	728	(110)	(74)	702	(776)
Profit/(loss) for the year after tax (Rm)	168	421	(253)	(302)	415	(717)	(1 100)	360	(1 460)
Headline earnings/(loss) (Rm)	448	441	7	240	387	(147)	(488)	425	(913)

Human capital

Total employees	8 072	7 795	277	10 469	8 572	2 042	12 905	7 762	5 143
Group employee turnover rate (%)	1,77	-	-	1,9	-	-	1,64	-	-
Total training spend in SA (Rm)	56,8	-	-	87,5	-	-	86,5	-	-

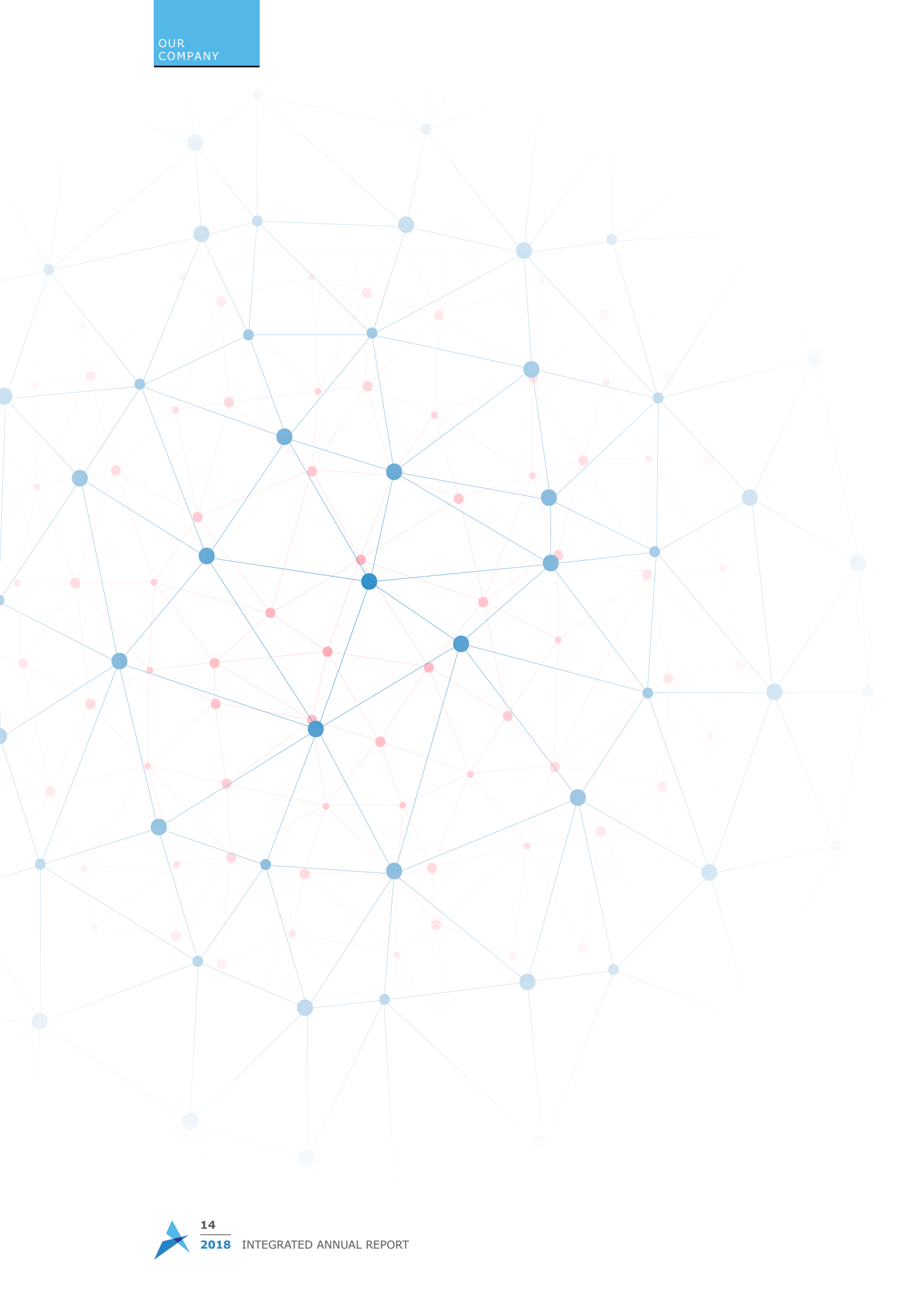
Products and services

Number of patents filed	5	-	-	8	-	-	6	-	-
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Operating context

Total CSI spend (Rm)	9,4	-	-	6,6	5,9	0,7	10,4	9,3	1,1
GHG emissions (tCO ₂ e)	24 144	7 967	16 176	104 933	29 469	75 465	142 203	28 809	113 394
Electricity consumption (MWh)	18 515	6 036	12 478	86 196	18 525	67 671	124 221	19 499	104 722
Water sourced (kl)	97 710	55 607	42 103	276 547	81 025	195 522	409 909	82 320	308 873
All waste generated (t)	11 597	288	11 309	22 412	473	21 939	15 480	524	14 956





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Our strategy,
vision and purpose

17

Our sustainable
business model

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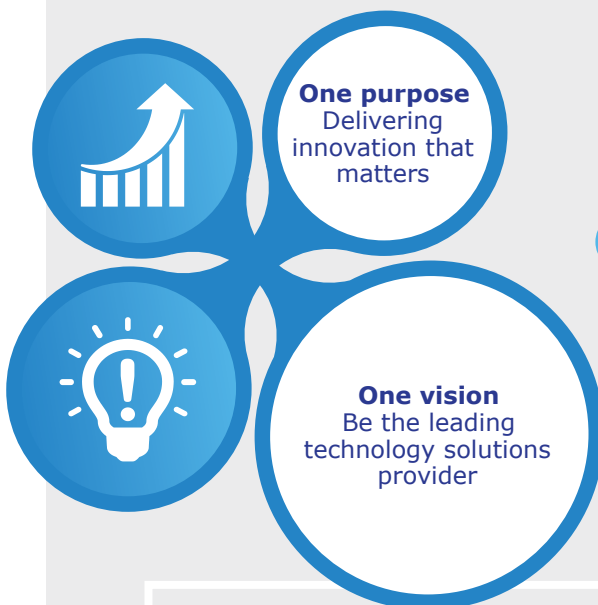
Organisational
overview

Our COMPANY



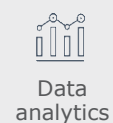
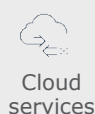
OUR STRATEGY, VISION AND PURPOSE

ONE ALTRON STRATEGY



- 1 One goal: 2:5:1**
Double (2) EBITDA in five years and become Number 1 in the market
 - Leading returns
 - Great place to work
 - Exceptional customer service
 - Doing good business while doing good
- 2 One set of values**
 - Openness, honesty and integrity
 - Collaborate across teams
 - Embrace diversity and inclusion
 - Get things done and enjoy doing it
 - Leading returns for shareholders
 - Passionate about employees, customers, partners and communities
- 3 One set of strategic priorities**
 - Revenue growth
 - Improving profitability
 - Transform the customer experience
 - Employee excellence
- 4 Growth areas**
 - Cloud services
 - IoT
 - Data analytics
 - Security
- 5 Societal impact**
 - Safety and security
 - Skills development
 - Financial inclusion
 - Healthcare management

Growth areas



OUR SUSTAINABLE BUSINESS MODEL

Altron's sustainable business model is built around four value drivers that drive our strategy and our performance. These drivers, and the material issues they are comprised of, are at the core of our business strategy, informing how we do business.

They are:



**Financial
sustainability**



**Human
capital**



**Products
and services**



**Operating
context**

We rely on a number of inputs, each relating to one or more of our value drivers, to enable us to conduct our business activities and create value for all of our stakeholders. The capitals model provides a useful framework to demonstrate if and how the sustainable business strategy utilises and grows each of the six "capitals" on which business is dependent over the long term.

OUR SUSTAINABLE BUSINESS MODEL [Continued]

Value drivers	Material issues	Strategic objectives	Risks
 Financial sustainability	Revenue growth Improved profitability Capital allocation Rationalising and refocusing the business	Increase market share through acquisitions, geographical expansion and an enhanced customer experience Increase operational efficiency and reduce the cost base Complete divestment in non-core operations Ensure robust management of capital allocation	Disposal on non-core operations Achieving growth targets Broad margin pressure Debt levels Challenges in participating in government projects such as deferred payments, contract cancellations and projects put on hold
 Human capital	Human resources Transformation Company culture	Create an enabling environment for all employees and clients to achieve our One Altron growth strategy and its "employee excellence" strategic pillar	Ensuring the "right talent in the right place" Responding to the B-BBEE ICT Sector Code and future changes to this legislation Ownership credits that arise from the beneficial exit of black shareholders from group operations expire in FY24
 Products and services	Product and service offerings Innovation and R&D Strategic partners Suppliers Clients and customers	Expand our product and service offerings in four growth areas, namely cloud services, IoT, security and data analytics through organic and inorganic growth Bring innovation that matters particularly in safety and security, healthcare management, financial inclusion, and learning and development Ensure customer excellence through our One Altron, One Customer approach Ensure our value proposition meets customer needs by strengthening our strategic partnerships, supplier relationships, innovation and R&D	As technology advances, IT products and services become commoditised, eroding the margins on these services Disruptive technologies can result in disintermediation risks as it changes the way customers source technology solutions
 Operating context	Investors and the media Government and parastatals Community and environment	Build and maintain trusting and productive relationships with various stakeholders in our operating context Reduce environmental impact of our operations Support corporate social investment (CSI) and socio-economic development (SED)	Reputational risk The proliferation of regulatory requirements within the ICT sector Environmental and societal risks associated with the ICT sector

Inputs	Activities	Outputs	Outcomes
Financial capital R5,6 billion in market capitalisation R1,9 billion in net debt Equity injection of R400 million from VCP	Investment committee appointed to manage capital allocation process Various disposals of non-core operations have been concluded or are in negotiation Ongoing focus on reducing cost base and improving operational efficiencies	Disposals of non-core operations has released substantial capital Cost decreases resulting from extensive restructuring and rationalisation	R17,68 billion in revenue Headline earnings of 121,1 cents per share 19% improvement in EBITDA A total cost saving of approximately R54 million achieved annually through restructuring of our head office
Human capital 8 072 employees, 7 795 of whom are in core operations	Review and alignment of our operating model, talent and performance management frameworks and policies to the new One Altron strategy Continue implementation of the 2023: Growing through Transformation (23GT) policy Implement Altron's new value framework	R56,8 million spent on skills development across the group	Low turnover rate of 1,77% B-BBEE Level 4 rating
Intellectual capital and manufacturing capital Knowledge, experience and local industry insights Strong strategic partnerships from which to leverage innovation, R&D and expertise	Acquisition of Phoenix Software solutions and EZY2C Expanding our African footprint One Altron, One Customer training programme The Altron Innovation Programme	Five patents filed 250+ members of the sales team have been trained Key strategic wins that reinforce our position as a leading technology solutions provider 94,94% of local purchasing was placed with B-BBEE compliant suppliers	We remain at the forefront of cutting-edge technological solutions and are strengthening our position as a leading technology provider within the ICT sector Efficient delivery of an innovative suite of products, services and solutions in a customised manner that is relevant and beneficial to our customers
Social and relationship capital R9,4 million CSI spend Natural capital Consumed: 18 515 MWh electricity 97 710 kl of water	Ongoing implementation of investor relations strategy Engagement with government as client and regulator Measuring and monitoring environmental data CSI and SED initiatives	Total of 24 144 CO ₂ e emissions 50 learners graduated from our Soweto Learnership Programme	Aligning our organisational policies and practices to national legislation and best-practice standards Improvement in share price Upliftment of communities in which we operate Understanding of our environmental impact



ORGANISATIONAL OVERVIEW

COMPANY STRUCTURE

Altron provides innovative solutions in the financial technology (fintech), health technology (healthtech), safety and security, and learning and development sectors. The group's business divisions are grouped according to three focus areas namely:

1

ICT: Providing collaborative, end-to-end solutions and services that enable our customers to enhance their business through ICT, and training and development. This includes:

- **Bytes Systems Integration (BSI)** that offers converged network solutions, outsourcing and workforce management
- **Bytes Document Solutions (BDS)** that delivers document equipment, software solutions and services to customers as the authorised Xerox distributor for sub-Saharan Africa
- **Bytes Managed Solutions (Bytes MS)** that markets, supports and maintains enterprise-wide technology solutions and related services for medium and large businesses as well as ATM and point-of-sale (POS) services
- **Bytes People Solutions (BPS)** that provides skills development services, talent management, business process outsourcing and training within the ICT sector
- **Bytes Secure Transaction Solutions (BSTS)** that provides specialised software solutions and secured transactional solutions for the financial, retail and healthcare industries through ACS, NuPay, MediSwitch and Med-e-Mass
- **Bytes UK** that provides software security solutions, software licencing, office automation, managed print services and document management software
- **Altech Radio Holdings (ARH)** that provides converged telecommunications services and broadband telecommunication networks managed via a national operations centre

2

Fleet management, SVR and driver telematics:

Designing and developing technologies for fleet management, SVR and telematics through the Altech Netstar group

3

Electronic component distribution: Supporting technology manufacturers with the design, strategic sourcing and supply of electronic components through Arrow Altech Distribution (AAD)

KEY ORGANISATIONAL CHANGES

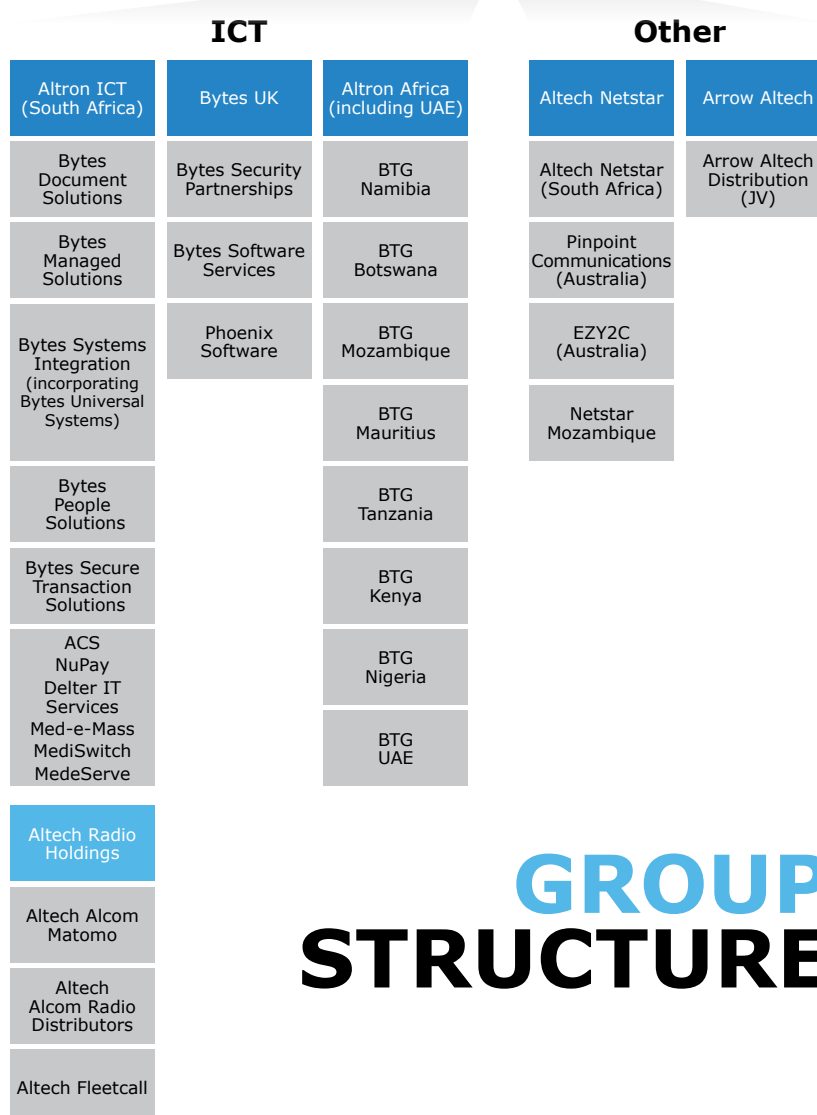
ACQUISITIONS

Together with organic growth, one of our key drivers for future growth is to position the business as an ICT company through acquisitions of businesses that can expand our four technology growth areas (cloud services, IoT, security and data analytics). During FY18, the group concluded two acquisitions:

- Altron's UK subsidiary, Bytes UK, acquired the Blenheim Group and its largest subsidiary, Phoenix Software, in the UK. This acquisition provides the group with significant additional scale in the UK ICT sector.
- Altech Netstar has increased its Australian presence through the acquisition of EZY2C, a vehicle tracking and fleet management business.

DISPOSAL AND DISCONTINUED/HELD FOR SALE

As at the date of publication of this report the only remaining non-core assets within the disposal group are Altech UEC/Multimedia, CBI Telecom Cables (JV) and Powertech Transformers (expected 31 July 2018).



GROUP STRUCTURE

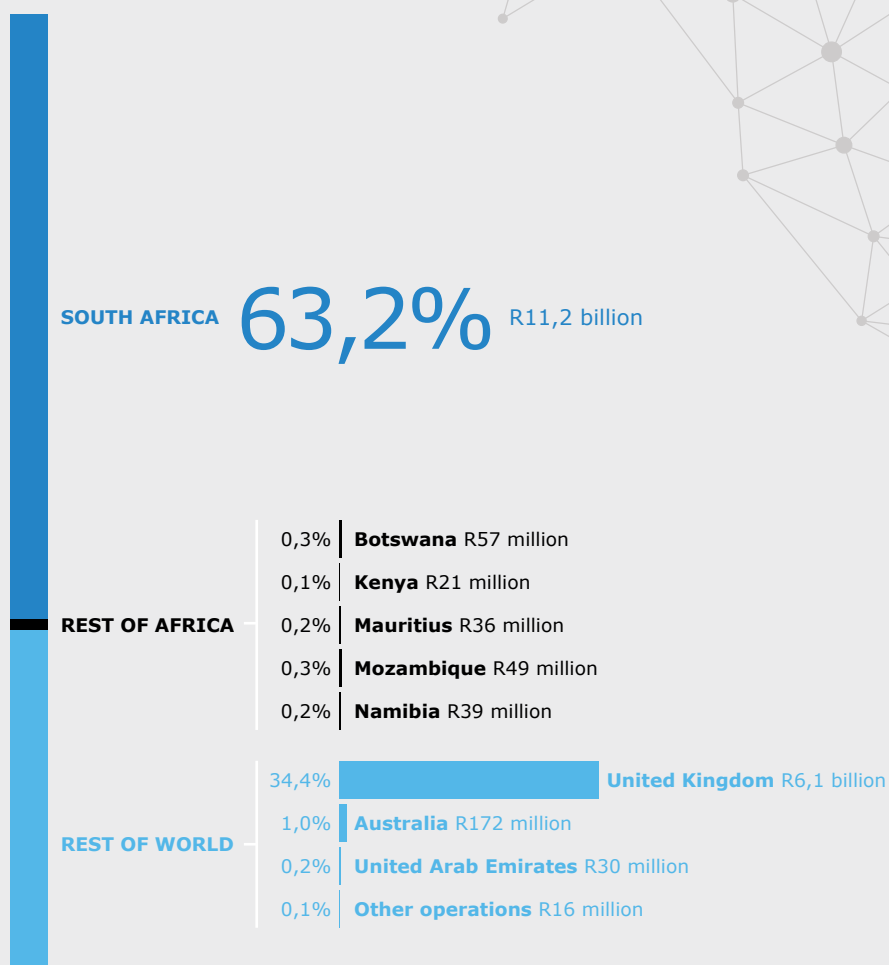
The following assets within the Powertech group were exited during FY18:

	Effective date of disposal
Powertech Battery Group	30 June 2017
Powertech System Integrators	31 August 2017
Powertech Switchgear	31 October 2017
Powertech Quadpro	31 October 2017
Crabtree Electrical	1 February 2017
Swanib Cables	1 September 2017



GLOBAL FOOTPRINT

Our global footprint expands across 26 countries, with direct presence in 10 countries across Africa and the United Arab Emirates, Europe and Australia. The Altron head office is located in Johannesburg, South Africa. Our strategic partnerships with leading international technology companies offer us an indirect presence in several countries across Africa and the Middle East.





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Our GOVERNANCE

GOVERNANCE REVIEW

Sound corporate governance and high standards of business integrity are the foundation from which we deliver our strategy, live our company values and deliver long-term value to all our stakeholders. We implement and maintain good corporate governance through strong structures, processes and controls, as well as an unwavering commitment to ethical conduct.

CHANGES IN BOARD STRUCTURE

During the past financial year our board went through a number of changes to ensure alignment to our new ICT-focused strategy. As part of this process, Mr Mike Leeming was appointed as chairman, with effect from 1 March 2017, with Mr Mteto Nyati appointed as Altron's chief executive with effect from 1 April 2017. Dr Bill Venter was appointed chairman emeritus and non-executive director on 28 February 2017. Mr Robbie Venter retired as chief executive and assumed a non-executive director position on the Altron board, with effect from 1 April 2017. The board also appointed Messrs Antony Ball and Sam Sithole, with effect from 9 March 2017, and Messrs Brett Dawson and Stewart van Graan as non-executive directors, with effect from 1 June 2017. Messrs Simon Susman, Jacob Modise and Myron Berzack retired as non-executive directors of Altron, with effect from 31 May 2017.

We also announced the resignation of Mr Alex Smith as chief financial officer and executive director, with effect from 28 February 2018. Mr Tim Jacobs has been appointed as acting chief financial officer for a six-month period until 31 August 2018.

BOARD COMPOSITION AND MEETINGS

At year-end our board comprised twelve members, five of whom are black males and one of whom is a black female. Two executive directors were represented on the board as at 28 February 2018, namely the chief executive and the chief financial officer. Ten board members are non-executive directors, five of whom are independent. The board, through the Altron nomination committee, continues to assess its composition in order to have a majority of independent non-executive directors as the restructuring of the group is being finalised.

Our board met seven times during the year. Details of attendance at the board and special board meetings, strategic planning session, as well as attendance at sub-committee meetings, together with full biographies of each director, are available at www.altron.com



BOARD ACCOUNTABILITY

Our board assumes overall accountability for the sustainability of the group and its organisational performance. It is responsible for defining the strategic direction and guiding the group in achieving its core purpose and living its values. Together with its sub-committees, it ensures that our operations, processes and activities are underpinned by a strong system of governance and ethics and that our management team is empowered to execute and deliver against our strategy. In driving efficiencies, each of the group's subsidiary companies has separate boards of directors that are guided and overseen by our board and its committees, as applicable.

To ensure transparency and collaboration, a number of the group's material subsidiaries hold board and financial review and risk committee meetings at year-end, as well as at the time of the release of our interim results. As part of our authority matrix, these subsidiaries are governed by limits of authority set by the board and filtered down throughout the group. With the exception of the Altron remuneration committee, all committees are chaired in accordance with the requirements set out in the King IV Report. The committee chairs attend, or are represented at, our annual general meeting (AGM) to respond to any shareholder queries.

The board committees are empowered to seek outside or other professional advice if required, and committee composition or the constitution of new committees are continually assessed to ensure that they are able to carry out their duties and meet statutory and legislative requirements.

As an example, during FY18 an investment committee was introduced to provide strategic, governance and financial rigour in, among others, considering, evaluating and measuring mergers and acquisitions and other corporate actions. In the coming year, selected changes will be made to the Altron board to ensure that the balance of the board fully supports the group's strategy and aligns with corporate governance best practices.

The Altron audit committee fulfils the statutory obligations for the group's subsidiaries as stipulated by section 94(2) of the Companies Act. A number of our larger subsidiaries do, however, have their own financial review and risk committees (chaired by the Altron chief financial officer) to address matters specific to these operations. Any material matters are reported to the Altron audit committee for its consideration and action.

GOVERNANCE FRAMEWORK

We apply corporate governance practices as subscribed by, among others, the Companies Act, JSE Listings Requirements and King IV, as well as those contained in the Altron memorandum of incorporation.

In FY18 we commenced with a gap analysis to establish if we needed to address any shortcomings in our governance structures, based on the new requirements of King IV. The gap analysis has been completed at board and sub-committee levels and the identified gaps and/or deviations have been or are being addressed. As a responsible corporate citizen, we adopt a holistic approach to the application of the governance principles contained in King IV. The group

applies practices relevant to the organisation in order to realise the integrated governance outcomes envisaged in King IV, these being: an ethical culture, good performance, effective control and legitimacy. The full implementation of King IV within the Altron group remains ongoing and will be phased in to ensure effective implementation. As such, a similar gap analysis will be concluded for the wider group during the new financial year.

Internally the board's responsibilities and duties are outlined in the Altron board charter, which the board reviews and adopts annually. During FY18 the board charter as well as sub-committee mandates and terms of reference were reviewed and updated in line with the restructuring of the Altron group and principles contained in King IV. The board charter and sub-committee mandates and terms of reference are available on request from Mr WK Groenewald, wgroenewald@altron.com

We govern processes and operations and manage our economic, environmental and social performance and risks through our broader framework of internal policies and controls, including a compliance framework and code of ethics. This governance framework, which is reviewed annually, is applicable to all of the group's subsidiaries and are complemented by various policies and procedures specific to the group's underlying disciplines and framework, including, *inter alia*, technology and information, human capital, finance and legal.

During the year the group adopted a revised reporting framework in the context of GRCS to address reporting challenges experienced within



the group. The task team formalised an approach for the group to review and implement its GRCS obligations, policies and processes in an integrated manner (refer to the Risk management section on page 29 for more information).

REMUNERATION

Our remuneration policy, adopted at the 2017 AGM, sets out performance incentives and ensures that executive salaries are aligned to shareholders' interests. We engage with relevant stakeholders on our remuneration practices and policies and their feedback, as these are received, together with executive remuneration best practices, are taken into account when determining our remuneration policy. Full details are included in the group's Remuneration Report, available at www.altron.com

BOARD EVALUATIONS

The board subscribes to principle 9 of the King IV Report which states that *"The [board] should ensure that the evaluation of its own performance and that of its committees, its chair and its individual members, support continued improvement in its performance and effectiveness."*

During the 2018 financial year the board conducted a

self-evaluation to assess its effectiveness, identify matters of concern and highlight areas for improvement. The board believes that continuous improvement of its expertise, capabilities and processes is key to ensuring optimal long-term shareholder value. Self-awareness of its strengths and weaknesses places the board in a position to maximise the company's strategic opportunities and minimise the impact of risks to it.

Based on the evaluation outcomes, appropriate steps are being taken to address areas for improvement. A similar approach will be taken during the year to assess the performance of the various sub-committees and chairpersons.

KEY FOCUS AREAS OF THE BOARD IN 2018

- Continue to provide leadership based on the foundation of an ethical corporate structure
- Assessing its composition as well as those of the Altron board sub-committee in order to ensure that its members consist of an appropriate balance of expertise and experience to guide the group in the implementation of its ICT-focused strategy, all the while being cognisant of governance and policy requirements

- Continuous assessment of remuneration practices and policies, including adoption of an updated Altron Group Remuneration Policy and amendments to the long-term incentive plan for senior management
- Altron Board Diversity Policy, which provides for both gender and race diversity at board level, was adopted during May 2018

LOOKING AHEAD

Going into FY19 our priority is to continue growing and to expand on the collective ICT experience of the board. We will take the appropriate steps to ensure that the Altron board is comprised of the appropriate balance of knowledge, skills and experience to contribute to the achievement of the group's overall strategic vision. A priority in this process will be to seek black female talent in order to address our transformational targets.

We also plan to resize the Altron board in line with appropriate corporate governance requirements. This will be attended to as an ongoing process throughout the 2019 financial year.

RISK MANAGEMENT

For us at Altron, risk management is about safeguarding our ability to create value for all of our stakeholders, enabling the business to proactively measure and monitor challenges, and identify opportunities.

We envisage risk management as a key enabler for business decision-making. As such, we are continuously striving to enhance the governance, structures and reporting of risks throughout the group's departments, divisions and services. To this end, during FY18, we initiated a group-wide process to develop and embed appropriate operating models into the day-to-day management of each of the group's operations. This has resulted in improved risk reporting policies and escalation procedures and the group has realised benefits such as reducing unnecessary redundancy in reporting and improved, proactive monitoring and mitigation of operational risks. Further to this, we are currently embarking on implementing a combined assurance model. This will assist the group with monthly monitoring of key control risks to ensure that any gaps in the control environment are adequately addressed. This initiative will be implemented through a phased approach in collaboration with our internal audit partners.

RISK MANAGEMENT AND THE GRCS FOUNDATION

Following the centralisation of the group's GRCS functions in FY17, risk management now forms part of the group's GRCS foundation, which reports in to the chief financial officer and chief executive. This integrated GRCS function assumes responsibility for building a defined approach to review GRCS requirements and to track the performance of these requirements against set targets.

The integration of these functions has realised important benefits such as breaking down silos between functional areas, enabling common processes, policies, and technology infrastructure, as well as streamlining governance, risk and compliance efforts. Further to this, we are building a risk-awareness culture where the management of risks is viewed as key to business success and not as an obstacle to progress.

As this function matures, it will increasingly focus on designating resources, implementing processes and utilising technologies to address GRCS requirements, challenges and opportunities.





RISK REPORTING AND MANAGEMENT PROCESSES

Altron board evaluates and manages risks strategically at a group level

Risk reporting and management process

- The board oversees the risk governance and risk management processes, ensuring that these remain adequate and effective, and reviews the key risks and mitigation actions taken to ensure that they are adequate.
- The audit committee provides an opinion to the board that appropriate internal financial controls are operating as designed.

Risks reported to divisional executive committees and financial review and risk committees

Risk reporting and management process

- Altron's internal audit department reviews the control environments at operational level based on an approved audit plan. Its findings are reported to the audit committee.
- The Altron business risk department ensures that risk controls are adequately implemented and reports on the implementation of risk mitigation strategies to the financial review and risk committees.
- Major risks are elevated to:
 - the group chief executive through the executive committee;
 - the SEC (in respect of risks relating to the non-financial aspects of the business);
 - the risk management committee (in respect of all risks, both financial and non-financial); and
 - the Altron audit committee.

Risk management at an operational level

Risk management and reporting process

- Significant risks are identified, consolidated and managed at operational level, and are reported to the relevant executive committees.
- Altron internal audit performs control reviews and provides management with recommendations on corrective action items.
- The business risk department, responsible for the continuous monitoring and assessment of material risks as well as ensuring that risk mitigation strategies are timeously actioned, performs quarterly follow-ups pertaining to risk management documents.

RISK GOVERNANCE AND CONTROLS

- A standardised set of policies and procedures (reviewed annually)
- A formal delegation of authority (reviewed annually)
- Operational management reviews
- Executive committee meetings
- Risk review meetings

Our universe of risks is currently being updated to ensure alignment to our revised corporate strategy and its four pillars. Management, at operational level, assesses our inherent risk exposure to determine whether risks should be treated, tolerated, transferred or terminated. If a risk is considered significant, an action plan is developed by management to mitigate and/or reduce the risk to a more acceptable level. The action plan stipulates who is responsible for taking appropriate action, what kind of action needs to be taken, and includes a time frame within which a particular risk needs to be reduced or mitigated.

KEY RISKS DURING FY18

We conduct a risk assessment on a quarterly basis to assess improvement of risk ratings and identify new risks. The key risks within each value driver, and the actions we take to mitigate their effects, are detailed in each of the relevant performance sections.

// **WE ENVISAGE
RISK
MANAGEMENT
AS A KEY
ENABLER FOR
BUSINESS
DECISION-
MAKING.** //

LOOKING AHEAD

We will continue to improve our risk management frameworks and processes to ensure increased accountability of operations and management. This will further allow us to track our performance against our strategy and ensure that the required considerations and resources are effectively incorporated to support business decision-making.

We also intend to enhance the governance processes and compliance lines as we look to continue the integration of our GRCS functions through the group-wide GRCS foundation. The focus areas within this platform will continue to be information governance and compliance management. We also plan to review our sustainability strategy to ensure alignment to the new One Altron strategy and requirements of an ICT company.



ETHICS REVIEW

Conducting business ethically and protecting against fraud and corruption is an important part of how we earn and preserve the trust of our stakeholders. As such, we ensure that we conduct our business according to the strictest ethical code and implement robust governance structures and employee training and awareness initiatives to build a safe and transparent working environment.

During FY18 we reviewed and updated our group ethics strategy to ensure alignment with King IV and our new One Altron strategy. We also kicked off an ethics awareness campaign. As part of this initiative, 11 ethics ambassadors were chosen to represent Altron's South African operations. The ambassadors are responsible for promoting and embedding the ethics policies, codes of conduct and other related policies within Altron and to create an environment where ethical dilemmas can be disclosed, discussed and brought to the attention of the SEC, if needed. Each ambassador participated in a two-day training workshop, facilitated by The Ethics Institute. The training aimed to provide the ambassadors with a deeper understanding of the importance of ethics, good governance principles, managing ethical dilemmas and responsible leadership.

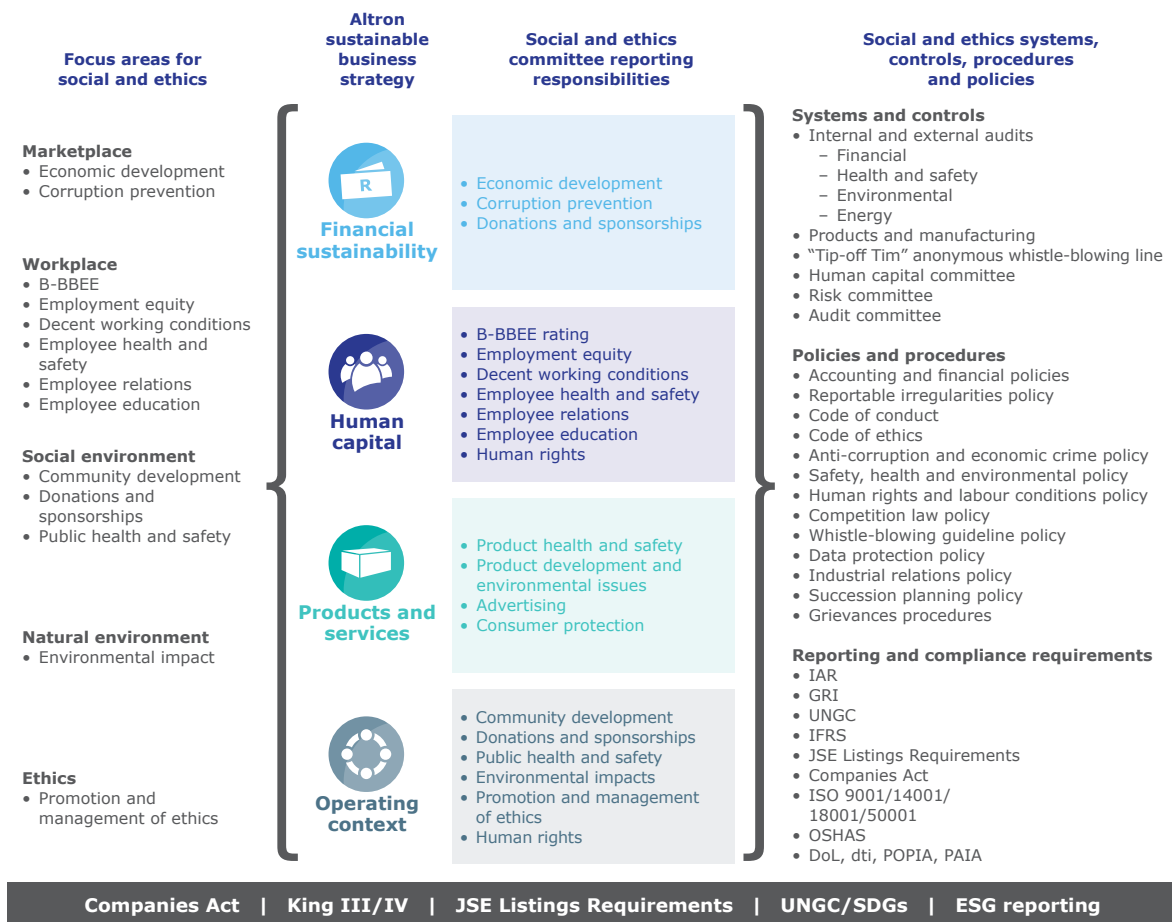
We also launched a group-wide online ethics training course on corruption, bribery and anti-competitive conduct. Around 8 000 employees have already completed the online training and 900 employees have participated in an ethics training event. Smaller training sessions are planned for FY19.

OUR APPROACH TO ETHICS MANAGEMENT

The Altron board, together with the chief executive, is responsible for the ethical culture of the group, with support and oversight provided by our SEC. The chief executive is a member of the SEC and also assumes the role of Altron ethics champion. The SEC is supported by the ethics management committee that consist of ethics ambassadors and the Altron ethics officer.

We continue to be guided by the Altron Code of Ethics and Corporate Code of Conduct, which all employees are required to adhere to. The code of ethics is available to employees on the group's dedicated ethics website and the company website. An annual declaration is signed by all senior employees indicating their adherence to and compliance with Altron group policies. In addition, we regularly feature topics related to ethics in company publications and periodic ethics campaigns to create awareness across the group. Similarly, we require our suppliers and service providers to abide by the same level of ethics that we uphold within our own operations. As such, our code requirements are included in all contracts and terms of conditions.

Our ethics framework (depicted alongside) is aligned to our vision, purpose and values and indicates the flow of actions based on various aspects that influence the agenda of the SEC. The ethics framework is viewed through the lens of our value drivers and material issues defined through our sustainable business strategy.



ADDRESSING ETHICAL ISSUES

The group addresses issues of corruption through collective action. Locally, we are a member of Business Leadership South Africa (BLSA). We commit to work against corruption in all its forms, including extortion and bribery.

Although divestment in Aberdare Cables was completed in FY18, we are still co-operating with the Competition Commission's investigation into alleged cartel conduct. We await the Competition Commission's conclusion on the matter with the other affected parties and we continue to fully comply with the Commission's requirements as set out in the conditional immunity agreement. We do not

anticipate incurring any fines or penalties.

We also responded to allegations of tender collusion made against Altech UEC/Multimedia and AAD by conducting an internal investigation and appointing Bowmans to conduct an independent enquiry. Both investigations concluded that there was no anti-competitive conduct on the part of either Altech UEC/Multimedia or AAD.

The group did not incur any fines at group level during the year, nor were any material fines incurred by any subsidiaries.

WHISTLE-BLOWING

Our whistle-blowing policy outlines the procedures for reporting suspected

instances of corruption and ensures that employees are not unfairly penalised for coming forward.

We subscribe to "Tip-off Tim", an independently run whistle-blowing service that enables employees to report illegal actions and ethical misconduct. Tips can also be submitted via phone or e-mail. All tip-offs are actively investigated, followed up and allocated to management for further investigation and resolution, as appropriate. Our ethics office also has a secure e-mail address that employees can use to report unethical behaviour or to seek advice and guidance on ethical dilemmas. This e-mail account is only accessible to the group ethics officer.





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Our PERFORMANCE



FINANCIAL SUSTAINABILITY

HIGHLIGHTS

- 19% increase in continuing operations' normalised EBITDA and adjusted for constant currency
- Progress made on the disposal of non-core assets
- Credible performance from continuing operations, especially Altech Netstar, BSTS, BSI and Bytes UK

MATERIAL ISSUES

We identified four material issues related to financial sustainability, namely revenue growth, improving profitability, capital allocation, and rationalising and refocusing the business. Revenue growth and improving profitability form part of the four strategic pillars of the One Altron strategy.

Rationalising and refocusing the business through the disposal of non-core assets was a key priority during the 2018 financial year. With this process nearing completion, we view this material issue to likely fall away as the strategic repositioning of the Altron group to an ICT business is completed.

As we enter a new phase of growth through both organic efforts and acquisitions, capital allocation will become a bigger priority.

PERFORMANCE SUMMARY

	FY18	FY17	FY16
Group			
Revenue (Rm)	17 681	19 717	26 592
EBITDA (Rm)	1 043	840	376
EBITDA margin (%)	5,9	4,3	1,4
HEPS (cents)	121,1	71,0	(145,0)
ROCE (%)	18,5	14,5	(1,2)
Net borrowings (Rm)	1 940	1 932	3 435
Net asset value of group held for sale (Rm)	249	620	2 938
Continued (core) operations			
Revenue (Rm)	14 743	13 892	14 357
EBITDA (Rm)	1 035	950	888
EBITDA margin (%)	7,0	6,8	6,2
Discontinued (non-core) operations			
Revenue (Rm)	2 938	5 825	12 235
EBITDA (Rm)	8	(110)	(512)
EBITDA margin (%)	0,3	(1,9)	(4,2)

C

CHALLENGES

- Ongoing disposal process of Powertech Transformers, Altech UEC/Multimedia and CBI Telecom Cables
- Local economic conditions with low economic growth, highly competitive environment and rapid commoditisation of goods and services

OUR APPROACH

The Altron board identified the 2018 financial year as the one in which the business was to be repositioned for growth in order to deliver on Altron's intention of producing consistent, double-digit growth at the EBITDA level.

To this end we focused on reducing the corporate cost base, simplifying reporting lines, regrouping the operations in a more customer-centric manner, and improving sales efficiencies across the group with a strong focus on customer marketing through our One Altron, One Customer strategy (refer to the Products and services section, page 52, for more information). This process will be largely completed in the 2019 financial year and will accelerate our focus on delivering superior growth.

As we look to reinvest in core operations and grow through acquisitions, a key focus area for Altron is to enhance our capital allocation process. To this end an investment committee has been constituted to bring in the required focus and discipline, and ICT knowledge and skills.

FEEDBACK ON 2018 COMMITMENTS

Achieving our 2:5:1 goal

As part of the One Altron strategy we have defined our 2:5:1 goal, which highlights our ambition to double (2) EBITDA in five years and become Number 1 in the market. We are well on our way to achieving this goal and during the 2018 financial year we saw double-digit growth in EBITDA.

Disposal of non-core assets

During FY18 the group concluded the disposal of Powertech Batteries, Powertech System Integrators, Swanib Cables, Crabtree Electrical, Powertech Quadpro and Powertech Switchgear.

Despite great progress made, Altron has missed its FY18 divestment deadline, with the sale of Powertech Transformers, Altech UEC/Multimedia and CBI Telecom Cables not yet achieved. The disposal of these three assets has been difficult due to misinformed negative press regarding Altech UEC, trying local conditions and the unique ongoing challenges internal to each of these businesses.

We remain positive that the disposal process will be closed out by the end of the 2019 financial year.

Increase cost savings and efficiency through consolidation and stabilisation of our shared services structures

The corporate restructuring of our head office has resulted in a substantially reduced cost base, with R54 million in annual savings.

Our shared services structures have continued their focus on consolidation and have further reduced costs in line with expectations, with group annual savings of R96 million.



KEY RISKS WITH MITIGATION STEPS

Disposal of discontinued operations

- Continue to negotiate with third parties to ensure that maximum value is obtained and, where possible, jobs are protected, as well as maintaining and monitoring capital utilisation

Achieving growth targets

- Driving organic growth and identification of and investment into new growth areas
- Driving our One Altron customer-focused sales strategy

Broad margin pressure

- Continuous re-evaluation of operations to ensure alternative lines of business and expansion into new markets
- Drive cost-efficiencies throughout all operations as this is critical to preserving profitability levels in the current economic climate
- Strong focus on capital allocation

Debt levels

- Continue to use proceeds from disposals to reduce debt
- Tight management of working capital

Challenges in participating in government projects such as deferred payments, contract cancellations and projects put on hold

- Maintain good governance and ethical conduct when engaging in government tenders and project delivery

**WE AIM TO
DOUBLE (2)
EBITDA OVER
THE NEXT
FIVE YEARS.**

REVENUE GROWTH

BUSINESS CONTEXT

Following the progress made in the divestment of non-core assets and the restructuring and consolidation of our ICT operations, we are now entering a new phase of growth. As such, we have shifted our focus to increasing market share through organic growth, together with acquisitions and geographical expansion in selected markets, improving the customer experience through a multi-skilled sales force and enhancing our product and service offerings in collaboration with our strategic partners. In line with our acquisition strategy, two key acquisitions have been completed.

We have continued to split the group's income statement between continuing (core) and discontinued (non-core) operations. The information disclosed is normalised with adjustments made for once-off costs associated with the various restructuring processes and to show results on a constant currency basis (i.e. to remove the significant impact of the strengthening of the Rand in respect of our UK operations).

Given the disparity between the core and non-core operations within the group, this section will focus on the performance of the core operations. Non-core operations will be addressed in the "Rationalise and refocusing the business" section of this report.

OUR PERFORMANCE

Despite a difficult local economy, a strengthening currency and the once-off costs associated with the various restructuring processes, the group's financial performance has improved significantly on a normalised and constant currency basis. During the past financial year revenue has shown 14% growth. Revenue from Altech Netstar (13%) and the group's ICT businesses (11%) has shown the highest growth. The growth in ICT is mostly due to the strong performance of our international operations.

Normalised and constant currency headline earnings per share grew by 19% to 135,1 cents against the prior year of 113 cents after taking into account the issue of shares for cash to VCP in May 2017.

Through the acquisition of Phoenix Solutions our UK operations have gained access to an additional R843 million in revenue and 3 000 customers and new IT vendors. The UK operations also benefited significantly from price increases by software partners and the devaluation of the Pound following Brexit. Similarly, the acquisitions of the EYZ2C (Australia) by Altech Netstar has increased market share and diversified its income streams.

Bytes MS experienced sharp revenue and EBITDA declines. This was as a result of lower spend from financial institutions. The business continues to

diversify its offerings into retail and hospitality to avoid future segmental dependency and to return to profitable growth.

BDS experienced a challenging year, but managed to keep revenues stable and increased EBITDA by 23%. During the year this operation has been restructured with the aim of resetting its cost base in line with market trends.

BUS has been merged into BSI. Despite a year of change, revenues remained relatively flat while EBITDA in the combined operation improved slightly based on early integration efficiencies.

BSTS performed well, growing revenue by 8% and EBITDA by 19%, reaffirming its status as a key growth area for the group. Most components of this business performed well, with the NuPay division continuing to deliver strong growth. The healthcare side of the business has been successful in moving into new adjacencies, thereby achieving growth in an otherwise stagnant market.

ARH has seen revenue improve by 2% while EBITDA declined by 5%. The strategy of diversifying the operation's product suite to include broadband products and services continues to result in significant growth for the operation compared to the previous period, despite challenges around the City of Tshwane broadband contract.

14%

GROWTH IN GROUP REVENUE OVER PAST FINANCIAL YEAR

**IMPROVING
PROFITABILITY****BUSINESS CONTEXT**

Bottom-line growth remains a critical focus area, particularly in the current operating climate where the group is facing highly competitive markets, rapid commoditisation of goods and services, and low economic growth. As such, the past financial year has seen the group transition to a much leaner, streamlined business through consolidation and restructuring of our ICT operations.

OUR PERFORMANCE

During FY18, we focused on increasing operational efficiencies to reduce our cost base. Migrating to a shared services environment formed part of this initiative to ensure repeatable, transactional and standardised processes. This has also culminated in the centralisation of specific functions such as group IT, procurement, recruitment, payroll and legal and real estate management.

We have also realised around R54 million cost benefits from resizing our head office and BDS has followed suit in cutting R22 million from its cost base through restructuring. Due to once-off cost associated with the restructuring process, these benefits do not yet reflect in our FY18 income statements.

During FY18, we identified and consolidated similar operations to enhance customer experience and increase efficiencies. This included the incorporation of BUS into BSI, with the initial integration yielding normalised annualised savings of R20 million. We also consolidated Med-e-Mass, MediSwitch and MedeServe.

To enhance employee efficiency and experience we are continuously exploring new ways to digitise our workplace, including cloud transformation and introducing power BI (a dashboarding tool) and data analytics to support with efficient dissemination of information for human resources and operational data.

**CAPITAL ALLOCATION
BUSINESS CONTEXT**

Capital released through divestment in non-core assets was used to lower our gearing levels, resulting in a stronger balance sheet. This, combined with the capital injection by VCP, provide some scope for further, albeit cautious, investment in acquisitions. As such, we recognise the importance of implementing a considered approach to capital allocation. This has led to the introduction of an investment committee to govern decision-making in this regard.

OUR PERFORMANCE

The main progress of the last year has been the realisation of capital from various disposals, most notably the Powertech businesses. These disposal proceeds were all applied to reduce debt. There remains approximately R249 million of capital tied up in non-core operations.

The capital allocation process is now governed by our investment committee and more disciplined controls have been introduced. All capital expenditure over R1 million is approved centrally. The investment committee is chaired by director, Mr Sam Sithole and includes chief executive, Mr Mteto Nyati; chief financial officer, Mr Tim Jacobs; Mr Brett Dawson; Mr Stewart van Graan; and Mr Robbie Venter.

Cash generated from operating activities was higher than the prior period on the improved EBITDA performance with the introduction of improved working capital management and the lower interest charge.

**WE CONTINUE TO IMPROVE
OPERATIONAL EFFICIENCIES
TO REDUCE OUR COST BASE.**

RATIONALISE AND REFOCUSING THE BUSINESS

BUSINESS CONTEXT

Good progress has been made in the divestment of non-core operations. This has resulted in leaner operations and the release of management time and working capital that will benefit both efficiencies and profitable growth. The remaining non-core assets are at a self-sustaining level, which has eased the pressure on cash flows from these operations. The group remains focused on disposing of these assets.

OUR PERFORMANCE

The performance of the non-core operations was much improved in FY18. EBITDA in the current year improved to a profit of R8 million compared to a prior period loss of R110 million. The main improvement came out of the Powertech Transformers and Altech UEC/Multimedia operations which generated strong EBITDA growth. The results were further assisted by the reduced costs associated with the closure of the majority of the Powertech group operations (for more information refer to the Organisational overview section (page 20)). The loss after tax reduced significantly from R717 million

to R253 million as a result of the reasons listed previously and a decline in the interest expense, as proceeds from disposals have been used to reduce debt.

Altech UEC/Multimedia delivered a mixed performance, decreasing revenue by 20% but generating R44 million EBITDA compared to the R21 million in the prior year. Subsequent to year-end, the operation has been further rationalised to decrease its cost base.

Meaningful progress has been made with regards to the fulfilment of the conditions precedent to the Powertech Transformers transaction. The last of the conditions precedent is expected to be fulfilled by 31 July 2018.

The dawn raid by the Competition Commission at Altech UEC/Multimedia in November 2017 resulted in the potential acquirer withdrawing from sales negotiations. Since then a new potential acquirer has been identified, with negotiations at an early stage.

Discussions for the disposal of CBI Telecom Cables are ongoing.

We further wrote down the carrying value of the non-core operations to the latest estimated realisable value.

LOOKING AHEAD

Given progress made in refocusing our business to ICT, streamlining our operations and creating a more customer-centric product and service portfolio, we are now poised for growth. We have a clear strategy built on revenue growth through acquisitions and geographic expansion, improving cross-selling within our different operations and strengthening our strategic partnerships to ensure adaptive and innovative value propositions for our customers. We also aim to improve profitability through lean management structures, shared services and incorporating our own suite of technology innovations to improve the group's operational efficiencies.



HUMAN CAPITAL

HIGHLIGHTS

- A balanced and diverse executive team is in place
- We defined a new human resource operating model to better align with our guiding principles
- The restructuring of our head office is now complete, highlighting the role of the group function
- As part of the launch of the One Altron, One Customer sales programme, we implemented a retention plan for the sales team, aligning with the strategic growth area of improving sales effectiveness
- We launched the Altron values, rallying employees and improving engagement
- We kicked off the new executive team and strategy to 2 000 employees at a special launch event

MATERIAL ISSUES

Altron is founded on its people, who are the driving force behind our success as a group. As we implement our One Altron growth strategy, our human capital remains an important priority.

In FY18 Altron's goal in this respect remained unchanged: to build and maintain a diverse, loyal, performance-driven workforce that is innovative and effective and which reflects Altron's values and culture. Our material focus areas within human capital address these key issues: human resources, company culture and transformation.

PERFORMANCE SUMMARY

	FY18	FY17
Total headcount	8 072	10 219
Headcount: core operations	7 795	8 206
Headcount: non-core operations	277	2 013
Headcount per group company (Corporate)	43	57
Headcount per group company (Altron TMT)	8 072	8 445
Headcount per group company (Altron Power)	0	1 717
Number of internal promotions	179	433
Turnover rate	1,77%	1,90%
Total number of employees who received long-term service awards	310	325
Average % raise given to employees	4,67%	6,00%
Compensation of general employees compared to peers	50th percentile	50th percentile
Compensation of executives and specialist skills compared to peers	50th to 75th percentile	50th to 75th percentile
Number of injuries	66*	66
Number of fatalities	0	0

* Reported number of injuries was the same as FY17

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CHALLENGES

- Maintaining positive morale among the leadership and the broader employee complement has been a challenge amidst the instability and uncertainty of the restructuring process
- Assessing the impact of the change management process across operations and responding appropriately to the needs of our employees
- Securing a strong talent pipeline and attracting talent within a competitive talent marketplace
- Ensuring that we have capable talent and evolving the talent pipeline to stay ahead of the needs of the constantly changing technology environment
- Keeping up with the changing B-BBEE ICT Sector Code and achieving the objectives of the codes

OUR APPROACH

Our vision for human capital is to create an enabling environment for all employees and clients to achieve our One Altron growth strategy and its “employee excellence” strategic pillar. We are streamlining, standardising and reviewing our policies, talent and performance management and approach to skills development to ensure that we strengthen our position as the employer of choice within the ICT sector. We also aim to bridge the divide between our former operational subsidiaries and the new group structure and to attract, retain and develop a diverse workforce that is innovative, works collaboratively and embraces our core values.

FEEDBACK ON 2018 COMMITMENTS

Review and redesign Altron’s operational structure to ensure alignment with the organisation’s values and strategic pillars

A new operating model has been proposed and is awaiting approval for implementation in the next fiscal year. The human resource team’s operational structure has been redesigned and they are preparing for a group-wide roll-out.

We are also enhancing our focus on performance management and the implementation of a new recruitment model to attract and retain a diverse talent pool, including the implementation of a recruitment desk.

Refine our employment policy to strengthen our position as an employer of choice

We have started reviewing and updating the policy for sign-off and implementation in FY19.

Become the custodian of our One Altron culture through increased staff engagement

We have introduced the use of technology to engage staff, i.e. introduction of SharePoint, intranet, etc. as well as regular newsletters and employee engagement sessions.

KEY RISKS WITH MITIGATION STEPS**Ensuring the “right talent in the right place”**

The pre-existing shortage of relevant skills within the ICT and retention of employees are critical factors influencing this risk.

- Culture survey was completed during the year and feedback will be used to address retention challenges
- Overhaul of talent management and our learning and development strategy
- Plan in place to develop talent from the bottom up. This includes a bursary programme to attract young talent and develop these skills

Responding to the B-BBEE ICT Sector Code and future changes to this legislation

We need to be able to respond quickly to regulatory changes and to retain our B-BBEE score to ensure competitive advantage.

- Transformation plan is in place and is being implemented and refined on an ongoing basis

Ownership credits that arise from the beneficial exit of black shareholders from group companies expire in FY24

- Investigation of alternative ownership structures will be undertaken along with analysis of Altron Limited’s share register to determine the extent of black ownership contained therein

**STAKEHOLDER
ENGAGEMENT**

Regular, interactive engagement with our internal stakeholders is critical to creating an enabling environment for all employees to achieve the One Altron strategy, and to an inspired, passionate and engaged workforce. Employee engagement has been particularly important during the transition phase and will continue to be for the foreseeable future. We engage with our employees through a number of channels that are described in the table below. These channels enable communication from the leadership and forums through which our employees can feed back their concerns and comments.

Employee events	Various interventions across the group. Financial results presentations (biannually), Altron Awards (annually), Altron senior management events and Strategy Updates (quarterly). The One Altron kick-off was a key event at the beginning of the current financial year.
Internal newsletters	These encompass various internal newsletters including letters from the chief executive, staff information notices containing information about changes, challenges and staff appointments. The "Weekly Wrap", an e-mail newsletter that was introduced during late 2017 providing business overviews and updates, has been received positively by employees and leadership.
Publications, i.e. internal group magazine (Perspective)	Perspective Magazine is published quarterly with internal group news and achievements. This is a more detailed publication delivered at a lower frequency than the shorter Weekly Wrap newsletters.
Intranet communication	We have reformatted and relaunched the intranet, Alix, through a SharePoint portal in April 2018. It provides more than just intranet functionality and also enables document sharing within and between divisions and departments.
Employee forums (staff meetings, roadshows, presentations)	Forums tend to be division-specific where the respective managing director conducts roadshows across their divisional units, driving collaboration across teams. They provide opportunities for employees to provide feedback and ask questions to leadership. Examples are the quarterly CEO senior management forums providing business and strategic updates, and quarterly sales force forums.
Tip-off anonymous	Our anonymous tip-off line is working well in conjunction with Deloitte (external) and the Altron risk and ethics offices. All employees are made aware of this facility and reporting is on an anonymous basis with feedback provided and action taken to remedy the matters raised.
Culture socialisation and surveys	This includes awareness drives of the One Altron culture to ensure our values are entrenched across employees, stakeholders, customers and partners. The initiative ensures an environment of openness, honesty and integrity with a focus on diversity and inclusion. We conducted a culture survey in FY18 and are currently implementing responses to the concerns raised by employees.

HUMAN RESOURCES BUSINESS CONTEXT

As we shift our strategy to focus exclusively on the technology side of our business, developing and nurturing ICT and technology-related skills and talent pipelines are becoming increasingly critical.

The "battle for talent" in the ICT sector exposes us to the risk of developing our employees and then losing them to our competition. As such, we aim to strengthen our position as the employer of choice and we continuously strive to identify ways to attract and retain talented employees and to offer competitive benefits and

incentives. Our focus areas for the year under review and the year ahead reflect our need to stay ahead of our peers in this challenging and fast-paced environment.

PERFORMANCE

At year-end Altron's core operations employed 8 072 permanent staff, a reduction of 2 147 employees. The reduction in headcount was largely due to our divestment strategy and the resulting disposal of the Powertech group operations. Most of these employees remained within those companies.

As part of the "improve profitability" strategic pillar of

our One Altron strategy, we restructured our operations and consolidated shared services to improve efficiencies. This has resulted in a reduction of 411 employees (-5% vs 2017) within our core operations. Some of these employees were absorbed by the group or our channel partners and suppliers.

In FY18 we also focused on streamlining and standardising our human resources administration processes and procedures. A project team was appointed to investigate existing processes and to identify improvement opportunities as well as technology solutions that could be leveraged. This has resulted in the identification



of technologies to standardise administration processes that will be rolled out at the beginning of the 2019 financial year. One of these technologies include a portal that automates the onboarding and off-boarding of employees electronically and integrates with Payroll.

As part of testing the online technologies, we also rolled out an online ethics training programme. Please refer to the Ethics review section (page 32) for further information.

CORE SKILLS AND TALENT MANAGEMENT

To ensure we have the necessary skills and competencies to remain competitive within the ICT sector we have embarked on a process of realigning our talent management framework and skills development programmes. As such, we decided to place some training programmes on hold during FY18. This resulted in a reduction in skills development spend from FY17 (R87,5 million) to FY18 (R56,8 million). The majority of Altron's training programmes focused on building technical capabilities as well as business management and leadership skills.

Our induction programme has also been placed on hold as we work to update it and incorporate our new values and cultural elements. We are in the process of finalising this and the new induction programme will be launched in FY19.

ATTRACTION AND RETENTION OF EMPLOYEES

Altron maintains a low turnover rate of 1,77% and reduced it by 0,13 percentage points (2017: 1,9%). Long-service awards were received by 310 employees, recognising 40, 30, 20 and 10 years of service. We provided an average raise of 4,67% to our employees, which exceeded the annual inflation rate of 3,72%*. Employee raises at Altron are directly linked to the performance of the group and of the specific operation and, accordingly, our pool ranged from 4% to 8%.

As part of our talent management overhaul we aim to set a recruitment plan to "recruit for attitude and develop for aptitude". As such, revised and updated retention mechanisms will be identified and implemented. This will be rolled out through a phased approach over the next two to three years. A critical element of this process is to hire a group talent, learning and development executive to lead the strategy, which will focus on internal training and development of employees. This includes the integration of BPS with the group's core learning and development objectives.

* <http://www.inflation.eu/inflation-rates/south-africa/current-cpi-inflation-south-africa.aspx>

We are also reviewing incentive schemes across employee levels and exploring reward and recognition programmes based on non-financial rewards. As part of this process, we have already implemented a sales retention plan as a priority, in line with the strategic imperative of transforming our customer experience and improving sales excellence. We are also looking at standardising our performance management to ensure that we reward high performance and meet industry best practices.

HEALTH, SAFETY AND WELLNESS

We invest time and resources to ensure employee wellness and to address gender and diversity issues. As such, during FY18, we updated our maternity leave policy to ensure a more inclusive, current and family-focused working environment.

We also implemented the ICAS employee assistance programme (EAP) across operations. Information regarding the programme is included in employee welcome packs as well as ongoing communications. Currently, 7 090 employees are enrolled on the EAP with a 9% uptake of the services provided.

1,77%

ALTRON MAINTAINS A LOW TURNOVER RATE

8 072

PERMANENT STAFF EMPLOYED AT YEAR-END IN ALTRON'S CORE OPERATIONS

COMPANY CULTURE

BUSINESS CONTEXT

We remain committed to driving our new One Altron culture throughout the group, which reflects our values and encourages innovation and collaboration. As such, we aim to strengthen our position as the employer of choice and to build on promoting employee excellence.

PERFORMANCE

During FY18, we implemented several initiatives to ensure that our employees remain engaged and motivated. This included soliciting input from our employees to define our new One Altron values and culture. As such, our new values were informed by conducting company-wide employee surveys to assess their perception of our organisation, what we do well, where we need to improve and how we compare to our peers. This has culminated in the introduction of our new One Altron value framework that reflects our strengths and what we aspire to be. These values formed the foundation for identifying and building our new executive team and defining the group's new strategy. Please refer to the Our strategy, vision and purpose section (page 16) for our values.

We also addressed employee uncertainty and lack of transparency through the implementation of an internal communications plan to keep employees informed and updated on any company changes. The initiative involved internal newsletters and employee forums and has been well received.

We also aim to utilise our human resources team as custodians to drive standardisation and engagement around our values and culture. One of the key ways

we aim to achieve this is through engagement sessions across all employee levels to discuss culture survey outcomes and our response to employee concerns.

LEADERSHIP DEVELOPMENT

We have a new and diverse executive leadership team in place and during FY18 we focused on ensuring alignment, defining effective ways of working and building a shared commitment to our new vision and strategy. As part of this process a leadership development programme was implemented which included an assessment of leadership values and competencies. A similar approach will be cascaded throughout the group over the course of the next fiscal year.

OPERATING MODEL

We have identified two core elements to ensure an effective human resources operating model, namely organisational effectiveness and a framework. As such, during FY18, we completed an assessment of the Altron operating model in comparison to leading human resource trends, our guiding principles and our strategy. This process guided us in identifying key gaps to achieving our new strategy and "employee excellence". We have proposed a new operating model and, upon approval, the focus for FY19 will be to implement the new framework, beginning with the human resources and executive teams. This will include identifying and communicating clear levels of accountabilities and grading of positions against internal and external benchmarks.

AWARDS AND RECOGNITION

We aim to give recognition to employees that encompass our values and culture. As such, we have annual awards for our employees. In FY18 awards were presented in 12 categories

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**PEOPLE
ARE AT THE
CENTRE OF
EVERYTHING
WE DO.**
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that together reflect the Altron values and the company's focus on One Altron. The award winners all embraced diversity and inclusion, and showed their passion for one another, their customers, partners, team members and communities.

We are also proud of our employees who received external recognition. BPS' managing director, Dr Madelise Grobler, was named the winner of the ICT category in Africa's Most Influential Women in Business and Government 2017 Continental Awards. She also won the award in the same category for South Africa as well as for the Southern African Development Community (SADC) region. Further to this, Ms Sam Mudd, managing director of Phoenix Software, a company acquired by Bytes UK during the year, was named Business Leader of the Year at the 2018 Women in IT Awards held in London in January. These awards give recognition to the key role Altron's women leaders can play in making the ICT sector more accessible to talented females.



TRANSFORMATION**BUSINESS CONTEXT**

In an economy where specialised skills are scarce and the sourcing of resources is critical for success, it is important that the transformation policy encourages the nurturing of an environment that is attractive to the best and most competent people, and positions Altron for better access to talented resources.

The 23GT policy expresses Altron's vision of B-BBEE as an economic advantage and an essential contributor and enabler of business growth. The 23GT policy identifies key focus areas which are simple, yet effective, in the attainment of the desired B-BBEE recognition levels for the operating entities.

The policy is aligned to the amended 2013 B-BBEE Codes of Good Practice and the 2016 Amended ICT Sector Code of Good Practice, which apply the following scorecard to generic enterprises:

ELEMENT	Generic points	ICT points
Ownership*	25,00	25,00
Management control	19,00	23,00
Skills development*	20,00	20,00
Enterprise and supplier development*	40,00	50,00
SED	5,00	12,00
Total	109,00	130,00

* Priority elements

PERFORMANCE

Altron's reported B-BBEE status is an upward consolidation of the B-BBEE status of each of its South African operating subsidiaries and divisions. As trading entities, each division is independently responsible for the results of their certification, which are assessed and verified by Empowerdex in May/June of each year. The impact of the application of the revised ICT Sector Code (November 2016) over the last two financial years has seen the overall level of the group drop from a Level 2 to a Level 4. However, strategic management of the transformation scorecards, after the revision of the Sector Code, has resulted in an improvement by nine out of fourteen operations as reported in the table below. The results reported have been externally audited by an accredited B-BBEE audit firm (Empowerdex).

	B-BBEE certified level achieved	
	FY18	FY17
Altron Limited	4	4
Altron TMT SA Group	3	4
Netstar	4	4
Altech Alcom Radio (ARD)	3	3
Altech Fleetcall (AFC)	3	4
Altech Alcom Matomo (AAM)	1	2
Arrow Altech Distribution (AAD)	3	4
Bytes Universal Systems (BUS)	3	4
Bytes Managed Solutions (Bytes MS)	3	4
Bytes Secure Transactions Solutions (BSTS)	4	4
Bytes People Solutions (BPS)	3	4
Bytes Document Solutions (BDS)	2	4
Bytes System Integration (BSI)	2	4
Altron Group Services (AGS)	4	4

**WE SEE DIVERSITY AS A
CATALYST FOR INNOVATION.**

OWNERSHIP

Our main equity partners are the following:

	FY18	FY17
% employees who are black	73,3%	68,0%
% employees who are women	41,6%	30,0%
% senior management who are black	19,3%	19,0%
% senior management who are black and female	6,2%	9,0%
% internal promotions of black individuals	22,6%	72,0%

1. Southern Palace Group, which holds a 25% + 1 share in ARH;
2. Power Matla, which holds a 25% + 1 share in Altech UEC South Africa; and
3. Thebe Identity Investment Corporation, which holds a 25% + 1 share in Altech Netstar.

The participation of these equity partners within the Altron group allows Altron to earn credit towards ownership utilising the sale of assets principle as provided for in the B-BBEE legislation.

MANAGEMENT CONTROL

During the year Altron improved its performance against our transformation objectives in a number of areas with respect to management and employment. We increased the percentage of our employees who are black from 68% in FY17 to 73% and the percentage of our employees who are women from 30% to 42%.

Our low turnover rate, although a strength in a competitive talent market, poses a challenge to the achievement of our transformation goals as senior positions within the group seldom become available. However, during the year under

review, a significant change has been made to Altron's top management structures that has positively impacted on Altron's transformation goals. The Altron executive is now a six-member committee comprised of 66,67% black individuals and of that 33,33% are black women. Further key appointments at senior management levels has served to improve representation at the divisional level. Looking ahead, we will continue to work towards improving the transformation of our senior management level and cascade this to all levels.

SKILLS DEVELOPMENT

The group has met its overall target for skills development-driven empowerment and is proud to be an industry-leading incubator of ICT talent. In the year under review Altron spent R60,45 million on skills development of black employees and unemployed people. Included in this number was R15,17 million spent on skills development of black disabled people.

Going forward, we will continue our focus on improving the skills profile of the ICT sector through programmes delivered by key providers and in partnership with leading academic/tertiary institutions and SETAs, as applicable.

ENTERPRISE AND SUPPLIER DEVELOPMENT

In terms of local procurement, our best efforts are made to purchase from suppliers that achieve and maintain a minimum of a Level 4. Analysis of the individual B-BBEE scorecard measures for FY18 for each of the operations shows 81,18% of local purchasing was placed with B-BBEE compliant suppliers. In addition, 24,39%¹ and 13,88%¹ of all local expenditure was placed with black and black women-owned business. These results confirm our commitment to the transformation goals of Altron and the country at large.

Going forward, enterprise and/or supplier development plans will be implemented, where applicable, to achieve the desired outcome of developing exempted micro enterprises (EME) and qualifying small enterprises (QSE) black and black women-owned businesses through structured and directed

¹ Note that the figures quoted above exclude inter-group purchasing



support to aid the operational and financial sustainability of the beneficiary business. Multi-year enterprise development and supplier development programmes will be encouraged to ensure the sustainable growth of black-owned businesses. Enhanced focus will be placed on beneficiaries who show the ability and appetite to create jobs. Further to this, we aim to trade with empowered suppliers to encourage job creation, local manufacturing and the acceleration of transformation within the economy. The group, its subsidiaries and divisions will engage closely with suppliers with the intention of understanding their transformation plans and assessing such plans for feasibility and associated practicality. Selected suppliers will be required to provide their commitment towards achieving specific B-BBEE recognition levels.

SOCIO-ECONOMIC DEVELOPMENT

We believe that community investment is an important demonstration of our company values and our commitment as a group to building a better South Africa for all. Therefore our focus on SED will be to continue creating value in the lives of South Africans by sponsorship of ICT-based skills development and learnership programmes for unemployed people.

In addition, we will continue to make direct investment into the Altron Learning Centres in both KwaMashu and Soweto, which remain a priority to Altron as these centres provide critical mass in delivering on the stated goal of uplifting the ICT skills level in these communities. Refer to the Operating context section (page 60) for more information.

LOOKING AHEAD

In support of our strategic pillar of employee excellence we will continue to champion the engagement of our people, including the transformation of our workforce. Utilising the change management process to align our employees to a new culture and strategy form the critical function of our human resource team in the upcoming year. The implementation of our new operating model will be a key focus, with the objectives of aligning our structures and policies with industry trends, our strategic pillars and talent requirements. We will also be reviewing our human resources employment policy and contracting with our employees to ensure that it reflects our new values, strategy and market trends.

In terms of transformation, within the next five years our focus will remain on continuously improving and refining implementation of the updated transformation plan. As mentioned in the report, we have key focus areas for the upcoming year that will be implemented in accordance with the targets as presented in the 2016 Amended ICT Sector Code. The implementation will be directed in such a manner that the achievement of the stated goals over the periods identified will be realistic and achievable within the context of operational and financial sustainability.



**// WE WANT TO MAKE A
DIFFERENCE IN OUR
COMMUNITIES. //**

PRODUCTS AND SERVICES

HIGHLIGHTS

- Strategic customer wins that reinforce our position as a leading technology solutions provider
- The acquisition of Phoenix Software by Bytes UK and EZY2C (Australia) by Altech Netstar that drives the expansion and enhancement of our product and service offerings within our key technology growth areas
- Launch of a company-wide innovation programme

MATERIAL ISSUES

Altron's ability to enhance its competitiveness within our focused area of ICT hinges on our ability to deliver innovative products and services that meet the needs of our current and potential customer base. Our material matters within this value driver are:

- Product and service offerings
- Innovation and R&D
- Strategic partners
- Suppliers
- Clients and customers

Our product and service offerings need to be aligned with our strategic pillars and set us up for growth and sustainability. This imperative requires that our offerings are aligned with what our clients and customers desire. Designing these product portfolios requires a strong innovation and R&D focus that is based on knowledge, experience, strong strategic partnerships and local industry insights. Our combined understanding of the local market and trends for the future is critical to our ability to create value. It also relies on financial investment in integrated software development and products that are designed for local markets. Our suppliers and partners must be aligned to these strategies for a co-ordinated effort towards Altron's goals.

OUR APPROACH

Altron operates in a market that is shifting from products to solution sets, such as data analytics, cloud and software services. To thrive, we need to adapt, design and commercialise product and service solutions that address the challenges facing both our local and our growing international markets.

As such we offer R&D capabilities, leverage knowledge and resources from our strategic partners, and have developed a multi-skilled, collaborative sales team to quickly address market demands and to design and offer end-to-end solutions for our customers. Our value proposition offers products and services in ICT, fleet management, SVR and telematics; telecommunications; and electronic component distribution.

As part of our One Altron growth strategy, we have identified four technology growth areas, namely cloud services, data analytics, security and the IoT. These fourth industrial revolution capabilities are being built organically and through acquisitions.

We leverage our suite of product and service offerings to meet our corporate purpose of bringing innovation that matters and we believe that we are best positioned to address critical local and global societal challenges of safety and security, healthcare management, financial inclusion, and learning and development.

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CHALLENGES

- Digitisation will disrupt the way business interfaces with technology and as such we will have to be innovative and adaptive in leveraging associated opportunities
- The migration from own-and-operate to pay-per-usage or cloud-based services requires agility to ensure that we meet our customers' needs
- South Africa's slow economic growth increases competition for market share
- Exchange rate fluctuations impact on import costs and the cost of our products and services

FEEDBACK ON 2018 COMMITMENTS

Enhance customer experience and provide a more customer-centric value proposition

We successfully consolidated our sales team and launched the One Altron, One Customer sales approach and training in October 2017.

We rolled out an updated sales incentive plan to retain our sales talent and align with the objective of transforming the customer experience.

Grow and diversify product and service offerings through acquisition of businesses that enhance our growth strategy

Acquiring businesses in selected foreign markets to increase Altron's offshore earnings is part of a broader strategy whereby Altron is striving for a global presence so as not to expose itself by concentrating on a single region. This reduces risk and ensures that the group is able to deliver consistent earnings to shareholders.

During 2018 we invested in two acquisitions that are in line with our growth strategy. These were EYZ2C, an Australian fleet management company acquired by Altech Netstar, and Phoenix Software, a value-added reseller of software products and related services, acquired by Bytes UK.

Expanding our work in public sector space

We want to build on our current public sector partnerships and believe that our product and service offerings can greatly benefit the public sector and can be a catalyst for reaching the goals of the South African NDP.

KEY RISKS WITH MITIGATION STEPS

As technology advances, IT products and services become commoditised, eroding the margins on these services

- Review and adapt commoditised product and service offerings to enhance the value proposition, i.e. creating value-add through R&D, improving efficiencies and ensuring an excellent customer experience

Disruptive technologies can result in disintermediation risks as it changes the way customers source technology solutions

- Our focus is to remain at the forefront of new technology developments and identify opportunities to leverage new innovations for the benefit of our customers

WE HAVE IDENTIFIED FOUR TECHNOLOGY GROWTH AREAS, NAMELY CLOUD SERVICES, IoT, DATA ANALYTICS AND SECURITY.

STAKEHOLDER ENGAGEMENT

Our engagement with our strategic partners, suppliers and customers are aligned to our One Altron business strategy. For each stakeholder group we endeavour to act as a cohesive business that offers a single point of contact.

Strategic partners: Formally and informally	We engage with our long-standing and new strategic partners on an ongoing basis. They are given high priority within the group and are nurtured by our senior leaders.
Suppliers: Ongoing	We engage directly with our suppliers on an ongoing basis.
Clients and customers: One Altron, One Customer strategy	Collaborative selling ensures customers receive end-to-end solutions through a sales team that fully understands our broad range of products and services and collaborates internally to provide holistic solutions.
Clients and customers: Executive interaction	Each of our executives has been given accountability for specific customers.
Clients and customers: Customer satisfaction surveys	Customer satisfaction surveys are conducted each year.
Clients and customers: Sponsorship of industry events	Altron sponsors strategic industry events to engage with stakeholders and to promote the Altron brand and to keep our current and potential clients abreast of our innovations and solutions.

Sponsoring industry initiatives and having a presence is an important part of stakeholder engagement initiatives with regard to our product and services value driver. It also promotes the Altron brand and the products and services within the group. As an example, Altron was the main event sponsor of the President's Award of the 2017 Institute of Information Technology Professionals South Africa (IITPSA) and our chief executive was a keynote speaker.

OUR PRODUCTS AND SERVICES

BUSINESS CONTEXT

Disruptive technology is changing the world at an increasing pace and it is converging in unexpected ways. With our focus on the ICT sector, this represents numerous opportunities for Altron. We have identified four technological growth areas that will create better technology enablement through connecting multiple disparate processes, improve process efficiencies and modernise the work environment for our customers. These are cloud services, IoT, data analytics and security. Our work within these technology areas ensures that we can proactively respond to local and international market opportunities, design and commercialise disruptive technologies and address our customers' evolving digital needs and demands. We do this through smart acquisitions and strategic partnerships which enable us to offer a wide variety of innovative, custom-packaged solutions to our customers through our product and service offerings.

OUR PERFORMANCE

There are three areas in which we made significant headway specific to our goals for products and service offerings during the financial year. We redesigned our brand and updated our brand strategy, we continued our global expansion strategy and growth in four technology areas (cloud services, data analytics, security and the IoT) through organic growth and strategic acquisitions, and we achieved a number of local strategic wins.

REFRESHING OUR BRAND

To align with our updated purpose, vision and One Altron strategy, we are in the process of revisiting the impressions that exist in the minds of our

customers and stakeholders about what our brand says and does. We have gathered insights externally and internally to create a new brand DNA which will serve as our blueprint and outline our promise to our stakeholders.

EXPANDING OUR GLOBAL FOOTPRINT AND OUR FOUR TECHNOLOGY GROWTH AREAS

To position ourselves for revenue growth, one of our commitments is to expand our footprint internationally and in Africa specifically and to identify businesses that support growth in our four technology growth areas. During the year we invested in two offshore acquisitions as part of this strategy. These were the acquisition of Phoenix Software by Bytes UK and EYZ2C by Altech Netstar. These two organisations bring with them a wealth of knowledge, intellectual property and access to well-established strategic partnerships.

The acquisition of Phoenix Software, an end-to-end IT solutions provider, bolsters Bytes UK's presence in the value-added reseller segment, particularly with respect to adding additional Microsoft capabilities to the group and opening the door to relationships with other global vendors such as EMC and Dell, and deepening relationships with strategic partners such as VMware, Checkpoint, Citrix, Mimecast and Sophos. Phoenix Software is also highly regarded for its cloud computing capabilities, another area in which Altron intends to expand.

The acquisition of EYZ2C, an Australian fleet management company, has expanded Altech Netstar's footprint and provides a value proposition at scale that serves both the public and private sector.

To strengthen our service offering within our four technology growth areas, BSTS has built a world-class security centre and we are also building a Microsoft practice focusing on cloud services, data analytics and security. The business has also built a technology centre to provide security for customer networks globally.

We have a significant footprint on the African continent and we are looking to expand further into our current African operations so that our value proposition more closely reflects the breadth of our offerings in South Africa. Our One Altron strategy is to give our existing customers and prospects in the rest of Africa exposure to our entire range of technology products, services and solutions, which amongst others include systems integration, document management, telematics, broadband solutions, vehicle tracking, and healthtech and fintech solutions. Although we currently have a presence in a number of African countries we are often represented by only one or two of our operations. Our opportunity is to consolidate and expand our technology offering in the markets where we currently have a presence, but we also have an opportunity to expand into new African markets. We believe that this endeavour has to be approached in a systematic way and investment decisions must be underpinned by detailed analysis and market data.

ACHIEVING STRATEGIC WINS

During FY18 we achieved some strategic wins that strengthen our position as a leading ICT provider as well as a technology partner for the public sector.

ARH has secured a contract with the Limpopo Provincial



PRODUCTS AND SERVICES [Continued]

Government to roll out an open access broadband network across the province. The R585 million project will see ICT connectivity provided to government departments, municipalities, businesses and households across the province over a three-year period. We are very excited to be part of an initiative that contributes to economic growth and development and supports the goals of the NDP. This initiative also contributes to our objective of servicing government departments as customers and has positioned ARH as the broadband infrastructure roll-out partner of choice to provincial governments and metros. The business also has a national network operations centre (NNOC) that monitors and maintains customer networks.

We also began the roll-out of a digital radio network for municipal public safety and utility services in eThekweni, called the eThekweni Municipality TETRA network. It is estimated that in excess of 12 000 users will eventually access the network. Phase 1 of the implementation began in March 2016 with the supply and installation of 14 TEA1 (TETRA Encryption Algorithm 1) encrypted high site base stations onto existing eThekweni-owned sites, utilising eThekweni's own fibre reticulation. Phase 2 was implemented during the year under review, beginning in March 2017. eThekweni intends to share their network with other local government agencies.

We are also providing the GSM-R network to passenger trains on the main PRASA routes across Gauteng, the Western Cape and KwaZulu-Natal (KZN). Phase 1 of the project, completed in March 2017, consisted of 153 base stations – 80 sites in

Gauteng, 35 in KZN, and 38 in the Western Cape. The value of Phase 1 of the project is R164 million, spread across a five-year period and includes managed services.

Altech Netstar and transport giant, The Public Utility Transport Corporation (PUTCO), began the roll-out of a fleet management system that will significantly enhance PUTCO's service delivery to commuters. The fleet solution will not only result in cost savings, but it will enhance driver education and wellness, improve safety and reliability, and protect vehicles from theft and hijacking. PUTCO, which was formed in 1945, operates a fleet of approximately 1 800 buses, which carries more than 70 million passengers per year over 90 million kilometres.

INNOVATION AND RESEARCH AND DEVELOPMENT BUSINESS CONTEXT

Altron acts primarily as an implementer and integrator of world-class ICT solutions on behalf of our strategic technology partners, and as such we leverage the R&D and accumulated IP of these international partners. Where we are unable to source technologies that meet our customers' needs we invest in developing our own internal IP, sometimes in partnership with universities or other strategic partners. We also encourage a culture of innovation and collaboration to ensure that our customers are offered tailor-made, fit-for-purpose solutions. Further to this, we want to develop "innovation that matters", particularly in the areas of safety and security, healthcare management, financial inclusion, and learning and development.

OUR PERFORMANCE

RESEARCH AND DEVELOPMENT

Altech Netstar developed several new technologies during the year. The first is the pairing of recovery units. This technology introduces the installation of two recovery units which allows both to start transmitting if one is removed, therefore increasing the success rate of tracking and recovering stolen vehicles. Another innovation is the Jamming Resist™ technology that detects and communicates to a vehicle owner when their vehicle is in the vicinity of a jamming system. Jamming Resist™ was launched in late 2017 as part of Altech Netstar's "Safe and Sound" product suite, and has enjoyed considerable success in preventing the theft of vehicles and freight.

Further to this, Altech Netstar has developed a cost-effective collision avoidance platform for the mining sector. This technology supports the mining sector to meet regulatory requirements as stipulated by the Department of Mineral Resources whereby all mine vehicles and pedestrians must use a collision avoidance system to mitigate against the risk of accidents. The technology is advancing to a point where vehicles will immobilise automatically should the risk of collision be detected.

During FY18 we filed five new patents.

THE ALTRON INNOVATION PROGRAMME

One of the biggest initiatives on which we embarked during FY18 is the One Altron Innovation Programme which is sponsored by our chief executive and our chief operations officer. The purpose of the programme is to break down silos and encourage collaboration at all



levels of the group in order to generate transformational ideas. The programme utilises Idea Trigger, proudly developed by Altron, as a digitised idea exchange platform where employees can suggest ideas and solutions for predefined challenges. To reap the benefits of these ideas an innovation steering committee was formed to put into place a structured process for evaluating ideas against articulated business challenges and requirements, and to provide a focus for turning these ideas into solutions.

BRINGING INNOVATION THAT MATTERS

We believe that our product and service offerings can be a catalyst to address the goals of the South African NDP, which aims to eliminate poverty and reduce inequality by 2030.

We have identified four areas where we believe the group's technologies and capabilities can greatly contribute to the society in which we primarily operate. First, we see an opportunity to leverage our expertise in the security sector to build safer South African cities and communities. Second, we believe that the talent and knowledge of our BPS team can greatly support learning and skills development initiatives so as to improve entrepreneurship and the employability of the South African workforce. The third opportunity lies in the potential benefit of deploying technologies from the private healthcare sector to address

some of the challenges faced in public healthcare. Finally, our financial sector technologies can contribute greatly to better financial inclusion for all South African citizens.

During FY18, we introduced a range of exciting and innovative products and services within these four areas.

Safety and security

During FY18, Altron developed a Smart City blueprint in collaboration with key players in the local government space. This blueprint has a strong bias towards safety, security and healthcare. The broadband infrastructure being rolled out by ARH in collaboration with the Limpopo Provincial Government is a key enabler.

Learning and development

BPS launched a digital real-time training solution (RTT). The benefits of the solution are to reduce corporate vendor training costs by providing real-time remote training from a central location in Gauteng. Vendor training includes Citrix, VMware, Microsoft and Oracle. For example, a delegate who wants to complete Citrix XenDesktop training and is based in Cape Town can simply sign in at the BPS Cape Town offices and receive instruction, in real time, from the instructor who is based in the BPS Midrand training centre. With the BPS infrastructure the learner and instructor can interact visually and through audio, enabling a similar experience as having an

instructor in the classroom, at a significantly reduced cost.

Healthcare management

Med-e-Mass partnered with the City of Johannesburg to improve healthcare delivery by transferring paper-based patient health records to an electronic health platform. The electronic health record system, which was developed locally by Med-e-Mass, creates a single body of digital patient records that is easily accessible to healthcare workers at 81 clinics across Johannesburg. The digitisation of health records not only reduces health costs through decreased paperwork and administration, but improves health delivery and patient healthcare by providing accurate and complete information about patients, thereby enabling providers to more effectively diagnose patients, reduce medical administration errors and provide safer care.

Financial inclusion

BSI will support the SAPO with the deployment of social grants through biometric technology. This technology will have a positive impact on people's lives by eliminating forgery and criminal activity in the grant dispensation process. BSI is also using this technology to support the World Food Programme (WFP) in verifying the identities of programme beneficiaries.

BUS successfully implemented the South African Municipal Resource Administration System (SAMRAS) during June 2017, its locally developed and fully integrated financial management system solution, in all its municipal customers across the country, thereby enabling them to fully comply with the regulated Standard Chart of Accounts, mSCOA 6.1 compliance requirements. The implementation follows



PRODUCTS AND SERVICES [Continued]

BUS' endorsement by National Treasury as an approved service provider to assist municipalities in becoming mSCOA compliant. SAMRAS is a locally developed, fully integrated financial management solution. It includes accounting, budgeting, payment, supply chain management, and HR systems among many services. Through BUS' collective knowledge of government service delivery requirements, legislation and regulations, together with a passion for innovation, the division has developed SAMRAS to deliver superior solutions to its customers, thereby enabling them to exceed their service mandates.

ACS has developed a state-of-the-art management platform to dispense a variety of services such as air time and data, electricity, ticketing, bill payments and vouchers such as those for Google games.

NuPay has adapted their flagship AEDO product offering to cater for the collection of debt via debt collecting agents that are out in the field and who have face-to-face contact with customers. It also allows for real-time settlement of outstanding debt for customers who elect to make immediate payments, via a single mobile device.

OUR STRATEGIC PARTNERS

BUSINESS CONTEXT

We partner with both local and international technology partners to gain access to a diverse array of high-quality products, services and intellectual property. Strategic partnerships and joint ventures with international suppliers are fundamental to how we do business as a technology-focused group.

OUR KEY PARTNERS:

Xerox, Cisco, NetApp, Microsoft, Kronos, Teradata, Lumidigm, Alcatel, Dell, Nokia, HP, NCR, Verifone, Thales, Verisign, Datacard, Hytera, Motorola, Huawei, British Telecom BT, IBM, Oracle, Genesys, Salesforce, Citrix, Tableau, Unisys, Getronics, Texas Instruments, GE.

OUR PERFORMANCE

This year we focused on renewing and maintaining our existing international partnerships, building on an established culture of trust and collaboration. We maintain an "open door" policy with these partners and engage often, both formally and informally, in order to ensure that each of these primary relationships continues to offer mutual benefit and produce tangible outcomes. For many of our partners we are their largest supplier or reseller. We add value through the application, localisation and implementation of their technologies. Many of our strategic partner relationships are long-standing and are given high priority within the group, nurtured by senior leaders, including our chief executive.

We are excited about our newly established partnership with Ireland-based Tango Telecom, the leading provider of data monetisation solutions, to launch Data Retail Engine (Tango DRE™) in Africa. Tango DRE™ enables African mobile operators to quickly launch and monetise new digital services that drive consistent consumer spending on data throughout the subscriber life cycle. Through this partnership we have secured a contract with MTN to reduce the cost of data while roaming for their customers. BSI will promote, sell, implement, integrate and

maintain the Tango DRE™ for customers in African markets and the technology will provide subscribers with a seamless and cost-effective service no matter where they connect in Africa.

SUPPLIERS

BUSINESS CONTEXT

While our primary technology partnerships are important, we continue to engage with a significant base of non-strategic suppliers across the group. These suppliers remain critical to our ability to fulfil our obligations to our customers and clients.

OUR PERFORMANCE

As we have moved out of our non-core manufacturing operations our procurement profile has shifted substantially, away from commodities and raw materials towards more value-adding technology and products. Many of these requirements can be met only by overseas suppliers, although we look for local suppliers wherever possible.

Over the past two years we have been reviewing our supplier groups to determine their strategic value to the group. This process enabled us to establish which relationships should be enhanced, which should be discontinued and to identify gaps where we can look for opportunities to form new supplier relationships. In this way we continue to evolve as a group, ensuring that all our relationships add strategic value to our business.

Subsequent to the amended B-BBEE ICT Sector Code coming into force, procurement is one of our key transformation focus areas, and this consideration will inform our recruitment of new suppliers. (See Transformation, page 48, for further information).

CLIENTS AND CUSTOMERS BUSINESS CONTEXT

Transforming the customer experience is one of our strategic pillars and paramount to the success of our business. We have a diverse customer base of some 20 000 individual businesses which span both private and public sectors. We aim to be a trusted adviser to our customers and to engage them as a single, cohesive business.

OUR PERFORMANCE

During FY18 we introduced the One Altron, One Customer programme aimed at improving sales effectiveness and enhancing our customer experience. The programme was rolled out to our 250+ strong South African sales team and aimed to increase alignment, improve upselling and cross-selling to new and existing customers and encourage selling into new geographies. The programme was launched in collaboration with Stratham Bryce International, a leading sales management consultancy firm specialising in sales effectiveness and customer-centricity training. It encompassed customised interventions to build on the One Altron 2:5:1 goal and included national workshops in Gauteng, KZN and the Western Cape. The workshops focused on sales pipelines and forecasting, sales management, account planning and solution selling.

We also focused on streamlining our internal sales effort by implementing a collaborative sales model that includes a common language across hardware, professional services,

projects and annuity revenue streams with an integrated representation of revenue. Our collaborative sales model has been further enhanced through more efficient sales processes and systems as well as an updated incentive scheme for our sales team. This included the implementation of “Salesforce”, a customer relationship management software that offers a single view of each customer, their history and their unique requirements, ensuring one point of contact with each client. The software also enables the science of selling in a performance-based culture, with cadence systems to measure against what is expected. Our new sales incentives are aligned with outcomes-based sales management, including management techniques, to provide essential feedback and relevant information to salespeople and internal stakeholders. To further enhance the customer experience we have allocated members of our executive team to engage key customers on a regular basis to better understand their needs and use feedback to improve our service and enhance our value proposition.

Each year we conduct customer satisfaction surveys. We are in the process of centralising these surveys and will implement our new approach at the publication of this report.

LOOKING AHEAD

Going forward we will continue to explore and identify opportunities for both organic and inorganic expansion within our four technology growth areas, namely cloud services, IoT, data analytics and security. We will invest in understanding how these technologies can enhance our value proposition and link our group’s product and service offerings to drive holistic solutions for our customers. Within these four areas we will continue to centre our R&D efforts on safety and security, learning and development, healthcare management and financial inclusion.

We will continue to strengthen and leverage our strategic partnerships and internal knowledge and skills base to remain at the forefront of emerging technologies and innovation, particularly in the healthtech, fintech, safety and security, and learning and development sectors. We will also focus on deploying our local solutions within the African market and follow the customer strategy from South Africa to the rest of Africa.

Disruptive technologies will greatly impact the way we do business and we expect this to offer exciting opportunities for our group. Our commitment to “deliver innovation that matters” will drive our focus in developing innovative technologies to address challenges faced by both the private and public sectors.



OPERATING CONTEXT

HIGHLIGHTS

- Improve investor confidence in the Altron group
- Continued the implementation of our investor relations plan to nurture our current investors and broaden our investor base
- Approved the new Altron corporate identity for roll-out in FY19
- Enhanced media relations through chief executive's communication campaigns

MATERIAL ISSUES

At Altron we depend on our external relationships with multiple stakeholders. We acknowledge that we impact and are impacted by stakeholders such as investors, regulators, government and parastatals, communities and the environment in which we operate. We aim to have a positive impact on all of our stakeholders and on our environment and, therefore, require robust engagement with them to understand their concerns. The development and maintenance of sound and trusting relationships with our external stakeholders is critical to our ability to create value through our business activities. We engage with various external stakeholder groups to share information about our performance and plans, as well as to understand and respond to their concerns. Our material focus areas in this respect are our relationships with investors, government and parastatals, communities and the environment.

PERFORMANCE SUMMARY

Financial sustainability	FY18	Core	Non-core
GHG emissions (tCO ₂ e)	24 144	7 967	16 176
Electricity consumption (MWh)	18 515	6 036	12 478
Water sourced (kl)	97 710	55 607	42 103
All waste generated (t)	11 597	288	11 309

OUR APPROACH

Our approach to building and maintaining trusting and productive relationships with various stakeholders is to centralise our stakeholder management strategy, while allocating relationship accountability to appropriate functions such as client management or government relations. Our executive team is highly involved with each stakeholder group in order to maintain continuity of the Altron narrative and strategy.

An important part of our communication to our stakeholders is Altron's positioning in the marketplace after our disposal of assets and restructuring. Our brand is currently under review in line with our One Altron strategy and will be communicated to the market later in the year. We also aim to make the website more customer-friendly.

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CHALLENGES

- Retaining investor confidence as we continued the sale of assets and restructured core operations
- Maintaining predictable and sustainable business relationships with the public sector

	FY17	Core	Non-core	FY16	Core	Non-core
	104 933	29 469	75 465	142 203	28 809	113 394
	86 196	18 525	67 671	124 221	19 499	104 722
	276 547	81 025	195 522	409 909	82 320	308 873
	22 412	473	21 939	15 480	524	14 956

FEEDBACK ON 2018 COMMITMENTS

Proactively address investor confidence, which remains a key concern for the group

Investors were engaged actively and continually during FY18 at all levels of management, including by non-executive board members. The share price continues on a moderate positive trend, indicative of improved confidence in the group and its future performance.

Explore more relevant and appropriate environmental and emissions metrics and indicators within the technology sector

The focus on core operations has provided us with a better understanding of our baseline. The development of relevant and appropriate environmental metrics continues to be investigated and, where possible, comparable best practices and metrics will be assessed and implemented.

Roll out updated and comprehensive media engagement plan

The updated media strategy was approved and implementation began during the year against our objectives of positioning Altron as a streamlined organisation that delivers innovation that matters and is on course to deliver on its strategy and become the leading technology solutions provider in South Africa and on the African continent.

KEY RISKS WITH MITIGATION STEPS**Reputational risk**

- We have clearly defined governance, policies and values that guide our ethical conduct. During FY18 we raised employee awareness through our ethics awareness campaign

The proliferation of regulatory requirements within the ICT sector

- The proliferation of regulatory requirements can become onerous for business and as such our compliance function provides support by constantly scanning the regulatory environment to ensure compliance to new legislation or amendments to existing legislation
- We constructively engage government on any new legislation to provide input and feedback

Environmental and societal risks associated with the ICT sector

- With our transition from manufacturing to ICT nearing completion, we will reassess environmental and societal risks associated with our new business model. We are in the process of revising our sustainability strategy

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**WE HAVE WORKED HARD
 TO STRENGTHEN INVESTOR
 CONFIDENCE DURING THIS
 PERIOD OF CHANGE.**
 ”

**INVESTORS AND MEDIA
BUSINESS CONTEXT**

Our approach to building and maintaining relationships with our investors is to broaden our shareholder base by first maintaining and nurturing relations with existing key shareholders, and second by expanding our relationships to new and lapsed investors. As at year-end the Venter family was no longer the controlling shareholder. Two of our largest shareholders at the 2018 fiscal year-end are Coronation Asset Management and VCP. We've worked hard over the past two years to regain and retain the confidence of investors and it is of the utmost importance to us that our investors continue to trust in Altron, our strategy, our management and our sustainability. We have an investor relations plan in place and will continue to implement it with the aim of enhancing and broadening our investor relationships over the next fiscal year.

Media, both traditional and digital, is a conduit of information into the public, which includes our employees and the market. Our relationship with the media is anchored in Altron's values of openness, honesty and integrity. Our approach to media is to position ourselves as a company that respects the media, is professional and responsive, and approachable and efficient. We aim to deliver an inspirational brand strategy that enables business growth and amplifies the Altron narrative.

OUR PERFORMANCE

Over the past year we have fundamentally changed the structure and focus of our organisation and have endeavoured to secure investor confidence through a period

of great change. As such our focus has been to increase our engagement and communication with investors to keep them updated on our successes and challenges, as well as to understand and address their concerns.

We continued with our investor relations strategy which mainly seeks to broaden the shareholder base through a three-pronged approach that targets institutional investors, boutique and independents, and lapsed investors. The purpose of many of our engagement initiatives have enabled Altron to proactively maintain relationships

with key investors in the top 15 deck. We are proud of the strides we have made towards maintaining and nurturing relationships with our existing shareholders and will continue to concentrate on these efforts over the next 18 months. Our investor interactions will be critical to maintaining their confidence as we solidify and adjust to many of the changes that have occurred within the group. During the year we also began to execute our plan to broaden our shareholder base by targeting large institutional assets managers. We will also engage larger boutique investment houses,

lapsed investors and selected international investors over the next 12 to 18 months.

We continue to benefit from the knowledge and support of our board members. During the year our board was strengthened through the appointment of Mr Antony Ball and Mr Sam Sithole from VCP and Mr Brett Dawson and Mr Stewart van Graan, previously of Dimension Data and Dell SA, respectively. We believe that the guidance that our board and these members provide will boost investor confidence in the group.

Investors

Results presentations	Interim and year-end results presentations to investors, analysts and media
One-on-one meetings	Ongoing and ad hoc meetings with key investors at the time of the results, i.e. Coronation, Sanlam, Denker, Kagiso, Centaur
Pre-close lunches organised by brokers (Avior and Prescient)	Biannual lunch meetings (August and February) targeting 30 analysts and portfolio managers
Digital communication channel	The digital communication channel continues to receive positive feedback with a survey conducted revealing that 95% of respondents felt it was a good source of information on the group. There were several recommendations on improving it which will be accommodated where possible

Media

Proactive engagements	Media updates and conferences Ongoing engagements regarding topical issues Reputation and crisis management
Digital engagements	Ongoing online community development and social media interaction Social media crisis management Monitoring and tracking of social media sentiment
Press releases	Press releases ad hoc Timely responses to market events
Media meetings and round tables	Set-piece media round tables on particular themes Biannual strategy updates



We set certain objectives for Altron's media relations for the 2018 fiscal year and beyond. The first was to reposition Altron's brand and better define its strategy to the external market including shareholders, analysts and customers. We are redefining the Altron brand in line with our new strategy. The second objective was to demonstrate that our performance milestones and our commitments to investors were being met. We have met many of our performance milestones and shown through our press releases, results announcements and chief executive presentations that we are making progress against our goals regarding revenue growth, global expansion, consolidation of operations, divestments and values-driven leadership. Part of this effort is to give context to Altron's different vertical business pillars, the significance of our focus areas for growth and how we believe they can increase profitability and deliver shared value to shareholders, communities, customers and employees.

We have set some key objectives to position Altron as a thought leader in ICT, demonstrate our

sector expertise and position our divisional managing directors and specialists within our operations as spokespeople who are experts in their fields. Altron has a significant knowledge base and technical expertise to share and we have not fully capitalised on the opportunities this presents for us to position ourselves as expert advisers in our field. We have work to do in this regard and will put our efforts towards building and executing thought leadership opportunities and campaigns in the new fiscal year. With our executive team in place we can now identify the appropriate platforms for their respective communications and conduct training for media briefings.

Since his appointment in March 2017, our chief executive has been the face of Altron, working to position the group as an attractive investment with a sound plan for sustainable growth and the capabilities to execute the plan with excellence. Our next objective is to position the Altron voice alongside the chief executive voice, ensuring the messages are consistent. We expect to achieve this objective during the 2019 fiscal year.

GOVERNMENT AND PARASTATALS

BUSINESS CONTEXT

Compliance with all applicable regulation affecting the group is paramount for Altron. A number of changes to government policies and strategies were implemented during the past two years that are relevant to the ICT industry and to Altron specifically. We engage frequently with government entities regarding policy and strategy updates to ensure we understand the implications for our business and the best way to respond and address these changes.

As an active corporate citizen in the ICT industry Altron communicates openly and regularly with government regarding the inherent competitiveness of the industry, new technologies and trends, and legislative direction in order to stay abreast of industry developments.

OUR PERFORMANCE

Government represents both a customer and a regulator for Altron. As such our relationships with government are broad and span our client management function, government relations function and our executive team. We aim to respond proactively to opportunities for long-term government contracts as well as to proposed changes in legislation and industry developments.

We engage on various matters such as government projects, policy and regulatory affairs, applications for wayleaves, licences issued by Independent Communications Authority of South Africa (ICASA) and CSI.

There are a number of specific legislative directives that

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**FOR ALTRON, GOVERNMENT
IS BOTH A CUSTOMER AND
A REGULATOR.**”

recently changed and have had an impact on Altron. They include the Cybercrimes and Cybersecurity Bill, the National Integrated ICT Policy White Paper (NIIP) and its associated policies, the B-BBEE Codes applicable to the ICT Sector Code and some policies that impact the ARH operations specifically.

The Cybercrimes and Cybersecurity Bill provides for the identification and declaration of critical information infrastructures (CIIs) and implementation of measures to protect CIIs. The Bill has implications for operations such as BSI as an electronic communications service provider that processes data and provides information security for its customers. Significant implications to Altron include the investment required in compliance systems, training and the investigation of cybercrimes and the resources required to report them. The Bill also creates an opportunity for Altron to position its operations that have expertise in security as a partner of choice for security to the ministries such as the Department of Telecommunications and Postal Services and the Department of Justice and Constitutional Development.

The NIIP was approved by cabinet in October 2016. It deals with government's ambitious plans with respect to the Sustainable Development Goals published in the NDP 2030. The NIIP sets out the framework of how government intends to provide access to modern communications infrastructure and services to facilitate the entry of new players and meaningful participation of all citizens, including those

in rural and underserved areas. The NIIP seeks to promote the extension and deployment of networks in rural and underserved areas to support inclusive economic growth. The NIIP also outlines the policy framework for the transformation of South Africa into an inclusive and innovative digital and knowledge society.

The NIIP introduces the establishment of a new "ICT Regulator" that will focus on the regulation of telecommunications and postal networks and services. The impact for Altron includes the potential for delays or increased costs for licences and transfers, and increased compliance costs. The NIIP also introduces the new "Wireless Open Access Network (WOAN)" to operate on the open access principles of the Electronics Communications Act, No. 36 of 2005. All network providers will be required to offer network services in line with the principles of open transparent access and on a non-discrimination basis. By removing infrastructure competition from the market, competition will be limited to service quality. The standardised network will limit service providers' ability to innovate based on technology, which implies that Altron (ARH) will have to adopt other means to innovate and remain competitive in terms of its technology. At the same time it provides an opportunity for revenue generation as our Altech Fleetcall division will gain more traffic on its network. The legislative changes from the NIIP also create an opportunity for the divisions within Altron to align their product offering with these key aspects of the NIIP and position themselves accordingly.

Altron intends to continue its engagement with government stakeholders to address the challenges and the opportunities that these changes represent. There is a significant opportunity for Altron to expand its solutions to capitalise on potential revenue generation possibilities presented by the changes. We are very proud to be participants in the NDP Ambassadors initiative. This initiative identifies young entrepreneurs to be mentored by private sector partners to champion the 14 principles of the NDP. Through this initiative four young entrepreneurs will be mentored by our Altech Netstar, BSTS, BSI and Bytes MS operations.

In terms of our relationship with government as a customer, an example of our performance during the year is a contract that ARH secured with the Limpopo Provincial Government to establish an open-access broadband infrastructure network. This builds on similar large broadband networks already secured by ARH. We are proud of our contribution to these initiatives that continue to transform communities through broadband access. Please refer to the Products and services section (page 52) for more information and examples.



COMMUNITY AND THE ENVIRONMENT**BUSINESS CONTEXT**

Businesses are facing a new paradigm. It is therefore imperative to create long-term practices that do more to respect the environment, and the well-being of internal and external stakeholders and the prospects of future generations. Of equal importance, businesses are also expected to improve profitability, fund innovation and increase market share for current stakeholders. In this context of often competing demands on company resources, Altron seeks opportunities for mutual benefit.

OUR PERFORMANCE

We recognise that the most significant role we can play in supporting the environment and the communities in which we operate is through CSI, SED and leveraging our knowledge and technologies to address key societal needs in terms of safety and security, learning and development, healthcare and financial inclusion and using our natural resources responsibly.

As we have nearly completed divestment of non-core operations and are becoming an ICT-focused company, we are planning to review and align our sustainability priorities to our new One Altron strategy and the ICT sector within the new fiscal year.

SOCIO-ECONOMIC DEVELOPMENT

Our SED initiatives aim to be a catalyst for economic growth and employment within the ICT sector. As such, we have invested in ICT-based skills development programmes in KwaMashu, KZN and Soweto, Gauteng. These programmes have been developed in partnership with PROTEC (Programme for

Technological Careers) and BPS and offer unemployed youths the opportunity to enrol in learnerships in end-user computing and technical support and systems support over a three-year period, with potential employment opportunities within the Altron group on completion of the three-year learnership. The training centres also offer grade 10 to 12 students programmes in maths, English and science and provides them with access to libraries and a science laboratory at our KwaMashu centre. We fund the cost of the training and the operation of the centres, as well as a stipend for each learner.

During the 2018 financial year 40 students completed the one-year learnership in end-user computing at our KwaMashu centre and have embarked on their second year learnership in technical support. Our centre in Soweto has been in operation for two years and offers a three-year learnership. The 50 learners who were part of the first intake in 2016 graduated in October 2017 and 44 have continued on to the second year of technical support.

We track the progress of the programmes and learners through monthly meetings and aim to address any issues with immediate effect. For example, where learners found employment and chose to leave the programme before completion, we identified new learners to take their place so as to ensure a full intake of students each year. A skills analysis of our operations has shown a demand for Java developers and we are currently identifying and sourcing providers that can assist in providing this training as part of the learnership programmes.

To address the demand for participation in these programmes, the centre delivers programmes on Saturdays and during school holidays.

CORPORATE SOCIAL INVESTMENT

We allocate a portion of our revenue to CSI projects that focus on education, training and community development.

40

STUDENTS COMPLETED THE ONE-YEAR LEARNERSHIP IN END-USER COMPUTING AT OUR KWAMASHU CENTRE

26

UNIVERSITY STUDENTS FROM AROUND THE COUNTRY WERE AWARDED BURSARIES AS PART OF A TALENT-BASED SCHEME AIMED AT ATTRACTING AND RETAINING EXCEPTIONAL INDIVIDUALS

BRINGING INNOVATION THAT MATTERS

We aim to use our knowledge and expertise as well as our suite of products and service offerings to address critical societal needs. Many of our innovations in this regard are discussed in the Products and services section (page 52).

One of our key focus areas is skills development. For example, MediSwitch has engaged in an initiative to provide learning to medical students regarding how to operate as a business. Although medical students receive excellent clinical training, they often graduate not knowing how to run a practice as a business. MediSwitch helps to change this by giving graduating medical students guidance on starting a practice. The company's practice management talks cover a range of topics such as which medical bodies to register with, the importance of location, practice administration, management of patient records, claims and online payments, as well as improving cash flow. We currently offer the talks once per year to dentistry and medical students and have trained 200 students since 2014.

We also provide bursaries, learnerships and training through BDS, ARH, BPS and Altech Netstar. In a bid to reduce the problem of graduate skills mismatch with the labour market and reduce unemployment, the Altron Group Bursary Scheme prepares university students to be job-ready, while assisting with the costs of their tuition. During the year under review the Bursary Scheme awarded 26 university students from around the country with individual bursaries as part of a talent-based scheme aimed at attracting and retaining



WE AIM TO LEVERAGE OUR TECHNOLOGY SOLUTIONS TO BRING INNOVATION THAT MATTERS.



exceptional individuals who can contribute to the company's success once they have graduated.

The ARH division had an objective to invest in a meaningful project that would result in a change to the skills shortage and unemployment levels in our country. As part of the compliance requirements, under Skills Development on the Amended Codes, ARH embarked on an initiative referred to as the Thuthukani Bahumi Project, meaning "to grow and prosper". To kick off the programme 46 people from historically disadvantaged backgrounds and living with a disability were selected to participate in the programme that will provide them with business administration skills. The aim is to support them throughout a four-year programme that will provide them with a NQF level 5 qualification, which is equivalent to a National Diploma.

In FY18 Altech Netstar launched a 12-month learnership programme for five young people with hearing impairments. These learners will be trained and developed to monitor the feeds coming in from the surveillance equipment installed in PUTCO buses. This is one of the many ways Altron aims to be more accommodating and inclusive of people with disabilities.

AAD is collaborating with the Resolution Circle's Workplace Integrated Learning programme to train young engineers in cell phone repair. This will ensure that they can start their own businesses within their communities. AAD has provided cell phone repair kits to support the training initiative.

Altron has also invested, via ARH, R4 million in installing ICT laboratories in three Gauteng schools.

THE ENVIRONMENT

Our transformation to a predominantly service-based organisation has significantly reduced our environmental footprint.

With regard to tracking our environmental data, we began separating our core and non-core operations during FY17 and this continued in FY18 as the sale of assets proceeded. We are now in a position to assess our environmental baseline and set efficiency targets against that baseline.

The disposal and closure of non-core facilities in FY18 has led to significant reductions in all environmental indicators. The biggest contributor to these reductions has been the 30 June 2017 disposal of Powertech Battery Group. Overall in FY18, Altron sourced 97 710 kl of water, less than half



OPERATING CONTEXT [Continued]

of that used in FY17. Similarly, waste generation has halved in FY18 (from 22 412 tonnes in FY17 to 11 597 tonnes in FY18) utilisation. The decline in electricity consumption has been the most significant (from 86 196 MWh in FY17 to 18 515 MWh in FY18) – this is in line with our transformation from a manufacturing, to a predominantly service-based organisation.

Since 96% of the group's total waste is produced by non-core operations, our total waste figure rose in 2017 as a result of Altron Power's total waste increasing from 14 960 tonnes to 21 422 tonnes. This was mostly due to the business's disposal of hazardous waste generated through Powertech's battery recovery activities.

Altron did not participate in the Carbon Disclosure Project's (CDP) climate change programme during 2018. We hope to reinstate our voluntary participation in the future.

At Altron, we believe that technology recovery and recycling can significantly contribute to the reduction of e-waste and the protection of our environment. Through our operations, AAD, BDS and Bytes MS, we recycle smart phones, packaging and toners, and other e-waste. For example, by partnering with 3R Mobile, AAD has given its support to the technology recycling process by assisting with the return of pre-owned and refurbished smart phones back to the marketplace. Recycling technology achieves two objectives: it reduces the e-waste footprint of the smart phone industry and it makes smart phone technology more accessible to a wider audience via affordable pricing. In addition,

AAD has assisted in making smart phones more accessible by donating 4 000 recycled smart phones (R300 000) to CANPRO for use in their community YES programme.

We continue to encourage recycling of waste, especially glass, paper, plastic and metals within our office environments.

LOOKING AHEAD

The year ahead shows promise for our investor and media relationships as the sale of assets and restructuring processes are concluded in favour of a more stable environment. Altron's efforts for the upcoming year will be to continue implementing the plans we put into motion during FY18. With regard to investor relations, we will continue to concentrate on nurturing and enhancing our shareholder relationships and investor confidence, and execute our plans to broaden our shareholder base through targeted engagements with lapsed, boutique and institutional investors. With respect to media relations, we will continue to position Altron as a cohesive unit with the expertise to be a trusted adviser in the industry and for our clients.

Our efforts going forward in terms of engagement with government as regulator and customer encompasses several objectives. We will continue to participate in industry stakeholder engagements and to engage through industry memberships such as SACF, BUSA, BLSA and NBI. We will also participate in industry steering committees pertinent to the policies that have significant implications for Altron. Examples are the Steering Committee on Rapid Deployment, and industry working groups such as the Working Group on Infrastructure Connectivity which is part of the Department of Telecommunications and Postal Services' initiative "Internet For All".

With the implementation of the new One Altron strategy, it is now necessary for us to align our sustainability efforts and how we manage and address our impact on communities and the environment. This will be done in 2019.

// **TECHNOLOGY CAN
PLAY A MAJOR ROLE
IN REDUCING THE
ENVIRONMENTAL IMPACT
OF OUR OPERATIONS.** //



GLOSSARY

23GT	2023: Growing through Transformation
Altron Limited	Allied Electronics Corporation Limited
AAD	Arrow Altech Distribution
AAM	Altech Alcom Matomo
AFC	Altech Fleetcall
AGM	annual general meeting
AGS	Altron Group Services
ARD	Altech Alcom Radio
ARH	Altech Radio Holdings
B-BBEE	broad-based black economic empowerment
BDS	Bytes Document Solutions
BLSA	Business Leadership South Africa
BPS	Bytes People Solutions
BSI	Bytes Systems Integration
BSTS	Bytes Secure Transactions Solutions
BUS	Bytes Universal Systems
Bytes MS	Bytes Managed Solutions
CIIs	critical information infrastructures
Companies Act	Companies Act of South Africa, No. 71 of 2008, as amended
CSI	corporate social investment
EAP	employee assistance programme
EBITDA	earnings before interest, tax, depreciation and amortisation
GRCS	governance, risk, compliance and sustainability
GRI G4 guidelines	Global Reporting Initiative's (GRI) G4 Sustainability Reporting guidelines
IAR	integrated annual report
ICASA	Independent Communications Authority of South Africa
ICT	information and communications technology
IFRS	International Financial Reporting Standards
IoT	Internet of Things
<IR> Framework	International Integrated Reporting Council's Integrated Reporting (<IR>) Framework
JV	joint venture
JSE Listings Requirements	JSE Limited Listings Requirements
King IV Report or King IV	King IV Report on Corporate Governance for South Africa 2016
KZN	KwaZulu-Natal
mSCOA	municipal Standard Chart of Accounts
NDP	National Development Plan
NIIP	National Integrated ICT Policy White Paper
NNOC	national network operations centre
PRASA	Passenger Rail Agency of South Africa
R&D	research and development
ROCE	Return on capital employed
RTT	real-time training solution
SADC	Southern African Development Community
SAMRAS	South African Municipal Resource Administration System
SAPO	South African Post Office
SEC	Social and Ethics Committee
SED	socio-economic development
SVR	stolen vehicle recovery
VCP	Value Capital Partners





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