ALTRON

ANNUAL FINANCIAL STATEMENTS

FOR THE YEAR ENDED 28 FEBRUARY 2019

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ALLIED ELECTRONICS CORPORATION LIMITED

Registration number: 1947/024583/06
Share code: AEL
ISIN: ZAE000191342

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

Mr A Holden, Chief Operating Officer and Mr C Miller, CA(SA), Chief Financial Officer, was responsible for the supervision of the preparation of the financial statements.

The annual financial statements for the year ended 28 February 2019 were approved on 8 May 2019.

DIRECTORS' REPORT

To the shareholders of Allied Electronics Corporation Limited ("Altron" or "Altron Group")

The directors hereby submit the annual financial statements of the Altron Group for the year ended 28 February 2019.

NATURE OF BUSINESS

Altron is a leading ICT business, operating in a number of geographies. Its principal subsidiaries are Altron TMT Proprietary Limited (which includes various operating divisions), Netstar Proprietary Limited and the balance of the Netstar Group (including its Australian operations), Altron Nexus Proprietary Limited (previously known as Altech Radio Holdings Proprietary Limited), Bytes Software Services Limited and Phoenix Software Limited, both in the UK and the Altron Rest of Africa operations.

FINANCIAL RESULTS

Particulars of the Altron Group attributable earnings and earnings per share for the year ended 28 February 2019 are given in the consolidated statement of comprehensive income, whilst particulars of the Altron Group headline earnings per share for the year ended 28 February 2019 are given in note 25 of the consolidated financial statements.

Full details of the financial position, cash flows and results of the Altron Group are set out in these consolidated financial statements.

DIVIDENDS

At an Altron board meeting held on 24 October 2018, the board resolved to declare and pay an interim dividend of 28 cents per share in respect of the period ended 31 August 2018. At an Altron board meeting held on 8 May 2019, the board resolved to declare and pay a final dividend of 44 cents per share, with total dividends for the year of 72 cents per share in respect of the financial year ended 28 February 2019.

SUBSIDIARIES, ASSOCIATE COMPANIES AND OTHER INVESTMENTS

Particulars of the principal subsidiaries of the Altron Group are given in note 2 of the separate financial statements and note 44 of the consolidated financial statements, whilst particulars of the associate companies, joint ventures and other investments are provided in note 44 of the consolidated financial statements.

CORPORATE ACTIVITY DURING THE YEAR

ACQUISITION OF THE iS PARTNERS GROUP

Effective 1 September 2018, Altron, through its wholly-owned subsidiary, Altron TMT Proprietary Limited, acquired the entire issued share capital of iS Partners Proprietary Limited ("iS Partners"), including, *inter alia*, its primary subsidiary, Karabina, for a purchase consideration of R225 million in cash. Subsequent to the acquisition, iS Partners has been divisionalised into Altron TMT Proprietary Limited and has been renamed Altron Karabina.

The acquisition complements Altron's existing ICT offering. Altron Karabina provides a strong and strategic platform through which a standalone Microsoft-focused business is created within Altron and which will be the only business unit within Altron (other than Bytes UK) to provide solutions and services based on a Microsoft strategy. The Company's strategic growth areas focus on Cloud, Data Analytics, Smart IoT and Security. Altron has included its existing Microsoft business offering into Altron Karabina in building a Cloud and Data Analytics business of scale.

The acquisition contributed revenue of R105 million and a net profit after tax of R6 million to the Altron Group for the current year under review. Goodwill of R148 million and intangible assets relating to customer relationships and trade names of R49 million were recognised on the acquisition date, which relate to the expected future synergies flowing from Altron's intention to increase its footprint in the Microsoft environment in South Africa.

ACQUISITION OF THE BUSINESS OF CAPE OFFICE MACHINES PROPRIETARY LIMITED ("CAPE OFFICE MACHINES")

Effective 1 May 2018, Altron TMT Proprietary Limited, through its Altron Bytes Document Solutions division, acquired the business of Cape Office Machines for R14 million. The acquisition contributed revenue of R41 million and a net profit after tax of R1 million to the Altron Group.

DISPOSALS DURING THE YEAR

The disposals concluded during the year related to non-core assets as referred to in note 41 of the consolidated financial statements. During the year, Altron successfully disposed of the assets in Altech UEC/ Multimedia and the Powertech Transformers group business, which represented the last of Altron's non-core control assets.

CORPORATE ACTIVITY SINCE YEAR-END

Acquisition of 64.59% of Genbiz Trading 1001 Proprietary Limited t/a Aloe Office and Business Equipment and renamed Altron Aloe Proprietary Limited ("Altron Aloe")

Effective 1 March 2019, Altron TMT SA Group Proprietary Limited acquired a 64.59% interest in Altron Aloe for R10 million. This business forms part of Altron TMT Proprietary Limited's Altron Bytes Document Solutions division.

Further to the above, there has been no corporate activity in the Altron Group as at the date of this report.

SHARE SCHEMES

Particulars relating to The Altron 2009 Share Plan are set out in note 12 to the consolidated financial statements.

GENERAL AUTHORITY TO ISSUE SHARES

The remaining unissued A ordinary shares are the subject of a general authority granted to the directors in terms of, among others, the Companies Act, 2008, as amended and which authority remains valid only until the next annual general meeting which will be held on Wednesday,10 July 2019. At that meeting, shareholders will be asked to place 5% of the unissued ordinary shares under the control of the directors. Shareholders will also be asked to waive their pre-emptive rights in favour of the directors.

DIRECTORATE

APPOINTMENTS DURING THE YEAR

The board announced the appointment of Ms Berenice Francis as independent non-executive director, with effect from 21 June 2018. The board also announced the appointment of Dr Phumla Mnganga as independent non-executive director, with effect from 1 February 2019.

APPOINTMENTS AFTER YEAR-END

On 14 March 2019, the board announced the appointment of Mr Cedric Miller as executive financial director and chief financial officer ("CFO") of Altron, with effect from 1 May 2019. Following Mr Miller's appointment, Mr Andrew Holden, the Altron Group COO, who also assumed the role of acting CFO on 20 October 2019, stepped down as acting CFO, with effect from 30 April 2019. Prior to Mr Holden, Mr Tim Jacobs assumed the position of acting CFO for the period 1 March 2018 until 19 October 2018.

RESIGNATIONS AND/OR RETIREMENTS

During the year under review, the board bid farewell to Dr WP Venter, Chairman Emeritus and the founder of Altron some 53 years ago. Dr Venter took the decision to retire as non-executive director of the Altron board, with effect from 31 July 2018.

Dr Penuell Maduna and Ms Dawn Mokhobo also retired as independent non-executive directors from the board, with effect from 28 February 2019.

RETIREMENTS BY ROTATION

Messrs MJ Leeming and RE Venter retire from the board in accordance with articles 25.6.1 and 25.17 of the company's memorandum of incorporation. Dr P Mnganga and Mr C Miller have offered themselves for election to the board in accordance with articles 25.5 and 25.6.1 of the company's memorandum of incorporation.

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

SECRETARIES

Altron Management Services Proprietary Limited act as the secretaries to the company. This role is assumed by Mr WK Groenewald FCIS. The secretaries' business and postal addresses appear in the integrated annual report at www.altron.com.

DIRECTORS' REPORT
(continued)

SEGMENT REPORTING

Segment information is included in note 45 of the consolidated financial statements.

Adjusted EBITDA (before capital items) for the year were as follows:

	2019 Rm	2018 Rm
Altron ICT	**1 129**	884
Altron Netstar	**582**	490
Altron Arrow	**29**	33
Corporate and consolidation	**(107)**	(94)
Normalised continuing operations	**1 633**	1 361

DIRECTORS' INTERESTS

At 28 February 2019, the directors of the company held direct and indirect interests, in 152 559 825 of the company's issued ordinary shares (2018: 131 332 418). Details of shares held per individual director are listed below. A total of 3 780 455 share appreciation rights, performance share awards and bonus share grants are allocated to directors in terms of the company's employee share scheme.

As at 28 February 2019 and as at the date of publication of the preliminary financial results on 9 May 2019	Direct beneficial A ordinary shares	Direct non-beneficial A ordinary shares
BW Dawson	**2 721 088**	–
GG Gelink	**18 000**	–
MJ Leeming	**3 676**	–
M Nyati	**538 333**	–
RE Venter	**244 015**	–
Dr WP Venter*	**8 740 419**	–
Total	**12 265 531**	–

	Indirect beneficial A ordinary shares	Indirect non-beneficial A ordinary shares
AB Ball/ S Sithole**	**83 780 172**	–
MJ Leeming	**321 879**	–
Dr WP Venter***	**56 192 243**	–
Total	**140 294 294**	–

**Dr WP Venter retired as non-executive director of Altron with effect from 31 July 2018.*

***The total number of shares controlled by Value Capital Partners Proprietary Limited through its Fund and associates.*

****Held through Biltron Proprietary Limited.*

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

PUBLIC AND NON-PUBLIC SHAREHOLDERS (AS AT 29 MARCH 2019)

A ordinary shares	Number of shareholders	%	Number of shares	%
Non-public shareholders	**7**	**0.13**	**87 627 163**	**21.95**
Directors and Associates of the Company	7	0.13	87 627 163	21.95
Public Shareholders (including Treasury Shares)	**5 292**	**99.87**	**311 753 409**	**78.05**
Total	**5 299**	**100.00**	**399 380 572**	**100.00**

MATERIAL SHAREHOLDERS

Beneficial shareholders (excluding directors) holding 5% or more of the company's listed A ordinary shares as at 28 February 2019 were the following:

A ordinary shareholders	Number of shares	%
Value Capital Partners	**83 780 172**	**20.98**
Coronation Asset Management	**82 233 496**	**20.59**
Biltron	**56 192 243**	**14.07**
Sanlam Investment Management	**40 702 438**	**10.19**
Total	**262 908 349**	**65.83**

SPECIAL RESOLUTIONS

The company passed five special resolutions during the year ended 28 February 2019:

- Approving the remuneration of the non-executive chairman.
- Approving the remuneration of the non-executive directors.
- Approving the remuneration payable to non-executive directors participating in statutory and board committees.
- Approving the remuneration payable to non-executive directors for participating in special/unscheduled board meetings and *ad hoc* strategic planning sessions.
- Approving financial assistance to employee share scheme beneficiaries and related or inter-related companies and corporations. The authority granted by shareholders through this special resolution was used as part of a refinancing of the Altron Group's facilities at more favourable terms to the company, effective 28 February 2019.

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

CORPORATE GOVERNANCE

On 1 November 2016, the Institute of Directors of Southern Africa (IODSA) and the King Committee released the King IV Report on Corporate Governance in South Africa ("King IV™"). King IV became effective for organisations with a financial year that starts on, or after, 1 April 2017. Subsequently, the JSE issued a guidance letter on 22 May 2017 stating that it requires the application and disclosure of the King IV corporate governance amendments on any documents (including, *inter alia,* annual reports) submitted to the JSE on or after 1 October 2017.

The board endorses the contents of the King IV™ and has satisfied itself that Altron has complied throughout the period in all material aspects with King IV™ and with the JSE Listings Requirements. Certain aspects of the Altron 2019 Corporate Governance Report are set out in the integrated annual report at www.altron.com.

Altron's application of the King IV Principles is contained in the Altron 2019 Corporate Governance Report which appears in the 2019 Integrated Annual Report at www.altron.com.

DIRECTORS' REPORT
(continued)

DIRECTORS' EMOLUMENTS

The individual director's emoluments paid in respect of the financial year under review are contained in the Altron 2019 Remuneration Report forming part of the 2019 Integrated Annual Report at www.altron.com and in note 17 of the consolidated financial statements.

REPURCHASED EQUITY SECURITIES

No securities of Altron were repurchased in the current year.

BORROWING POWERS AND RESTRICTIVE FUNDING ARRANGEMENTS

In terms of its memorandum of incorporation, Altron has unlimited borrowing powers. At 28 February 2019, unutilised borrowing facilities amounted to R1 168 million (2018: R884 million).

In terms of the provisions of section 45(5)(a) of the Companies Act and pursuant to the special resolution passed at the annual general meeting of the company held on 1 August 2018 authorising the board to provide direct or indirect financial assistance to related and inter-related parties, the board adopted a resolution during the financial year in terms of section 45(3)(b) of the Companies Act authorising the company to refinance the Altron Group's facilities, as announced through SENS on 7 March 2019.

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

ISSUES FOR CASH

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

DIRECTORS' RESPONSIBILITY STATEMENT

The directors are responsible for the preparation and fair presentation of the consolidated and separate annual financial statements of Altron, comprising the statements of financial position at 28 February 2019, and the statements of comprehensive income, changes in equity and cash flows for the year then ended, and the notes to the financial statements which include a summary of significant accounting policies and other explanatory notes, Annexure 1 and Annexure 2, in accordance with International Financial Reporting Standards (IFRS) as issued by the International Accounting Standards Board (IASB) and Interpretations as issued by the IFRS Interpretations Committee (IFRIC), the SAICA Financial Reporting Guides as issued by the Accounting Practices Committee (APC), Financial Reporting Pronouncements as issued by the Financial Reporting Standards Council (FRSC), the JSE Listings Requirements and the requirements of the Companies Act, and the directors' report.

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

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

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

APPROVAL OF CONSOLIDATED AND SEPARATE ANNUAL FINANCIAL STATEMENTS

The consolidated and separate annual financial statements of Altron, as identified in the aforementioned paragraph, were approved by the board of directors on 8 May 2019 and signed on its behalf by:

For: **Allied Electronics Corporation Limited**

MJ Leeming Chairman	**M Nyati** Chief Executive	**C Miller** Chief Financial Officer

8 May 2019

CERTIFICATE FROM THE COMPANY SECRETARIES

In terms of section 88(2)(e) of the Companies Act No. 71 of 2008, as amended, we certify that to the best of our knowledge and belief the company has lodged with the Companies and Intellectual Property Commission all such returns as are required of a public company in terms of the Companies Act No. 71 of 2008, as amended, in respect of the year ended 28 February 2019 and that all such returns are true, correct and up to date.

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

REPORT OF THE ALTRON AUDIT COMMITTEE

We are pleased to present our report for the financial year ended 28 February 2019. The Altron Audit Committee ("the Committee") is an independent statutory committee. Duties are delegated to the Committee by the Board of Directors ("the board") of Allied Electronics Corporation Limited ("Altron").

The scope of the Committee extends to all activities of Altron and its subsidiaries, both locally and internationally. The Committee also acts as the statutory Audit Committee of Altron Finance Proprietary Limited, Altron TMT Holdings Proprietary Limited, Altron TMT SA Group Proprietary Limited, Altron TMT Proprietary Limited (which contains Altron's operating divisions) and Bytes Technology Group Proprietary Limited. The Netstar Group, Altron Nexus Proprietary Limited, Arrow Altech Holdings Proprietary Limited and the Bytes UK Group (as from FY20) have their own financial review and risk committees, with reporting to the Committee.

AUDIT COMMITTEE MANDATE AND TERMS OF REFERENCE

The Committee operates in terms of a formal mandate and terms of reference that has been approved by the board. During the past financial year, the Committee mandate and terms of reference have been reviewed and, where appropriate, updated to align with the Altron Group structure and corporate governance best practice. The Committee has conducted its affairs in compliance with its mandate and terms of reference and has fulfilled its responsibilities contained therein. The mandate and terms of reference is available on request from wkgroenewald@altron.com.

AUDIT COMMITTEE MEMBERS AND ATTENDANCE AT MEETINGS

During the financial year, the Committee comprised of three independent, non-executive directors and meets at least three times per annum as per the Committee mandate and terms of reference. The Altron Chief Executive, Chief Financial Officer, Group Executives (as appropriate from time to time), Head of Internal Audit, the External Auditor and other service providers (such as the Altron Tax manager and Altron Finance Manager) attend meetings by invitation. The Chairman of the Committee meets regularly with the Chief Financial Officer, the External Auditor and the Head of Internal Audit, as well as Risk and Compliance management. The chairman of the Altron Risk Management Committee attends the Committee meetings to ensure that material matters are addressed by both these committees, as appropriate.

During the year under review, three formal meetings were held, with attendance by Committee members at these meetings, as well as their qualifications, set out in the table below. The Committee members also held a number of discussions during the year to adequately prepare for matters formally addressed by the Committee in line with its mandate and terms of reference.

Members	Qualifications	May 2018	October 2018	February 2019
GG Gelink (Chairman)	CA(SA), BCompt (Hons), BCom	Yes	Yes	Yes
BJ Francis	BCompt (Hons), MBA, CIA	Yes	Yes	Yes
SW van Graan	BCom (Hons), PMD	Yes	Yes	Yes

ROLES AND RESPONSIBILITIES

The Committee's roles and responsibilities include its statutory duties as per the Companies Act, 71 of 2008, as amended ("the Companies Act"), King IV Code on Corporate Governance and the responsibilities assigned to it by the Altron Board.

STATUTORY DUTIES

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

- In line with Altron's approach to mandatory audit firm rotation, nominated the appointment as External Auditor of the Company for the financial year ended 28 February 2019, PricewaterhouseCoopers ("PwC"), a registered auditor which, in the opinion of the Committee, is independent of the company and the Altron Group. The appointment of PwC as External Auditor was approved by Altron shareholders during the Company's annual general meeting held on 1 August 2018.
- Determined the fees to be paid to the External Auditor and their terms of engagement.
- Ensured that the appointment of the External Auditor complies with the Companies Act, and any other legislation relating to the appointment of auditors.
- Determined the nature and extent of those non-audit related services that the External Auditor may provide to the Company and the Altron Group.
- Pre-approved any proposed agreement with the External Auditor for the provision of non-audit related services to the company and the Altron Group.
- Discharged those statutory obligations of an Audit Committee as prescribed by section 94 of the Companies Act, acting in its capacity as the appointed Audit Committee of the Altron Group subsidiaries, the material subsidiaries which conduct their activities through the respective Financial Review and Risk Committees.

EXTERNAL AUDITOR APPOINTMENT AND INDEPENDENCE

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

The Committee, in consultation with Altron executive management, agreed to the engagement letter, terms, audit plan and budgeted audit fees for the financial year ended 28 February 2019.

There is a formal written policy and procedure (incorporating an authority matrix) that governs the process whereby the External Auditor is considered for providing non-audit related services. The Committee has in place approved terms for the provision of non-audit related services by the External Auditor, and approved the nature and extent of non-audit related services that the External Auditor may provide.

The Committee has nominated, for re-appointment at the annual general meeting, PwC as the External Auditor of Altron for the financial year ending 29 February 2020. It has further satisfied itself that PwC, the individual auditor, as well as the reporting accountants, are accredited and appear on the JSE List of Accredited Auditors. Furthermore, the Committee has satisfied itself that PwC, the audit firm of Altron's major subsidiaries is not disqualified from acting as such.

The Committee has nominated, for re-appointment, Ms Alinah Motaung, as the designated auditor/lead audit partner for the Altron Group as required in terms of section 92(1) of the Companies Act and the JSE Listings Requirements.

INTERNAL FINANCIAL CONTROLS

Based on the results of the formal documented review of the design, implementation and effectiveness of the Altron Group's system of internal financial controls conducted by the Internal Audit function during the financial year ended 28 February 2019, and in addition, considering information and explanations given by management plus discussions held with the External Auditor on the results of their audit, the Committee is of the opinion that the Altron Group's system of internal financial controls is effective and forms a basis for the preparation of reliable financial statements. No material findings have come to the attention of the Committee to indicate that any material breakdown in internal controls has occurred during the financial year under review.

FINANCIAL STATEMENTS

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

During the current year, the group undertook a detailed review of the contracts with customers and vendors in respect of specific business operations. Upon conclusion of this process, the group discovered that the terms and conditions of certain contracts had not been correctly accounted for historically. The following matters were identified:

The group sells goods under finance lease arrangements in certain parts of its business. As part of these transactions, the group enters into back-to-back arrangements with an external party to receive cash from the transaction on day one. As the customer settles the monthly lease instalments with the group, the group settles its monthly instalments with the external financier. In previous years, the finance lease asset and the finance lease liability were set off on presentation in the balance sheet. Upon analysis of the IFRS requirements for set off, i.e. that the group currently has a legally enforceable right to set off the recognised amounts and intends either to settle on a net basis, or to realise the asset and settle the liability simultaneously, were not met. Due to the offset requirements not being met in accordance with the requirements of IFRS, the finance lease asset and finance lease liability needed to be presented separately on the balance sheet and as a result the comparative balances were accordingly restated.

The group enters into arrangements in terms of which they act as a clearing/collecting agent on behalf of certain merchants. In terms of these arrangements, the group collects that cash on behalf of the merchant which is paid into the group's bank account, after which it is paid over by the group to the merchant immediately once the payment clears on the bank account. In prior years, the group netted the amounts received into its bank account and the amounts payable to the merchant when presenting its balance sheet. Upon reflection, it was concluded that the balance sheet presentation as previously applied was not appropriate and the cash received as well as the payable to the merchant should have been included on a gross basis, resulting in the comparative balances being restated.

REPORT OF THE ALTRON AUDIT COMMITTEE
(continued)

As a consequence, these contracts had an impact on the presentation and disclosure of the prior year balances in the financial statements and it has been restated accordingly, refer to note 43 of the consolidated financial statements for the detailed disclosure.

GOING CONCERN

The Committee reviewed a documented assessment by management of the going-concern premise of the company and the Altron Group before recommending to the Board that the company, as well as the Altron Group, will be a going concern in the foreseeable future.

EXPERTISE AND EXPERIENCE OF FINANCIAL DIRECTOR AND FINANCE FUNCTION

The Committee considered and was satisfied with the expertise and experience of the individuals who assumed the position of Acting Chief Financial Officer during the year ended 28 February 2019. Subsequent to year-end, Altron has appointed Mr Cedric Miller as Executive Financial Director and Chief Financial Officer of Altron with effect from 1 May 2019. The Committee is satisfied that Mr Miller has the appropriate expertise and experience as required in terms of paragraph 3.84(g) of the JSE Listings Requirements to assume this role.

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

DUTIES ASSIGNED BY THE BOARD

The Committee fulfils an oversight role regarding the company's Integrated Annual Report and the reporting process, including the system of internal financial control. It is responsible for ensuring that the Altron Group's Internal Audit function is independent and has the necessary resources, standing and authority within the organisation to enable it to effectively discharge its duties. Furthermore, the Committee oversees co-operation between the Internal and External Auditors, and serves as a link between the Board of directors and these functions.

During the prior year, the Committee had a number of engagements with the External Auditor and with the head of Internal Audit without management being present.

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

RISK MANAGEMENT

The Board has assigned oversight of Altron and its Group operations' risk management function to a separate Risk Management Committee. While Altron has both an Audit Committee, as well as a Risk Management Committee, the latter reports its material findings/aspects to the Audit Committee to ensure stronger governance and controls within the financial, audit and risk functions of the Group. The Chairman of the Audit Committee also engages with the Risk Management Committee and the Group Risk Manager (Group Executive: Risk and Compliance appointed as from 1 April 2019) to ensure that information relevant to these committees are shared regularly. Furthermore, Ms Berenice Francis and Mr Stewart van Graan serves on both the Audit Committee and the Risk Management Committee.

The Committee fulfils an oversight role regarding financial reporting risks, internal financial controls, fraud risk as it relates to financial reporting and information technology risk as it relates to financial reporting.

INTERNAL AUDIT

The internal audit function of the Altron Group is performed by Deloitte as the Group's outsourced Internal Auditors.

The Committee confirmed the Internal Audit charter and approved the Internal Auditor's annual audit plan for the financial year ending 29 February 2020. Deloitte has the responsibility for reviewing and providing assurance on the adequacy of the internal control environment across all of the Altron Group's operations in accordance with the internal audit plan as approved by the Committee. Internal Audit is responsible for formally reporting the findings of the internal audit work against the agreed internal audit plan to the Committee on a regular basis. Internal Audit has direct access to the Committee, primarily through its Chairman.

Once every four years, the Altron Internal Audit function undergoes a quality assurance review on its effectiveness as required by the standards of the Institute of Internal Auditors (IIA). The last quality assurance review in 2014 indicated that the Altron internal audit department 'generally conforms' to the International Standards for the Professional Practice of Internal Auditing. The rating of 'generally conforms' is the highest rating that can be achieved. The next external quality assurance review was initially set to take place during 2018. However, due to the fact that the internal audit function was outsourced to Deloitte during September 2017, the Committee decided to conduct the external quality assurance review of the new internal audit activity during FY20. This will allow for sufficient work to be performed by Deloitte that can be reviewed by an external assessor. Said approach is in accordance with Standard 1312 of the International Standards for the Professional Practice of Internal Auditing which requires an internal audit activity to be reviewed at least once every five years.

WHISTLE-BLOWING

Whistle-blowing is reported to the Altron Social and Ethics committee via the Altron Risk and Legal departments. The whistle-blowing hotline (Tip Off) is facilitated and managed by Deloitte. The Committee is satisfied that appropriate interventions have been put in place to deal with whistle-blowing throughout the Altron Group and that the Altron Group adequately follows up on and deals with instances of whistle-blowing.

SUSTAINABILITY REPORTING

The Committee considered the company's sustainability information as disclosed in the 2018 Integrated Annual Report and has assessed its consistency with operational and other information known to Committee members, and for consistency with the annual financial statements. The Committee discussed the sustainability information with management and the chairman of the Risk Management Committee and is satisfied with the conclusions reached. The Committee is satisfied that the sustainability information is, in all material respects, reliable and consistent with the financial results. Nothing has come to the attention of the Committee to indicate any material deficiencies in this regard.

OPINION

Based on the information and explanations given by management, and discussions with the External Auditor regarding the results of their audit, the Committee is satisfied that there was no material breakdown in the internal financial controls during the financial year under review.

The Committee has reviewed the separate and consolidated financial statements of Altron Limited for the year ended 28 February 2019 and, based on the information provided to the Committee, considers that Altron complies, in all material respects, with the requirements of the Companies Act and International Financial Reporting Standards.

The Committee has recommended the annual financial statements to the board for approval. The board has subsequently approved the annual financial statements which will be open for discussion at the forthcoming annual general meeting.

GG Gelink
Chairman: Altron Audit Committee

6 May 2019

INDEPENDENT
AUDITOR'S REPORT

To the Shareholders of Allied Electronics Corporation Limited

REPORT ON THE AUDIT OF THE CONSOLIDATED AND SEPARATE FINANCIAL STATEMENTS

OUR OPINION

In our opinion, the consolidated and separate financial statements present fairly, in all material respects, the consolidated and separate financial position of Allied Electronics Corporation Limited (the Company) and its subsidiaries (together the Group) as at 28 February 2019, and its consolidated and separate financial performance and its consolidated and separate cash flows for the year then ended in accordance with International Financial Reporting Standards and the requirements of the Companies Act of South Africa.

What we have audited

Allied Electronics Corporation Limited's consolidated and separate financial statements set out on pages 20 to 133 comprise:

- the consolidated balance sheet and the separate balance sheet as at 28 February 2019;
- the consolidated statement of comprehensive income and the separate statement of comprehensive income for the year then ended;
- the consolidated statement of changes in equity and the separate statement of changes in equity for the year then ended;
- the consolidated statement of cash flows and the separate statement of cash flows for the year then ended; the accounting policies; and
- the notes to the consolidated financial statements and the notes to the separate financial statements.

BASIS FOR OPINION

We conducted our audit in accordance with International Standards on Auditing (ISAs). Our responsibilities under those standards are further described in the Auditor's responsibilities for the audit of the consolidated and separate financial statements section of our report.

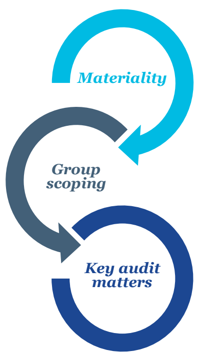
We believe that the audit evidence we have obtained is sufficient and appropriate to provide a basis for our opinion.

Independence

We are independent of the Group in accordance with the Independent Regulatory Board for Auditors Code of Professional Conduct for Registered Auditors (IRBA Code) and other independence requirements applicable to performing audits of financial statements in South Africa. We have fulfilled our other ethical responsibilities in accordance with the IRBA Code and in accordance with other ethical requirements applicable to performing audits in South Africa. The IRBA Code is consistent with the International Ethics Standards Board for Accountants Code of Ethics for Professional Accountants (Parts A and B).

OUR AUDIT APPROACH

Overview



Overall group materiality

- R117 900 000, which represents 0.75% of consolidated revenue.

Group audit scope

- The components that are in scope included the financially significant components of the Group.
- The main indicators used to identify significant components are revenue, profit before tax, EBITDA, total assets and total liabilities.

Key audit matters

- Adoption of IFRS 15: Revenue from Contracts with Customers
- Impairment assessment of goodwill
- Recoverability of gross trade receivables owing from Thobela Telecoms Proprietary Limited (RF)

As part of designing our audit, we determined materiality and assessed the risks of material misstatement in the consolidated and separate financial statements. In particular, we considered where the directors made subjective judgements; for example, in respect of significant accounting estimates that involved making assumptions and considering future events that are inherently uncertain. As in all of our audits, we also addressed the risk of management override of internal controls, including among other matters, consideration of whether there was evidence of bias that represented a risk of material misstatement due to fraud.

Materiality
The scope of our audit was influenced by our application of materiality. An audit is designed to obtain reasonable assurance whether the financial statements are free from material misstatement. Misstatements may arise due to fraud or error. They are considered material if individually or in aggregate, they could reasonably be expected to influence the economic decisions of users taken on the basis of the consolidated financial statements.

Based on our professional judgement, we determined certain quantitative thresholds for materiality, including the overall group materiality for the consolidated financial statements as a whole as set out in the table below. These, together with qualitative considerations, helped us to determine the scope of our audit and the nature, timing and extent of our audit procedures and to evaluate the effect of misstatements, both individually and in aggregate on the financial statements as a whole.

Overall group materiality	R117 900 000
How we determined it	0.75% of consolidated revenue from continuing operations
Rationale for the materiality benchmark applied	We chose revenue, because in our view, it is the benchmark against which the performance of the Group is most commonly measured by users. Revenue is one of the key drivers of the Group's business and is one of the key performance indicators. Due to economic instability, many entities including Allied Electronics Corporation Limited (Altron) have been barely profitable and often experiencing large fluctuations in profits/losses from year to year. Total revenue for the Group comprises revenue from goods sold, revenue from services rendered and rental finance income. The Group operates in an environment of high revenue with low margins. Total revenue from continuing operations has remained stable over the years. We therefore considered total revenue from continuing operations as the most appropriate benchmark. We chose 0.75%, which is lower than the quantitative materiality thresholds that we would typically apply when using revenue to compute materiality, because the Group has significant exposure to external debt, with related debt covenant requirements.

How we tailored our group audit scope
We tailored the scope of our audit in order to perform sufficient work to enable us to provide an opinion on the consolidated financial statements as a whole, taking into account the structure of the Group, the accounting processes and controls, and the industry in which the Group operates.

Our scoping assessment includes consideration of significant components as well as taking into consideration the sufficiency of work performed over material line items in the financial statements.

The audits undertaken for group reporting purposes include the significant components of the Group based on indicators such as the contribution to consolidated revenue, consolidated profit before tax, consolidated EBITDA, consolidated assets and consolidated liabilities. We conducted full scope audits on significant components and review procedures on the remaining components based on the associated risk of the component. In establishing the overall approach to the group audit, we determined the extent of the work that needed to be performed by us, as the group engagement team, or by component auditors from other PwC network firms, or non-PwC firms operating under our instruction, in order to issue our audit opinion on the consolidated financial statements of the Group. Where the work was performed by component auditors, we determined the level of involvement necessary in the audit work at those components to be able to conclude whether sufficient appropriate audit evidence has been obtained as a basis for our opinion on the Group financial statements as a whole. Detailed group audit instructions were communicated to all components in scope and a comprehensive audit approach and strategy session was held for significant component teams before commencing their respective audits. Throughout the audit, various planning, execution and completion meetings and discussions were held with the teams of the significant components. We visited the component audit teams responsible for the audit of the Bytes operations in the UK.

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

INDEPENDENT AUDITOR'S REPORT (continued)

We have determined that there are no key audit matters in respect of the separate financial statements to communicate in our report.

Key audit matter	How our audit addressed the key audit matter
Adoption of IFRS 15 'Revenue from Contracts with Customers'	
The group adopted IFRS 15, 'Revenue from Contracts with Customers' (IFRS 15) for the first time in the 2019 reporting period, applying the modified retrospective approach. The implementation of this new accounting standard required significant judgement and estimates to be made by management, including the following: • whether contracts contain multiple performance obligations which should be accounted for separately; • determining the most appropriate method for the recognition of revenue in relation to identified performance obligations (i.e. point in time vs. over time); and • distinguishing between agent versus principal relationships.	We reviewed the Group's implementation of IFRS 15 during the current reporting period through discussions at various levels of management. Our procedures included reviewing the recognition of the cumulative effect on opening retained earnings due to application of the modified retrospective approach, accounting policy updates, financial statement disclosures and the recognition and measurement principles applied in recording revenue.
Performance obligations The group provides a service of integrating goods or services into a bundle of goods or services that represent the combined output for which the customer has contracted, where the goods or services modify or are modified by other goods or services or are considered to be highly interdependent or interrelated, which is referred to as project revenue. Management performed an assessment of the material revenue streams per IFRS 15 taking into account the nature of the various revenue contracts in the Group. In relation to project related revenue contracts, it was concluded that the goods and services offered as a bundle are not separately identifiable and thus not seen as separate performance obligations. The maintenance, support and outsource services were considered separate performance obligations and were therefore accounted for separately. **Revenue recognised at a point in time or over time** Revenue is recognised when or as performance obligations are satisfied by transferring control of a promised good or service to a customer. Control transfers over time or at a point in time. In order to measure progress that best depicts the transfer of goods or services to a customer over time, management can use either an output method or an input method . Based on the analysis performed and consideration of the IFRS 15 principles, management concluded that project related revenue should be recognised over time using an input method. Maintenance, support and outsource revenue is recognised over time as the services are rendered.	Our audit of the identification of performance obligations within a contract with a customer and our assessment of whether revenue should be recognised at a point in time or over time, included the following audit procedures: • We performed an IFRS 15 end to end walkthrough and had detailed discussions with various levels of management in order to understand the nature of the respective contracts; • We reviewed a sample of both project and service contracts to assess whether the method for recognition of revenue was appropriate and applied consistently in accordance with the requirements of IFRS 15 based on the discussions held with management and walkthrough procedures performed as noted above; • For the sample of contracts selected, we further tested contract classification, allocation of income and cost to the individual performance obligations and the timing of transfer of control to evaluate management's application of the IFRS 15 principles; • Where a contract contained multiple elements, we considered management's judgement as to whether these contracts comprised performance obligations that should be accounted for separately, and in these instances, challenged management on their judgements made to allocate the consideration to each performance obligation; and • Where appropriate, we tested the relevant internal controls implemented by management to ensure the completeness, accuracy and timing of revenue recognised, including controls over the degree of completion of the service and maintenance contracts at year-end. Where internal controls could not be relied upon, the above was tested substantively for a selection of material contracts.

Key audit matter	How our audit addressed the key audit matter
Agent vs principal relationships The Group sells a range of software licenses to its customers. The Group acts as a principal in certain contracts and as an agent in other contracts, depending on the nature and scope of the contract. *Cloud related services* The Group provides a range of cloud related services to its customers. Management applied judgement in accordance with the principles of IFRS 15 to determine whether it acts as an agent or principal in these arrangements and concluded that the Group acts as an agent. *Software and software assurance services* Included in the software and software assurance services provided by the Group are software and related licences that are sold with the ability to access the latest updates from the vendor. Management applied judgement in accordance with the principles in IFRS 15 to determine whether access to these updates represents a separate performance obligation. This judgement includes an assessment of whether delivery of updates by the vendor is critical to the core functionality of the software. Where the Group sells on-premise software licences with the right to future updates and where the updates are considered to be non-critical, it was concluded that these arrangements consist of two performance obligations, being a software licence to use the current version of the software product and an entitlement to future updates. It was concluded that where the updates are considered to be critical to the functionality of the software and such updates can only be delivered by the vendor, that the Group acts as agent for such software sales. The adoption of IFRS 15 is considered to be an area of most significance in our audit of the consolidated financial statements due to the complexity of applying the standard in the industry that the group operates in and the significant judgement involved in its application. The matter is disclosed in the following accounting policies and notes to the consolidated financial statements: • Accounting policies, Revenue from contracts with customers; and • Note 42 – Changes in accounting policies, Adoption of IFRS 15.	Our audit of revenue recognised from sales of on premise and cloud software arrangements comprised of, *inter alia*, the following audit procedures: • We performed an IFRS 15 end-to end walkthrough with management at individual revenue stream level; • We evaluated management's assessment of the impact of its IFRS 15 implementation; • We obtained and inspected the contractual agreements for a sample of sales, along with supporting documentation in relation to services delivered; • We assessed in particular the revenue recognised immediately after year end and whether it was appropriately recognised and/or carried forward where the software license sale met the criteria for bundling with the ongoing update and maintenance contracts; • We assessed whether the revenue recognised in the year is appropriate based on the contractual terms and the requirements of IFRS 15 to defer revenue where future obligations exist; • With the assistance of our technical and software industry experts we evaluated the reasonableness of judgements made by management, including management's evaluation of non-critical vs critical updates; • We assessed, in line with the principles of IFRS 15, management's conclusions around agent versus principal per revenue stream; and • We tested the IFRS 15 adjustments made by management in their categorisation of transactions identified as either 'principal' or 'agent'. Based on the procedures performed above, we noted no material exceptions and concurred with management's conclusions made on the adoption of IFRS 15.

INDEPENDENT AUDITOR'S REPORT
(continued)

Key audit matter	How our audit addressed the key audit matter
Impairment assessment of goodwill	
Due to the number of business combinations that the Group has historically entered into, the Group's net assets include a significant amount of goodwill at the reporting date. There is a risk that these acquired businesses may not trade in line with expectations and forecasts, resulting in a potential impairment of the carrying amount of goodwill allocated to these businesses. As required by IAS 36, '*Impairment of Assets*', the Group performs an impairment assessment of goodwill on an annual basis and when impairment indicators are identified. The goodwill impairment assessment is considered to be a matter of most significance in our audit of the consolidated financial statements due to the significant judgements and assumptions made by management when performing the impairment assessment, and in estimating the key assumptions applied, particularly: • Weighted average cost of capital discount rates; • Terminal growth rates; • Earnings before interest depreciation and amortisation ("EBITDA") before capital items growth; and • Working capital movements. • This matter is disclosed in the following notes to the consolidated financial statements: • Note 2 – Intangible assets and goodwill; and • Note 30 – Judgements made by management, Impairment assessments of assets.	We tested the mathematical accuracy of the valuation models and found no material exceptions. We also considered the appropriateness of the valuation models applied by management. Based on procedures performed, we are satisfied that the approach adopted by management in the valuation models is principally in line with market practice and the applicable requirements of IAS 36, which was also confirmed with our internal valuation experts. We assessed the reliability of the budgets of each cash generating unit (CGU) of the Group included in the business plans (which form the basis of the cash flow forecasts), by comparing prior period budgets to actual results. We also agreed revenue and EBITDA before capital items, used to calculate cash flow forecasts and used in the valuation models, to approved budgets. We recalculated the working capital used in the model. The terminal growth rates as used by management were compared to long-term inflation rates obtained from independent sources by our internal valuation experts. Where differences were noted between the respective growth rates, we obtained an understanding of the reasons for these differences and incorporated the independently obtained rates as part of our sensitivity analysis testing to assess the impact of the differences noted on the valuation results. With the assistance of our internal valuation experts, we independently recalculated the weighted average cost of capital discount rates for each territory in the Group taking into account independently obtained data such as the cost of debt, risk-free rates in the applicable markets, market risk premiums, debt/equity ratios as well as the beta of comparable companies. Where differences were noted between the respective discount rates, we obtained an understanding of the reasons and incorporated the independently calculated PwC rates as part of our sensitivity analysis testing to assess the impact of the differences noted on the valuation results. We further challenged the assumptions used by management in the forecast cash flows through performing sensitivity analyses to determine if there would be headroom available; and compared our results to that of management in order to identify those operations considered sensitive to a change in assumptions for disclosure purposes. These assumptions included changing the discount rates, long-term growth rates and EBITDA before capital items growth margins. The margins were adjusted to a percentage the audit team considered reasonable based on information obtained from independent sources. Based on the above procedures performed we found that management's assessment of the impairment of goodwill fell within a reasonable range and no material differences were identified.

Key audit matter	How our audit addressed the key audit matter
Recoverability of gross trade receivables owing from Thobela Telecoms Proprietary Limited (RF)	
Altron Nexus Proprietary Limited (previously Altech Radio Holdings Proprietary Limited) ("Nexus"), a subsidiary of the Group, holds a jointly controlled interest in Thobela Telecoms Proprietary Limited ("TT"). TT is the vehicle through which the City of Tshwane Metropolitan Municipality ("CoT") has contracted for the procurement and installation of a fibre broadband network ("CoT project"). Nexus has been contracted by TT to implement the CoT project. In the prior year, CoT initiated legal proceedings against TT to halt progress on the project and applied for a review of the processes followed in awarding the tender on the side of CoT. Management is of the view that their legal case is sound and that there is a very high probability that judgment will go in their favour, which would escalate receipt of the outstanding funding. Management is confident that the judge presiding over the matter will issue judgment in the near future. In addition, CoT has commenced certain verification initiatives after year end through the use of an externally appointed service provider with the objective of amicably resolving the ongoing dispute. The balance of the debtor increased during the current financial year as a result of the delay costs that were invoiced to TT in terms of the agreement entered into. In accordance with the principles of IFRS 15, revenue in relation to the delay costs has been constrained and as a result not yet recognised in the statement of comprehensive income for the reporting period. The recoverability of the TT gross trade receivable is considered a matter of most significance in our audit of the consolidated financial statements due to the significant judgement and estimation required to evaluate the recoverability of the gross trade receivables and due to the magnitude of the balance involved. This matter is disclosed in the following notes to the consolidated financial statements: • Accounting policies – Financial instruments, Impairment; • Note 10 – Trade and Other Receivables; and • Note 30 – Judgements made by management, Technologies Acceptances Receivables Proprietary Limited ("TAR").	We held detailed meetings and discussions with group management, in-house legal counsel and Nexus management to gain an understanding of the CoT project, the terms of the agreement, the legal view held by internal legal counsel and activities collectively undertaken during the year by management in order to resolve the matter. We also obtained the opinion of management's external legal counsel on the probability of the CoT's review application being successful and noted that the view of external legal counsel was aligned to that of internal counsel on the matter. Based on legal correspondence inspected, we further noted that as full payment for the outstanding amount has not yet been received, as further recourse in the unlikely event that judgement does not go in the Group's favour, TT has the legal right to recover the equipment from CoT. We assessed the accounting treatment applied by management and deemed the accounting treatment applied to be appropriate. We evaluated the reasonableness of the disclosures made in relation to the gross trade receivable owing to TT and no exceptions were noted.

INDEPENDENT AUDITOR'S REPORT
(continued)

OTHER INFORMATION
The directors are responsible for the other information. The other information comprises the information included in the Altron Annual Financial Statements for the year ended 28 February 2019 which includes the Directors' Report, the Report of the Altron Audit Committee and the Certificate from the Company Secretaries as required by the Companies Act of South Africa, which we obtained prior to the date of this auditor's report, and the Altron 2019 Integrated Annual Report, which is expected to be made available to us after that date. Other information does not include the consolidated and separate financial statements and our auditor's report thereon.

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

In connection with our audit of the consolidated and separate financial statements, our responsibility is to read the other information identified above and, in doing so, consider whether the other information is materially inconsistent with the consolidated and separate financial statements or our knowledge obtained in the audit, or otherwise appears to be materially misstated.

If, based on the work we have performed on the other information that we obtained prior to the date of this auditor's report, we conclude that there is a material misstatement of this other information, we are required to report that fact. We have nothing to report in this regard.

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

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

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

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

- Identify and assess the risks of material misstatement of the consolidated and separate financial statements, whether due to fraud or error, design and perform audit procedures responsive to those risks, and obtain audit evidence that is sufficient and appropriate to provide a basis for our opinion. The risk of not detecting a material misstatement resulting from fraud is higher than for one resulting from error, as fraud may involve collusion, forgery, intentional omissions, misrepresentations, or the override of internal control.
- Obtain an understanding of internal control relevant to the audit in order to design audit procedures that are appropriate in the circumstances, but not for the purpose of expressing an opinion on the effectiveness of the Group's and the Company's internal control.
- Evaluate the appropriateness of accounting policies used and the reasonableness of accounting estimates and related disclosures made by the directors.
- Conclude on the appropriateness of the directors' use of the going concern basis of accounting and, based on the audit evidence obtained, whether a material uncertainty exists related to events or conditions that may cast significant doubt on the Group's and the Company's ability to continue as a going concern. If we conclude that a material uncertainty exists, we are required to draw attention in our auditor's report to the related disclosures in the consolidated and separate financial statements or, if such disclosures are inadequate, to modify our opinion. Our conclusions are based on the audit evidence obtained up to the date of our auditor's report. However, future events or conditions may cause the Group and/or Company to cease to continue as a going concern.

- Evaluate the overall presentation, structure and content of the consolidated and separate financial statements, including the disclosures, and whether the consolidated and separate financial statements represent the underlying transactions and events in a manner that achieves fair presentation.
- Obtain sufficient appropriate audit evidence regarding the financial information of the entities or business activities within the group to express an opinion on the consolidated financial statements. We are responsible for the direction, supervision and performance of the group audit. We remain solely responsible for our audit opinion.

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

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

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

REPORT ON OTHER LEGAL AND REGULATORY REQUIREMENTS

In terms of the IRBA Rule published in Government Gazette Number 39475 dated 4 December 2015, we report that PricewaterhouseCoopers Inc. has been the auditor of Allied Electronics Corporation Limited for 1 year.

PricewaterhouseCoopers Inc.

PricewaterhouseCoopers Inc.
Director: **AM Motaung**
Registered Auditor
Johannesburg
8 May 2019

ACCOUNTING POLICIES

Allied Electronics Corporation Limited (the company) is a South African registered company and is listed on the Johannesburg Stock Exchange (JSE). The consolidated financial statements of the company for the year ended 28 February 2019 comprise the company and its subsidiaries and the Group's interests in associates and joint arrangements (together referred to as the 'Group'). Where reference is made to the Group in the accounting policies, it should be interpreted as referring to the company where the context requires, unless otherwise noted.

STATEMENT OF COMPLIANCE

The consolidated and separate financial statements have been prepared in accordance with International Financial Reporting Standards (IFRS) as issued by the International Accounting Standards Board (IASB) and Interpretations as issued by the IFRS Interpretations Committee (IFRIC), and comply with the SAICA Financial Reporting Guides as issued by the Accounting Practices Committee (APC), Financial Reporting Pronouncements as issued by the Financial Reporting Standards Council (FRSC), the Johannesburg Stock Exchange (JSE) Listings Requirements and the requirements of the South African Companies Act, No. 71 of 2008, (the Companies Act). The consolidated and separate financial statements were authorised for issue by the Group's board of directors on 8 May 2019 and released on 9 May 2019.

BASIS OF PREPARATION

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

- Derivative financial instruments;
- Financial assets at fair value through other comprehensive income;
- Financial assets at fair value through profit or loss;
- Defined benefit asset; and
- Share-based payment recharge arrangement asset.

Non-current assets and disposal Group's held-for-sale are measured at the lower of carrying amount and fair value less costs to sell. The defined benefit asset is measured as the fair value of plan assets less the present value of the defined benefit obligation, limited as explained in note 17.

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

The estimates and underlying assumptions are reviewed on an ongoing basis. Revisions to accounting estimates are recognised in the period in which the estimate is revised if the revision only affects that period, or in the period of the revision and future periods if the revision affects both current and future periods. Judgements made by management in the application of IFRS that have a significant effect on the financial statements and estimates with a significant risk of material adjustment in the next year are discussed in note 30.

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

During the current year, the Group reviewed the accounting treatment of specific contracts it has entered into after which the Group concluded that the accounting treatment in the prior years were not in accordance with the respective accounting standards. As these matters were material to the financial statements, the Group has restated the prior year financial statements, refer to note 43 for the detail on the restatements effected.

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

NEW AND AMENDED STANDARDS ADOPTED BY THE GROUP

The Group and company have adopted all new accounting standards that became effective in the current reporting period. The following standards had an impact on the Group:

- IFRS 9 *Financial Instruments*
- IFRS 15 *Revenue from Contracts with Customers*
- Classification and Measurement of Share-based Payment Transactions – Amendments to IFRS 2

- Annual Improvements 2014 – 2016 cycle
- Transfers to Investment Property – Amendments to IAS 40
- Interpretation 22 Foreign Currency Transactions and Advance Consideration

The Group also elected to adopt the following amendments early:

- Annual Improvements to IFRS Standards 2015 – 2017 Cycle.

The Group had to change its accounting policies and make certain retrospective adjustments, which were recorded on 1 March 2018, in terms of the adoption approach elected, following the adoption of IFRS 9 and IFRS 15, this is disclosed in note 42. The other amendments listed above did not have a material impact on the amounts recognised in prior periods and have not, and are not expected to significantly affect the current or future periods.

BASIS OF CONSOLIDATION

SUBSIDIARIES

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

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

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

ASSOCIATES

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

Goodwill included in the carrying amount of an investment in associate is not tested for impairment annually, but rather, the entire investment is tested for impairment if there is an indication of impairment.

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

JOINT ARRANGEMENTS

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

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

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

On an acquisition-by-acquisition basis, non-controlling interests in the acquiree may initially be measured either at fair value, or at the non-controlling shareholders' proportion of the net identifiable assets acquired and liabilities and contingent liabilities assumed.

Non-controlling shareholders are treated as equity participants; therefore, all acquisitions of non-controlling interests or disposals by the Group of its interests in subsidiaries, where control is maintained subsequent to the disposal, are accounted for as equity transactions. Consequently, the difference between the fair value of the consideration transferred and the carrying amount of a non-controlling interest purchased or disposed of, is recorded in equity.

ACCOUNTING POLICIES
(continued)

Non-controlling interests in the net assets of consolidated subsidiaries are identified separately from the Group's equity. Total comprehensive income is attributed to non-controlling interests even if this results in the non-controlling interests having a deficit balance.

ELIMINATIONS ON CONSOLIDATION

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

BUSINESS COMBINATION

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

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

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

When the result is negative, a bargain purchase gain is recognised immediately in profit or loss. Subsequent to acquisition, goodwill is measured at cost less accumulated impairment losses and is allocated to cash-generating units and tested annually for impairment. Goodwill is not amortised.

The consideration transferred does not include amounts related to the settlement of pre-existing relationships. Such amounts are generally recognised in profit and loss. Any deferred purchase or contingent consideration payable is recognised at fair value at the acquisition date. Subsequent changes in the fair value of contingent consideration are recognised in profit or loss.

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

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

When the Group ceases to have control over a subsidiary, it derecognises the assets and liabilities of the subsidiary, and any related non-controlling interests. Any retained interest in the entity is remeasured to its fair value. Any resulting gain or loss is recognised in profit or loss. The fair value is the initial carrying amount for the purposes of subsequently accounting for the retained interest as an associate, joint venture or financial asset. In addition, any amounts previously recognised in other comprehensive income in respect of that entity are accounted for as if the Group had directly disposed of the related assets or liabilities. This may mean that amounts previously recognised in other comprehensive income are reclassified to profit or loss. The remaining other reserves related to that entity are transferred to retained earnings.

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

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

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

CAPITAL ITEMS

Capital items are items of income and expense relating to the acquisition, disposal or impairment of property, plant and equipment, investments, subsidiaries, goodwill, intangible assets and assets-held for-sale and contract costs written off.

These are consistent with the exclusions as defined by Circular 4/2018 *Headline earnings*.

EMPLOYEE BENEFITS

SHORT-TERM EMPLOYEE BENEFITS

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

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

RETIREMENT BENEFITS

The majority of the Group's employees are members of the Altron Group Pension Fund and Altron Group Provident Fund. The Altron Group Pension Fund is treated as a defined benefit plan and the Altron Group Provident Fund is treated as a defined contribution plan.

After the acquisition of subsidiaries, certain employees remained members of their previous funds. While a number of these are defined benefit plans, these industry-managed retirement benefit schemes are dealt with as defined contribution plans as there is insufficient information available to use defined benefit accounting.

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

DEFINED BENEFIT OBLIGATIONS

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

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

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

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

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

FINANCIAL INSTRUMENTS

ADOPTION OF IFRS 9

The Group adopted IFRS 9 *Financial Instruments* retrospectively on 1 March 2018, however the Group has elected not to restate comparative information. The Group also adopted the consequential amendments to IFRS 7 *Financial Instruments: Disclosure*. Accordingly, information relating to 28 February 2018 does not reflect the requirements of IFRS 9 but rather those of IAS 39 *Financial Instruments: Recognition and Measurement*. Refer to note 42 for details regarding the initial application of IFRS 9 and the resulting impact. The Group has elected as an accounting policy choice to not adopt the hedge accounting requirements of IFRS 9, but to continue applying the hedge accounting requirements of IAS 39.

ACCOUNTING FOR FINANCIAL INSTRUMENTS

Financial instruments comprise investments in equity, loans receivable, trade and other receivables (excluding prepayments), preference share investments, investments, cash and cash equivalents, restricted cash, non-current loans, current loans, bank overdrafts, derivatives and trade and other payables.

ACCOUNTING POLICIES
(continued)

RECOGNITION
Financial assets and liabilities are recognised in the Group's statement of financial position when the Group becomes a party to the contractual provisions of the instruments. Financial assets are recognised on the date the Group commits to purchase the instruments (trade date accounting).

Financial assets are classified as current if expected to be realised or settled within 12 months from the reporting date; if not; they are classified as non-current. Financial liabilities are classified as non-current if the Group has an unconditional right to defer payment for more than 12 months from the reporting date.

CLASSIFICATION
The Group classifies financial assets on initial recognition as measured at amortised cost, fair value through other comprehensive income (FVOCI) or fair value through profit or loss (FVTPL) based on the Group's business model for managing the financial asset and the cash flow characteristics of the financial asset.

Financial assets are classified as follows:

- Equity instruments at FVOCI – The assets are not held for trading and the Group has irrevocably elected on initial recognition to recognise the asset as at FVOCI.
- FVTPL – Instruments that are held for trading and forward exchange contracts.
- Amortised cost – The asset is held within a business model with the objective to collect the contractual cash flows; and the contractual terms give rise on specified dates to cash flows that are solely payments of principal and interest on the principal outstanding.

Financial assets are not reclassified unless the Group changes its business model. In rare circumstances where the Group does change its business model, reclassifications are done prospectively from the date that the Group changes its business model.

Financial liabilities are classified and measured at amortised cost except for those derivative liabilities and contingent consideration that are measured at FVTPL.

MEASUREMENT ON INITIAL RECOGNITION
All financial assets and financial liabilities are initially measured at fair value, including transaction costs, except for those classified as FVPTL which are initially measured at fair value excluding transaction costs. Transaction costs directly attributable to the acquisition of financial assets or financial liabilities at FVTPL are recognised immediately in profit or loss.

SUBSEQUENT MEASUREMENT: FINANCIAL ASSETS
Subsequent to initial recognition, financial assets are measured as described below.

- FVTPL – These financial assets are subsequently measured at fair value and changes therein (including any interest or dividend income) are recognised in profit or loss.
- Amortised cost – these financial assets are subsequently measured at amortised cost using the effective interest method, less impairment losses. Interest income, foreign exchange gains and losses and impairments are recognised in profit or loss. Any gain or loss on derecognition is recognised in profit or loss.
- Equity investments at FVOCI – these financial assets are subsequently measured at fair value. Dividends are recognised in profit or loss when the right to receive payment is established. Other net gains and losses are recognised in other comprehensive income (OCI). On derecognition, gains and losses accumulated in OCI are not reclassified to profit or loss.

SUBSEQUENT MEASUREMENT: FINANCIAL LIABILITIES
All financial liabilities, excluding derivative liabilities, are subsequently measured at amortised cost using the effective interest method. Derivative liabilities are subsequently measured at fair value with changes therein recognised in profit or loss.

DERECOGNITION
Financial assets are derecognised when the rights to receive cash flows from the assets have expired or have been transferred and the Group has transferred substantially all risks and rewards of ownership. Financial liabilities are derecognised when the obligations specified in the contracts are discharged, cancelled or expire. On derecognition of a financial asset or liability, any difference between the carrying amount extinguished and the consideration paid is recognised in profit or loss.

OFFSETTING FINANCIAL INSTRUMENTS
Offsetting of financial assets and liabilities is applied when there is a legally enforceable right to offset the recognised amounts and there is an intention to settle on a net basis or realise the asset and settle the liability simultaneously. The net amount is reported in the statement of financial position.

IMPAIRMENT

The Group calculates its allowance for credit losses based on expected credit losses (ECLs) for financial assets measured at amortised cost, FVOCI and contract assets. ECLs are a probability weighted estimate of credit losses. Credit losses are measured as the present value of all cash shortfalls (the difference between the cash flows due to the Group in accordance with the contract and the cash flows that the Group expects to receive). ECLs are discounted at the original effective interest rate (EIR) of the financial asset.

To calculate ECLs, the Group segments trade receivables by customer type i.e. corporate, parastatal, etc. ECLs for trade receivables and contract assets are determined using a simplified parameter-based approach.

The Group calculates its ECLs on other financial assets at amortised cost and at fair value through other comprehensive income using the general model. The Group applies the 12-month expected loss model on these instruments as there has not been an increase in the credit risk associated with the counterparty. The inputs used in the calculation of the ECLs are based on published indexes which incorporates an element of forward-looking information.

HEDGING

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

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

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

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

TRADE AND OTHER RECEIVABLES

Trade receivables are amounts due from customers for merchandise sold or services rendered in the ordinary course of business and are accounted for at amortised cost. Prepayments and other receivables are stated at their nominal values.

TRADE AND OTHER PAYABLES

Trade payables, sundry creditors and accrued expenses are obligations to pay for goods or services that have been acquired in the ordinary course of business from suppliers. They are accounted for in accordance with the accounting policy for financial liabilities as included above. Other payables are stated at their nominal values.

CASH AND CASH EQUIVALENTS

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

Cash and cash equivalents exclude cash in transit unprocessed at the reporting date.

RESTRICTED CASH

Restricted cash comprise short-term deposits that are not highly liquid and are measured at amortised cost. Restricted cash include amounts relating to the Altron Nexus business, which is not available for use by the Group. These amounts are presented separately on the balance sheet.

ACCOUNTING POLICIES
(continued)

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

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

ACCOUNTING POLICIES APPLIED UNTIL 28 FEBRUARY 2018

The Group has applied IFRS 9 retrospectively without restating the comparative information. As a result, the comparative information provided continues to be accounted for and disclosed in accordance with the Group's previous accounting policy as set out below:

MEASUREMENT
Financial instruments are initially recognised at fair value, which includes transaction costs, except for those items measured at fair value through profit or loss, which do not include transaction costs, when the Group becomes a party to the contractual arrangements as set out below. Subsequent to initial recognition, these instruments are measured as set out below:

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

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

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

FINANCIAL LIABILITIES
Financial liabilities are recognised when there is an obligation to transfer benefits and that obligation is a contractual liability to deliver cash or another financial asset or to exchange financial instruments with another entity on potentially unfavourable terms. At initial recognition, the Group measures financial liabilities at its fair value.

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

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

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

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

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

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

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

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

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

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

DERIVATIVE FINANCIAL INSTRUMENTS

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

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

LEASES

FINANCE LEASES – LESSEE

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

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

FINANCE LEASES – LESSOR

The Group enters into finance lease arrangements with customers in respect of the sales of certain goods. The Group acts as the lessor in these arrangement with the customers. A finance lease asset is recognised when substantially all the risks and rewards of ownership have transferred to the customer and a sale of the good is recognised. The finance leases are capitalised at inception of the lease agreement at the lower of the fair value of the goods transferred or the present value of the future minimum lease payments.

Each lease payment received from the customer is allocated between the finance lease asset and finance lease interest income. The finance lease interest income is recognised in profit or loss (as revenue) over the lease period to produce a constant periodic rate of interest on the remaining balance of the asset for each period.

OPERATING LEASES

Leases where the lessor retains the risks and rewards of ownership of the underlying asset are classified as operating leases. Payments made under operating leases are recognised in profit or loss on a straight-line basis over the period of the lease.

Rental income from equipment leases under operating leases is recognised on a straight-line basis over the term of the lease.

FINANCE INCOME AND EXPENSE

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

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

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

FOREIGN CURRENCIES

FOREIGN CURRENCY TRANSACTIONS

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

FOREIGN OPERATIONS

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

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

IMPAIRMENT OF NON-FINANCIAL ASSETS

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

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

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

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

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

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

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

REVERSAL OF IMPAIRMENT OF NON-FINANCIAL ASSETS

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

INTANGIBLE ASSETS

GOODWILL

Refer to 'basis of consolidation'.

RESEARCH AND DEVELOPMENT

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

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

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

OTHER INTANGIBLE ASSETS

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

SUBSEQUENT EXPENDITURE

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

AMORTISATION

Amortisation is recognised in profit or loss on a straight-line basis over the estimated useful lives of intangible assets from the date they are available for use unless such lives are indefinite, the asset is not yet ready for use or represents goodwill.

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

- Customer relationships one to 10 years;
- trade names, designs, patents and trademarks three to 10 years;
- distribution rights indefinite life; and
- proprietary software and licence agreements two to three years.

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

INVENTORIES

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

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

Non-current assets, or disposal Groups comprising assets and liabilities, are classified as held-for-sale if it is highly probable that they will be recovered primarily through a sale, not through continuing use. Upon initial classification as held-for-sale, non-current assets and disposal Groups are recognised at the lower of its carrying amount and fair value less costs to sell. Any impairment loss on a disposal Group is allocated first to goodwill, and then to the remaining assets on a *pro rata* basis. Impairment losses on initial classification as held for sale and subsequent gains and losses on remeasurement are recognised in profit or loss as capital items.

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

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

ACCOUNTING POLICIES
(continued)

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

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

PROPERTY, PLANT AND EQUIPMENT

OWNED ASSETS

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

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

SUBSEQUENT COSTS

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

DEPRECIATION

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

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

- Buildings 20 to 50 years;
- leasehold improvements (included in land and buildings) shorter of lease period or useful life of asset;
- plant and machinery three to 20 years;
- motor vehicles four to eight years;
- furniture and equipment five to 20 years; and
- IT equipment and software two to eight years.

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

PROVISIONS

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

WARRANTIES AND FAULT RECTIFICATION

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

ONEROUS CONTRACTS

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

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

SHARE-BASED PAYMENT TRANSACTIONS

EQUITY SETTLED

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

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

CASH SETTLED

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

GROUP SHARE-BASED PAYMENT TRANSACTIONS

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

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

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

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

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

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

REVENUE FROM CONTRACTS WITH CUSTOMERS

Revenue is recognised based on the completion of performance obligations and an assessment of when control is transferred to the customer. The following indicators are used by the Group in determining when control has passed to the customer:

- The Group has a right to payment for the product or service;
- the customer has legal title to the product;
- the Group has transferred physical possession of the product to the customer;
- the customer has the significant risk and rewards of ownership of the product; and
- the customer has accepted the product.

The Group principally generates revenue from providing the following goods and services: project related revenue, sale of goods and related services (which include the Group's vehicle tracking, fleet management and telematics business, Netstar), maintenance, support and outsource services, training and skills development, software, cloud services and related licenses, including software assurance services, software application and development and switching services and other transactional services.

Revenue is measured based on the consideration specified in a contract with a customer and excludes amounts collected on behalf of third parties. The Group recognises revenue when it transfers control over a product or services to a customer.

ACCOUNTING POLICIES
(continued)

Contracts are assessed individually to determine whether the products and services are distinct i.e. the product or service is separately identifiable from the other items in the contract with the customer and whether the customer can benefit from the goods or services either on its own or together with other resources that are readily available. The consideration is allocated between the goods and services in a contract based on management's best estimate of the standalone selling prices of the goods and services.

When a contract results in payment received from customers in advance of fulfilling the performance obligation, a contract liability is recognised, similarly, when the performance obligation has been fulfilled and the customers have not been invoiced, a contract asset is recognised.

The Group evaluates the following control indicators amongst others when determining whether it is acting as a principal or agent in the transactions with customers and recording revenue on a gross, or net, basis:

- The Group is primarily responsible for fulfilling the promise to provide the specified goods or service;
- the Group has inventory risk before the specified good or service has been transferred to a customer or after transfer of control to the customer; and
- the Group has discretion in establishing the price for the specified good or service.

PROJECT RELATED REVENUE

The Group provides a service of integrating goods or services into a bundle of goods or services that represent the combined output for which a customer has contracted, where the goods or services modify or are modified by other goods or services or are considered to be highly interdependent or interrelated. In these contracts the goods and services are therefore not separately identifiable and not seen as separate performance obligations. The Group recognises revenue over time based on the input method, i.e. costs incurred as a percentage of total estimated costs. The Group recognises contract assets and contract liabilities on these contracts depending on the billing milestones identified in these contracts.

SALES OF GOODS AND RELATED SERVICES

The Group sells a range of goods to its customers. The Group recognises revenue when control is transferred to the customer, being when the customer accepts delivery of the goods, at a point in time. General payment terms are 30 to 90 days from invoice date.

In addition, the Group sells goods to customers with relates services included. Depending on the nature of the contract, the Group applies its judgement to conclude whether the goods and services should be treated as a single performance obligation or as two separate performance obligations.

Where the Group sells goods and related services to customers and these goods and services are not distinct, i.e. not separately identifiable, the contracts are treated as a single performance obligation (i.e. in the Group's Netstar business where devices and services are bundled, but not considered distinct). However, where the goods and services are distinct, i.e. separately identifiable, and the customer can benefit from the goods and services either on its own or together with other resources that are readily available, then the goods and services are treated as two separate performance obligations.

The related services sold, when considered to be distinct, are recognised over time when the services are rendered to the customer, excluding specific services below.

The Group introduces customers to third party service providers and performs billing and other administrative activities on behalf of such third parties, but does not control delivery of such professional services or the setting of prices for them. The Group recognises such third-party professional services on an agent basis at a point a time when the services are rendered.

The Group provides software asset management services to its customers which include provision of software licences, in-house hosting and managed services in the form of insight reports. Such services are provided to the customers as a bundle, where the Group operates as a principal responsible for delivery of such services with revenue recognised over the term of the contract with the customer on a straight-line basis.

MAINTENANCE, SUPPORT AND OUTSOURCE SERVICES

The Group provides a range of maintenance, support and outsource services to customers. The Group recognises revenue on these contracts over time on a straight-line basis as the services are rendered. The general payment terms are 30 to 90 days from invoice date. Contract assets are recognised when the services are rendered to the customers and contract liabilities are recognised when the customer pays for the services upfront over the period of the contract.

TRAINING AND SKILLS MANAGEMENT

The Group provides a range of training and skills management services to its customers. The Group recognises the revenue over time.

Revenue recognised over time is based on contracts entered with customers that cover a specific period during which the training and skills management services are provided. The revenue recognised over time is measured in accordance with the duration of the contract as the costs are occurred on a straight-line basis.

SOFTWARE, CLOUD SERVICES AND RELATED LICENCES, INCLUDING SOFTWARE ASSURANCE SERVICES

The Group sells a range of software licenses to its customers. The Group acts as a principal in certain contracts and as an agent in other contracts, depending on the nature and scope of the contract. Management has applied judgement in determining whether it acts as an agent or as a principal in these contracts.

The Group provides a range of cloud related services to its customers which provide customers with access to software in the cloud that enhances office productivity, provides security or assists in collaboration. The Group recognises revenue relating to cloud sales as an agent at a point in time when the product is transferred to the customer.

Where the Group sells on-premise software licences with the right to updates and such updates are not considered critical to the functionality of the software, the Group considers that such licences include two performance obligations:

- A licence to the current version of the software product, which is recognised on a principal basis at a point in time; and
- an entitlement for future updates, which is recognised on a principal basis over time on a straight-line basis as this is the Group's best estimate as to how these revenues are earned.

In line with this approach, the Group determined the quantum of contract assets and contract liabilities related to an entitlement for future updates in respect of licences sold before 1 March 2018. These contract assets and contract liabilities were recorded as part of the IFRS 15 transition adjustment and subsequently recognised in materials and services consumed and revenue, respectively, over the period of such licences.

Where updates are considered critical to the functionality of the software, and such updates can only be delivered by the vendor, the Group has concluded that the sale of the on-premise licences with the right to critical updates are considered to be one performance obligation and that the Group acts as an agent for such software sales resulting in revenue being recognised at a point in time.

POST SALE SUPPORT

The Group considers the value of basic post-sale support in relation to licences sold to be trivial. This conclusion was reached with reference to the fair value of such post-sale support delivered by the Group and by the Group's vendors on its behalf. The Group doesn't separate out the basic post-sale support performance obligation from the original license sale as it is not material. The Group recognises revenue from enhanced post sale support provided by vendors on an agent basis as the Group does not control delivery of such post sale support.

MATERIAL CUSTOMER RIGHTS

The Group considers that the value of material customer rights originating from various customer price bands under certain software programmes, and material rights related to software prices fixed at the beginning of certain long-term customer contracts, to be trivial. The Group's assessment is based on historical statistics of customer price band changes, which are normally linked to the volume of annual software spend and remain consistent year-on-year, as well as an assessment of the cancellation terms in the customer contracts, which allow the Group and the customers to cancel such contracts at short notice without penalty. The Group does not recognise such material customer rights on the grounds of materiality.

LONG-TERM, TRIPARTITE CONTRACTS BETWEEN THE GROUP, ITS CUSTOMERS AND VENDORS

The Group holds certain long-term tripartite contracts with split billing between the Group, its customers and vendors. Such contracts are non-cancellable between the customers and the vendor and allow a change of reseller by the customer, typically on 90 days' notice. The Group considers that it controls delivery of the software licences within such tripartite contracts and, therefore, records revenue on a principal basis. Revenue is recognised in annual instalments based on the ability of customers to change resellers, which means that were revenue recognised at a higher amount than in annual instalments (e.g. recognised in full on day 1 of the contract), this would create a more than remote risk of material revenue reversal.

ACCOUNTING POLICIES
(continued)

The Group considers the non-cancellable contract between the customer and the vendor in such tripartite arrangements as a form of long-term procurement commitment by the Group with the vendor, which is conditional on the customers' continuation of its contract with the Group. In the case of there being no change in reseller by the customer, such commitment will be enforced by the vendor on the Group, rather than directly by the vendor on the customer.

SOFTWARE APPLICATION AND DEVELOPMENT
The Group sells software application and development to its customers based on requirements set by the customers in each respective contract. The Group recognises the revenue on a principal basis over time using the input method, i.e. costs incurred as a percentage of the total estimated costs.

When a contract results in payment received from customers in advance of fulfilling the performance obligation, a contract liability is recognised, similarly, when the performance obligation has been fulfilled and the customers have not been invoiced, a contract asset is recognised.

SWITCHING AND OTHER TRANSACTIONAL SERVICES
The Group provides a range of switching and other transactional services to its customers. The Group recognises revenue over time based on management's judgement.

Revenue recognised over time is based on the contracts with customers that cover a specific period over which these services need to be rendered. The revenue recognised over time is measured in accordance with the duration of the contract as the costs are occurred on a straight-line basis.

When a contract results in payment received from customers in advance of fulfilling the performance obligation, a contract liability is recognised, similarly, when the performance obligation has been fulfilled and the customers have not been invoiced, a contract asset is recognised.

CAPITALISATION OF COSTS INCURRED TO OBTAIN CONTRACTS
The Group incurs certain costs to obtain contracts with customers. These costs include hardware, fitment, agents' commissions and other costs directly attributable to the negotiation and conclusion of customer service contracts. The capitalised costs are amortised on a systematic basis over the average customer life and the amortisation relating to the hardware and fitment is included in amortisation in profit or loss.

The Group has elected to apply the practical expedient whereby the incremental costs of obtaining contracts are recognised as materials and services consumed in profit or loss, as and when these costs are incurred, if the amortisation period of the assets that the Group otherwise would have recognised is 12 months or less.

Costs incurred to obtain contracts are assessed for impairment in terms of IAS 36 Impairment of Assets when there is an indicator of impairment.

CAPITALISATION OF COSTS INCURRED TO FULFIL CONTRACTS
The Group incurs certain costs to fulfil contracts with customers. These costs are directly attributable to the completion of a contract, however the performance obligation to recognise the revenue has not yet been met. The capitalised costs are recognised in profit or loss when the Group has satisfied the related performance obligation in the contract with the customer, which is usually within 12 months after the end of the reporting period.

JUDGEMENTS APPLIED IN RECOGNISING REVENUE FROM CONTRACTS WITH CUSTOMERS
The Group applied the requirements of IFRS 15 *Revenue from Contracts with Customers* in the current year. As part of adopting the new requirements, the Group applied judgement in recognising revenue on certain revenue streams as set out below:

SALES OF GOODS AND RELATED SERVICES
The Group enters into contracts with customers which include goods that are delivered to the customer and an ongoing service relating to the goods for a specific period as set out in the contracts. The Group has applied its judgement and views these arrangements, in some instances, as a single performance obligation that needs to be met as the goods and services are not separately identifiable and the customer cannot benefit from either the goods or the services separately. The revenue on these contracts is recognised over time using the input method, i.e., costs incurred as a percentage of total expected costs.

SOFTWARE, CLOUD SERVICES AND RELATED LICENCES, INCLUDING SOFTWARE ASSURANCE SERVICES
The Group provides cloud related services to its customers. The Group has applied judgement to determine whether it acts as an agent or principal in these arrangements in accordance with the principles of IFRS 15. One of the judgements made is whether control passes to the Group prior to passing to the customer. The Group concluded that control does not pass and as a result it acts as an agent in these arrangements as the vendor has the primary obligation to fulfil the services to the customers.

Included in the software assurance services provided by the Group, software and related licences are sold with the ability to access the latest updates from the vendor. The Group applies judgement to determine whether the access to the updates is a separate performance obligation by assessing if the third-party delivered updates is critical to the core functionality of the software.

Where the Group sells on-premise software licences with the right to updates and such updates are not critical to the functionality of the software, the Group applied judgement to conclude that these arrangements consists of two performance obligations, being a licence to the current version of the software product and an entitlement for future updates. This conclusion is based on the fact that the Group controls delivery of such licences to the customers, the performance obligations being separately identifiable and that the customer can benefit from the two performance obligations separately. In order to estimate the proportion of the total invoice value to be allocated between the 'licence' performance obligation and the 'entitlement to updates' performance obligation, the Group considers the degree of homogeneity of products and solutions across different vendors and estimates such allocation based on a sample of price plans for various products and solutions.

Where the Group has concluded that the upgrades are critical to the functionality of the software, and such updates can only be delivered by the vendor, the Group acts as agent for such software sales as the vendor has the primary obligation to fulfil the services to the customers.

ACCOUNTING POLICIES APPLIED UNITL 28 FEBRUARY 2018 – REVENUE RECOGNITION

The Group has applied IFRS 15 using the modified retrospective approach in terms of which it has not restated comparative information. As a result, the comparative information provided continues to be presented in accordance with the Group's previous accounting policy in terms of IAS 18, as set out below:

SALE OF GOODS

Revenue from the sale of goods is measured at the fair value of the consideration received or receivable, net of returns and allowances, trade discounts, volume rebates and value added tax. Revenue from the sale of goods is recognised when the significant risks and rewards have been transferred to the buyer, recovery of the consideration is probable, the associated costs and possible return of goods can be estimated reliably, there is no continuing management involvement with the goods and the amount of revenue can be measured reliably.

SERVICE RENDERED

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

CONTRACT FULFILMENT COSTS

Contract fulfilment costs include hardware, fitment, commissions and other costs directly attributable to the fulfilment of customer service contracts. These costs are expensed over the expected period of the customer service contract.

COMMISSION

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

SHARE CAPITAL

A ORDINARY SHARES

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

N ORDINARY SHARES

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

The N ordinary shares were converted to A ordinary shares during the prior financial year.

HIGH VOTING SHARE

The high voting share is classified as equity. The Group issued the high voting share in the prior financial year.

REPURCHASE OF SHARE CAPITAL

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

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

ACCOUNTING POLICIES
(continued)

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

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

DEFERRED TAX
Deferred tax is recognised based on temporary differences.

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

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

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

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

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

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

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

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

EARNINGS PER SHARE
The Group presents basic and diluted earnings per share (EPS) data for its A ordinary shares ordinary shares that are in issue.

Basic EPS is calculated by dividing the profit or loss attributable to A ordinary shareholders of the company by the weighted average number of A ordinary outstanding during the period.

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

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

OPERATING SEGMENTS

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

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

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

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

EARNINGS BEFORE INTEREST, TAXATION, DEPRECIATION, AMORTISATION, CAPITAL ITEMS AND EQUITY ACCOUNTED LOSSES FROM ASSOCIATES

The Group presents in its consolidated statement of comprehensive income earnings before interest, taxation, depreciation, amortisation, capital items and equity accounted losses from associates. This represents the contribution by the Group from its revenue after deducting the associated employee costs and materials and services consumed expenses. This also includes other income earned; and finance lease interest income that is considered to be revenue for the Group.

This excludes interest (i.e. finance income and finance expenses), taxation, depreciation, amortisation, capital items and share losses from associates as defined in the accounting policies.

ACCOUNTING POLICIES APPLICABLE TO SEPARATE FINANCIAL STATEMENTS

BASIS OF PREPARATION

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

- Defined benefit asset; and
- share-based payment recharge arrangement asset.

INVESTMENT IN SUBSIDIARIES

Investment in subsidiaries are carried at cost less accumulated impairments. Except for the accounting policies listed above, all accounting policies are in accordance with the consolidated financial statements' accounting policies.

CONSOLIDATED BALANCE SHEET

AT 28 FEBRUARY 2019

R millions	Notes	GROUP 28 February 2019	Restated[1] 28 February 2018	Restated[1] 1 March 2017
ASSETS				
Non-current assets		**4 171**	3 798	2 893
Property, plant and equipment	1	**620**	615	569
Intangible assets and goodwill	2	**1 965**	1 669	1 029
Equity-accounted investments	3	**19**	20	23
Other investments	4	**–**	468	302
Financial assets at amortised cost	4	**350**	–	–
Financial assets at fair value through profit or loss	4	**202**	–	–
Financial assets at fair value through other comprehensive income	4	**21**	–	–
Finance lease assets	5	**196**	187	190
Contract costs capitalised	6	**83**	–	–
Capital rental devices	7	**293**	461	404
Trade and other receivables	10	**87**	–	–
Defined benefit asset	17	**180**	164	178
Deferred taxation	8	**155**	214	198
Current assets		**7 430**	6 138	6 991
Inventories	9	**1 017**	993	1 046
Trade and other receivables	10	**4 725**	3 360	2 752
Financial assets at fair value through profit or loss	10	**6**	–	–
Contract assets	18	**195**	–	–
Taxation receivable		**25**	4	3
Restricted cash	11	**26**	–	–
Cash and cash equivalents	11	**1 381**	1 067	1 546
		7 375	5 424	5 347
Assets classified as held-for-sale	39	**55**	714	1 644
Total assets		**11 601**	9 936	9 884
EQUITY AND LIABILITIES				
Total equity		**3 373**	2 545	2 028
Share capital and share premium	12	**2 866**	2 861	2 448
Retained earnings		**3 148**	2 543	2 356
Other reserves	13	**(2 479)**	(2 614)	(2 536)
Attributable to Altron shareholders		**3 535**	2 790	2 268
Non-controlling interests	44	**(162)**	(245)	(240)
Non-current liabilities		**1 424**	1 580	2 048
Loans	14	**1 262**	1 502	2 000
Provisions	15	**–**	5	5
Contract liabilities	18	**87**	–	–
Deferred taxation	8	**75**	73	43
Current liabilities		**6 804**	5 811	5 808
Loans	14	**484**	404	395
Bank overdrafts	11	**1 181**	972	956
Provisions	15	**15**	20	16
Trade and other payables	16	**3 603**	3 881	3 350
Financial liabilities at fair value through profit or loss	16	**18**	–	–
Contract liabilities	18	**1 423**	–	–
Taxation payable		**80**	69	67
		6 804	5 346	4 784
Liabilities classified as held-for-sale	39	**–**	465	1 024
Total equity and liabilities		**11 601**	9 936	9 884

[1] *Refer to note 43 for more detail in respect of the restatement of prior year balances.*

CONSOLIDATED STATEMENT OF COMPREHENSIVE INCOME

FOR THE YEAR ENDED 28 FEBRUARY 2019

		GROUP	
R millions	Notes	2019	Restated 2018
CONTINUING OPERATIONS			
Revenue	18	**15 723**	14 743
Other income**	19	**155**	41
Operating costs		**(14 271)**	(13 550)
Material and services consumed*	19	**(10 570)**	(10 037)
Employees' remuneration	19	**(3 701)**	(3 513)
Earnings before interest, taxation, depreciation, amortisation, capital items and equity accounted losses (EBITDA before capital items)		**1 607**	1 234
Depreciation and amortisation*		**(566)**	(451)
Operating profit before capital items		**1 041**	783
Capital items	20	**(26)**	(38)
Operating profit		**1 015**	745
Finance income	21	**130**	164
Finance expense	22	**(306)**	(342)
Share of loss of equity-accounted investees, net of taxation	23	**(1)**	(1)
Profit before taxation		**838**	566
Taxation	24	**(158)**	(145)
Profit for the year from continuing operations		**680**	421
DISCONTINUED OPERATIONS			
Revenue	18	**1 202**	2 938
Other income**	19	**29**	92
Operating costs		**(1 177)**	(3 022)
Material and services consumed	19	**(983)**	(2 466)
Employees' remuneration	19	**(194)**	(556)
Earnings before interest, taxation, depreciation, amortisation and capital items (EBITDA before capital items) and operating profit before capital items		**54**	8
Capital items	20	**24**	(271)
Operating profit/(loss)		**78**	(263)
Finance income	21	**24**	56
Finance expense	22	**(27)**	(77)
Profit/(loss) before taxation		**75**	(284)
Taxation	24	**(5)**	31
Profit/(loss) for the year from discontinued operations		**70**	(253)
Net profit for the year		**750**	168

* *Costs incurred to fulfil contracts relating to hardware and fitment have been reclassified from materials and services consumed to depreciation and amortisation, as a result the prior year has been restated.*

** *Other income has been separately disclosed and as a result the prior year has been restated.*

CONSOLIDATED STATEMENT OF COMPREHENSIVE INCOME (continued)

FOR THE YEAR ENDED 28 FEBRUARY 2019

R millions		Notes	GROUP 2019	GROUP 2018
Other comprehensive income				
Items that will not be reclassified to profit or loss				
Remeasurement of net defined benefit asset			**4**	(5)
Items that are or may be reclassified subsequently to profit or loss				
Foreign currency translation differences in respect of foreign operations			**113**	(62)
Transfer to reserves			**–**	(3)
Effective portion of changes in the fair value of cash flow hedges			**3**	2
Other comprehensive income/(loss) for the year, net of taxation			**120**	(68)
Total comprehensive income for the year			**870**	100
Net profit attributable to:				
Non-controlling interests			**39**	(19)
Non-controlling interests from continuing operations			**25**	17
Non-controlling interests from discontinued operations			**14**	(36)
Altron equity holders			**711**	187
Altron equity holders from continuing operations			**655**	404
Altron equity holders from discontinued operations			**56**	(217)
Net profit for the year			**750**	168
Total comprehensive income attributable to:				
Non-controlling interests			**39**	(18)
Non-controlling interests from continuing operations			**25**	17
Non-controlling interests from discontinued operations			**14**	(35)
Altron equity holders			**831**	118
Altron equity holders from continuing operations			**775**	356
Altron equity holders from discontinued operations			**56**	(238)
Total comprehensive income for the year			**870**	100
Basic earnings per share from continuing operations	(cents)	25	**177**	109
Diluted earnings per share from continuing operations	(cents)	25	**175**	108
Basic earnings/(loss) per share from discontinued operations	(cents)	25	**15**	(59)
Diluted earnings/(loss) per share from discontinued operations	(cents)	25	**15**	(58)
Basic earnings per share from total operations	(cents)	25	**192**	51
Diluted earnings per share from total operations	(cents)	25	**190**	50

CONSOLIDATED STATEMENT OF CASH FLOWS

FOR THE YEAR ENDED 28 FEBRUARY 2019

		GROUP	
R millions	Notes	2019	2018[1] Restated
Cash flows from operating activities			
Cash generated from operations	32	**1 127**	1 062
Interest received		**134**	178
Dividends received from equity accounted investees and other investments	33	**4**	32
Interest paid		**(330)**	(417)
Taxation paid	34	**(147)**	(142)
Dividends paid, including non-controlling interests		**(111)**	(5)
Net cash inflow from operating activities		**677**	708
Cash flows from investing activities			
Acquisition of subsidiaries and businesses net of cash	35	**(218)**	(698)
Proceeds on the disposal of subsidiaries and businesses net of cash	36	**176**	233
Proceeds on disposal of property, plant and equipment and intangible assets	37	**123**	3
Cash (outflow)/received relating to finance lease arrangements		**(6)**	15
Acquisition of intangible assets		**(93)**	(84)
Acquisitions of property, plant and equipment		**(190)**	(194)
Other investing activities	38	**(206)**	(246)
Net cash (outflow) from investing activities		**(414)**	(971)
Cash flows used in financing activities			
Loans advanced		**1 543**	195
Loans repaid		**(1 716)**	(755)
Settlement of finance leases		**(12)**	–
Proceeds from share issue		**–**	400
Net cash (outflow) from financing activities		**(185)**	(160)
Net increase/(decrease) in cash and cash equivalents		**78**	(423)
Net cash and cash equivalents at the beginning of the year		**95**	502
Cash and cash equivalents at the beginning of the year		**95**	590
Cash previously classified as held-for-sale		**–**	(88)
Effect of exchange rate fluctuations on cash held		**27**	16
Net cash and cash equivalents at the end of the year	11	**200**	95

[1] *Refer to note 43 for more detail in respect of the restatement of prior year balances.*

CONSOLIDATED STATEMENT OF CHANGES IN EQUITY

FOR THE YEAR ENDED 28 FEBRUARY 2019

		Attributable to Altron share holders			
R millions	Notes	Share capital and premium	Treasury shares	Foreign currency translation reserve	Premium/ discount on non-controlling equity transactions
Balance at 28 February 2017		2 747	(299)	164	(3 242)
Total comprehensive income for the year					
Profit/(loss) for the year		–	–	–	–
Other comprehensive income					
Foreign currency translation differences in respect of foreign operations		–	–	(62)	–
Remeasurement on net defined benefit asset		–	–	–	–
Transfer to reserves		–	–	–	–
Effective portion of changes in the fair value of cash flow hedges		–	–	–	–
Total other comprehensive income		–	–	(62)	–
Total comprehensive income for the year		–	–	(62)	–
Transactions with owners, recorded directly in equity					
Contributions by and distributions to owners					
Dividends to equity holders		–	–	–	–
Issue of share capital		413	–	–	–
Share-based payment transactions		–	–	–	–
Total contributions by and distributions to owners		413	–	–	–
Changes in ownership interests in subsidiaries					
Buy-back of non-controlling interests		–	–	–	(16)
Non-controlling interest disposed		–	–	–	–
Total changes in ownership interests in subsidiaries		–	–	–	(16)
Total transactions with owners		413	–	–	(16)
Balance at 28 February 2018		3 160	(299)	102	(3 258)
Adjustment on initial application of IFRS 9 and IFRS 15	42	–	–	–	–
Restated total equity at the beginning of the year		3 160	(299)	102	(3 258)
Total comprehensive income for the year					
Profit for the year		–	–	–	–
Other comprehensive income					
Foreign currency translation differences in respect of foreign operations		–	–	113	–
Remeasurement on net defined benefit asset		–	–	–	–
Effective portion of changes in the fair value of cash flow hedges		–	–	–	–
Total other comprehensive income		–	–	113	–
Total comprehensive income for the year		–	–	113	–
Transactions with owners, recorded directly in equity					
Contributions by and distributions to owners					
Dividends to equity holders		–	–	–	–
Issue of share capital		5	–	–	–
Share-based payment transactions	12	–	–	–	–
Total contributions by and distributions to owners		5	–	–	–
Changes in ownership interests in subsidiaries					
Disposal of operations	41	–	–	–	–
Total changes in ownership interests in subsidiaries		–	–	–	–
Total transactions with owners		5	–	–	–
Balance at 28 February 2019		3 165	(299)	215	(3 258)

Dividends per share declared 44 cents (final) and 28 cents (interim) (2018: nil).

Attributable to Altron share holders							
Cash flow hedging reserve	Share-based payments reserve	Statutory reserves	Revaluation reserve	Retained earnings	**Total**	Non-controlling interests	**Total equity**
(5)	188	95	264	2 356	**2 268**	(240)	**2 028**
–	–	–	–	187	**187**	(19)	**168**
–	–	–	–	–	**(62)**		**(62)**
–	–	–	(5)	–	**(5)**	–	**(5)**
–	–	–	(3)	–	**(3)**	–	**(3)**
1	–	–	–	–	**1**	1	**2**
1	–	–	(8)	–	**(69)**	1	**(68)**
1	–	–	(8)	187	**118**	(18)	**100**
–	–	–	–	–	**–**	(5)	**(5)**
–	(13)	–	–	–	**400**	–	**400**
–	20	–	–	–	**20**	–	**20**
–	7	–	–	–	**420**	(5)	**415**
–	–	–	–	–	**(16)**	16	**–**
–	–	–	–	–	**–**	2	**2**
–	–	–	–	–	**(16)**	18	**2**
–	7	–	–	–	**404**	13	**417**
(4)	195	95	256	2 543	**2 790**	(245)	**2 545**
–	–	–	–	(1)	**(1)**	–	**(1)**
(4)	195	95	256	2 542	**2 789**	(245)	**2 544**
–	–	–	–	711	**711**	39	**750**
–	–	–	–	–	**113**		**113**
–	–	–	4	–	**4**	–	**4**
3	–	–	–	–	**3**	–	**3**
3	–	–	4	–	**120**	–	**120**
3	–	–	4	711	**831**	39	**870**
–	–	–	–	(105)	**(105)**	(5)	**(110)**
–	(5)	–	–	–	**–**	–	**–**
–	20	–	–	–	**20**	–	**20**
–	15	–	–	(105)	**(85)**	(5)	**(90)**
–	–	–	–	–	**–**	49	**49**
–	–	–	–	–	**–**	49	**49**
–	15	–	–	(105)	**(85)**	44	**(41)**
(1)	210	95	260	3 148	**3 535**	(162)	**3 373**

R millions	Land, buildings and leasehold improve-ments	Plant and machinery	Motor vehicles, furniture and equipment	IT equipment and software	Capital work in progress	Total
1. PROPERTY, PLANT AND EQUIPMENT						
Cost						
Balance at 28 February 2017	394	1 126	284	866	66	2 736
Additions at cost	32	10	41	106	5	194
Acquisitions through business combinations (refer note 40)	32	1	–	6	–	39
Disposals of property, plant and equipment	(2)	(22)	(8)	(89)	–	(121)
Disposals of operations	(121)	(454)	(61)	(88)	(19)	(743)
Reclassifications	(2)	36	2	–	(36)	–
Exchange rate differences arising on consolidation of foreign subsidiaries	(7)	–	(1)	(7)	–	(15)
Balance at 28 February 2018	326	697	257	794	16	2 090
Additions at cost	**19**	**7**	**57**	**78**	**29**	**190**
Acquisitions through business combinations (refer note 40)	**4**	**–**	**17**	**–**	**–**	**21**
Disposals of property, plant and equipment	**(58)**	**(203)**	**(31)**	**(70)**	**(6)**	**(368)**
Disposals of operations (refer note 41)	**(38)**	**(347)**	**(16)**	**(39)**	**–**	**(440)**
Transfer from inventory	**–**	**–**	**–**	**12**	**–**	**12**
Transfer from intangible assets	**–**	**–**	**–**	**29**	**–**	**29**
Reclassifications	**3**	**8**	**–**	**1**	**(12)**	**–**
Assets written off	**(12)**	**–**	**–**	**(53)**	**–**	**(65)**
Exchange rate differences arising on consolidation of foreign subsidiaries	**18**	**–**	**4**	**13**	**–**	**35**
Balance at 28 February 2019	**262**	**162**	**288**	**765**	**27**	**1 504**
Accumulated depreciation and impairment losses						
Balance at 28 February 2017	171	987	214	613	–	1 985
Depreciation for the year	14	15	29	91	–	149
Impairments	4	45	2	23	3	77
Disposals of property, plant and equipment	(2)	(22)	(8)	(87)	–	(119)
Disposals of operations (refer note 41)	(69)	(424)	(54)	(70)	–	(617)
Translation of foreign operations	(1)	–	(1)	(5)	–	(8)
Balance at 28 February 2018	117	601	182	565	3	1 468
Depreciation for the year	**26**	**15**	**36**	**102**	**–**	**179**
Impairments	**–**	**–**	**–**	**7**	**–**	**7**
Acquisitions through business combinations (refer note 40)	**3**	**–**	**12**	**–**	**–**	**15**
Disposals of property, plant and equipment	**(29)**	**(203)**	**(21)**	**(69)**	**(3)**	**(325)**
Disposals of operations (refer note 41)	**(38)**	**(347)**	**(16)**	**(39)**	**–**	**(440)**
Transfer from intangible assets	**–**	**–**	**–**	**29**	**–**	**29**
Assets written off	**(12)**	**–**	**–**	**(53)**	**–**	**(65)**
Translation of foreign operations	**2**	**–**	**3**	**11**	**–**	**16**
Balance at 28 February 2019	**69**	**66**	**196**	**553**	**–**	**884**

R millions	Land, buildings and leasehold improve-ments	Plant and machinery	Motor vehicles, furniture and equipment	IT equipment and software	Capital work in progress	Total
1. PROPERTY, PLANT AND EQUIPMENT CONTINUED						
Carrying amount at 28 February 2018 before items classified as held-for-sale	209	96	75	229	13	622
Carrying amount: Property, plant and equipment classified as held-for-sale	(2)	–	(1)	(1)	(3)	(7)
Cost	(64)	(547)	(24)	(68)	(8)	(711)
Accumulated depreciation and impairment losses	62	547	23	67	5	704
Carrying amount at 28 February 2018	207	96	74	228	10	615
Carrying amount at 28 February 2019	**193**	**96**	**92**	**212**	**27**	**620**

ASSETS PREVIOUSLY CLASSIFIED AS HELD-FOR-SALE

In the prior year the Group had items of plant and equipment that was classified as held-for-sale as part of the Powertech Group and Multimedia business. In the current year, all of these assets have been disposed of, accordingly there are none of these assets remaining as held-for-sale at the end of the current year. R60 million of the R77 million impairment raised in the prior year resulted from an assessment of the carrying value of the assets for the Multimedia business that was classified as held for sale, compared to the fair value less costs to sell.

R millions	28 February 2019	28 February 2018
Encumbered assets		
Certain data processing, motor vehicles and office equipment, included in the above amounts, were encumbered as security for finance leases (refer note 14). The carrying amounts are as follows:		
Finance leases	**–**	11
Assets under construction		
Included in the cost of capital work in progress are the following categories of assets:		
Plant and machinery	**1**	9
IT equipment and software	**23**	–
Land, buildings and leasehold improvements	**3**	4
	27	13

USEFUL LIVES

Useful lives are reflected under accounting policies.

Management have assessed the appropriateness of the useful lives and residual values of property, plant and equipment and there have not been any changes from the prior year.

R millions	Goodwill	Customer relation ships	Trade names, designs, patents and trade marks**	Distribution rights, license agreements and proprietary software*	Proprietary software*	Total
2. INTANGIBLE ASSETS AND GOODWILL						
Cost						
Balance at 28 February 2017	1 391	226	1 209	229	31	3 086
Additions at cost	–	–	2	–	–	2
Development costs capitalised	–	–	82	–	–	82
Acquisitions through business combinations	557	188	66	–	–	811
Disposals	(69)	–	(54)	–	–	(123)
Disposals of operations (refer note 41)	(444)	–	(56)	–	(4)	(504)
Translation of foreign operations	(61)	(20)	(9)	–	–	(90)
Balance at 28 February 2018	1 374	394	1 240	229	27	3 264
Additions at cost	**–**	**3**	**22**	**43**		**68**
Development costs capitalised	**–**	**–**	**25**	**–**	**–**	**25**
Acquisitions through business combinations (refer note 40)	**148**	**52**	**29**	**–**	**–**	**229**
Disposals	**–**	**–**	**(4)**	**–**		**(4)**
Disposals of operations (refer note 41)	**(130)**	**(80)**	**(100)**	**(54)**	**–**	**(364)**
Intangible assets written off	**–**	**(4)**	**(658)**	**(87)**	**–**	**(749)**
Transfers to property, plant and equipment	**–**	**–**	**(29)**	**–**	**–**	**(29)**
Transfers into intangible assets	**–**	**–**	**4**	**–**	**–**	**4**
Transfers between categories	**–**	**–**	**–**	**27**	**(27)**	**–**
Translation of foreign operations	**80**	**26**	**14**	**–**	**–**	**120**
Balance at 28 February 2019	**1 472**	**391**	**543**	**158**	**–**	**2 564**
Accumulated amortisation and impairment losses						
Balance at 28 February 2017	647	200	1 015	119	14	1 995
Amortisation for the year	–	21	41	40	1	103
Impairment losses	30	–	94	–	–	124
Disposals	(69)	–	(54)	–	–	(123)
Reclassifications	–	–	(3)	–	3	–
Disposals of operations (note 41)	(444)	–	(56)	–	(4)	(504)
Translation of foreign operations	–	–	–	–	–	–
Balance at 28 February 2018	164	221	1 037	159	14	1 595
Amortisation for the year	**–**	**38**	**59**	**37**	**–**	**134**
Disposals	**–**	**–**	**(3)**	**–**	**–**	**(3)**
Disposals of operations (refer note 41)	**(130)**	**(80)**	**(100)**	**(54)**	**–**	**(364)**
Intangible assets written off	**–**	**(4)**	**(658)**	**(87)**	**–**	**(749)**
Transfers to property, plant and equipment	**–**	**–**	**(29)**	**–**	**–**	**(29)**
Transfers into intangible assets	**–**	**–**	**4**	**–**	**–**	**4**
Transfers between categories	**–**	**–**	**–**	**14**	**(14)**	**–**
Translation of foreign operations	**–**	**6**	**5**	**–**	**–**	**11**
Balance at 28 February 2019	**34**	**181**	**315**	**69**	**–**	**599**

R millions	Goodwill	Customer relationships	Trade names, designs, patents and trade marks**	Distribution rights, license agreements and proprietary software*	Proprietary software*	Total
2. INTANGIBLE ASSETS AND GOODWILL CONTINUED						
Carrying amount at 28 February 2018 before items classified as held-for-sale	1 210	173	203	70	13	1 669
Carrying amount: Goodwill and intangibles held-for-sale	–	–	–	–	–	–
Cost	(130)	(80)	(748)	(54)	–	(1 012)
Accumulated amortisation and impairment losses	130	80	748	54	–	1 012
Carrying amount at 28 February 2018	1 210	173	203	70	13	1 669
Carrying amount at 28 February 2019	**1 438**	**210**	**228**	**89**	**–**	**1 965**

* *During the current year, the Group aggregated the classification for distribution rights, licence agreements and proprietary software, this resulted in a transfer between categories.*

** *This includes internally generated designs used in the business operations of the Group as well as capitalised development costs.*

DISTRIBUTION RIGHTS

The Group owns the rights to distribute Xerox equipment in 26 (2018: 26) African territories. It paid an initial fee to acquire these rights. These distribution rights within Altron Bytes Document Solutions are considered to have indefinite useful lives.

These intangible assets have a carrying value of R19 million (2018: R19 million) and are tested for impairment annually and whenever there is an indication that the asset may be impaired.

The cash flows emanating from these assets are discounted to their present value using the calculated weighted average cost of capital of 14.7% (2018: 14.3%).

In determining the future cash flows, management uses the earnings before interest and tax calculated based on approved budgeted revenue and actual achieved operating margins to be derived from these assets in the first year, and this is escalated for the next four years by the anticipated CPI of 6% (2018: 5%) before taking into account the terminal value and long term growth rate of 3% (2018: 3%).

DETERMINATION OF THE RECOVERABLE AMOUNT

The carrying value of indefinite useful life intangible assets, intangible assets not yet available for use and goodwill are tested annually. A discounted cash flow valuation model is used to calculate value in use. Future expected cash flows are based on management forecasts, typically over a five-year period, and thereafter a reasonable rate of growth is applied based on current market conditions.

For the purpose of impairment assessments of goodwill, the goodwill balance is allocated to the operating units which represent the lowest level within the Group at which the goodwill is monitored for internal management purposes.

EVENTS AND CIRCUMSTANCES LEADING TO THE RECOGNITION OF IMPAIRMENT LOSSES

Goodwill

In the prior year, the carrying amount of the Altron Bytes Document Solutions cash generating unit was determined to be higher than its recoverable amount, based on its value in use.

An impairment loss of R30 million was recognised in the prior year and allocated to goodwill. Based on the impairment assessments performed in the current year, impairment losses were not required.

2. INTANGIBLE ASSETS AND GOODWILL CONTINUED

Assets previously classified as held-for-sale

In the prior year the Group had items of plant and equipment that was classified as held-for-sale as part of the Powertech Group and Multimedia business. In the current year, all of these assets have been disposed, accordingly there are none of these assets remaining as held for sale at the end of the current year.

SUMMARY OF GOODWILL AND ASSUMPTIONS APPLIED

A summary of the goodwill per cash-generating unit applied for impairment assessment purposes is presented below:

R millions	Goodwill carrying amount
28 February 2019	
Altron Nexus	**33**
Altron Bytes Document Solutions	**107**
Altron Bytes Managed Solutions	**53**
Altron Bytes People Solutions	**48**
Bytes Secure Transaction Solutions – Healthcare Solutions	**82**
Bytes Secure Transaction Solutions – Nupay	**65**
Altron Bytes Systems Integration Group	**178**
Altron Karabina	**148**
Security Partnerships	**96**
Phoenix	**424**
Altron Netstar	**29**
Netstar Australia*	**174**
Altron Arrow	**1**
	1 438
28 February 2018	
Altron Nexus	33
Altron Bytes Document Solutions	107
Altron Bytes Managed Solutions	53
Altron Bytes People Solutions	48
Bytes Secure Transaction Solutions – Healthcare Solutions	82
Bytes Secure Transaction Solutions – Nupay	65
Altron Bytes Systems Integration Group	178
Security Partnerships	83
Phoenix	371
Altron Netstar	29
Pinpoint Communications*	34
EZY2C*	126
Altron Arrow	1
	1 210

* *The merger of Pinpoint Communications and EZY2C resulted in the combination of the two separate cash-generating units (CGU) into a single CGU referred to as Netstar Australia. The merger was as a result of management's intention to focus on the expansion of the operations in Australia under a single brand. These operations have merged, effective 1 March 2019, and cash flows for these CGU's are not separately identifiable post the merger of these operations. Management views the information from these CGU's as a single CGU.*

A summary of the assumptions applied for impairment assessment purposes is presented below per country where the CGU's are situated:

	Long-term growth rate %	Discount rate %
28 February 2019		
South Africa	**2.00 – 7.00**	**15.44**
United Kingdom	**5.00**	**11.70**
Australia	**4.00**	**10.39**
28 February 2018		
South Africa	4.00 – 7.00	14.20 – 15.80
United Kingdom	2.00	7.55 – 12.73
Australia	5.00	8.22 – 13.09

VALUE IN USE

The recoverable amounts of the respective CGU's were determined based on value in use calculations. The calculations mainly use forecast cash flow projections based on financial budgets that were approved by the board of directors. The forecast period used in the calculation covers a five year (2018: five year) period, with year one being the approved budgeted year. A terminal value is calculated into perpetuity using long term growth rates. The growth rates used are in line with industry norms.

The following key assumptions were used in the calculations:

Growth rates: Steady growth rates were applied beyond the approved budget periods. The growth rates were consistent with publicly available information relating to long-term average growth rates.

Discount rates: Discount rates used reflect both time value of money and other specific risks relating to the relevant CGU.

SENSITIVITIES

A specific change in the discount rates or long-term growth rates of the below CGU's would result in the recoverable amount being equal to the carrying amount of the net assets of the CGU:

	Absolute change to discount rate %	Absolute change to long-term growth rate %
28 February 2019		
Altron Bytes Document Solutions	**2.46**	**5.00**
Altron Karabina	**6.80**	**
Phoenix	**7.40**	**
Netstar Australia	**8.50**	**
28 February 2018		
Altron Bytes Document Solutions*	*	*
Phoenix	4.00	**

* *A minimal change in the discount rates and long term growth rates would result in the carrying amount exceeding the recoverable amount, and as a result, an impairment was recognised in the prior year.*

** *The growth rate was reduced to 0% and sufficient headroom existed.*

The CGU's not included in the table above have sufficient headroom and is not sensitive to a change in the assumptions applied.

NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS (continued)

FOR THE YEAR ENDED 28 FEBRUARY 2019

	R millions	Group 28 February 2019	Group 28 February 2018
3.	**EQUITY-ACCOUNTED INVESTMENTS**		
	Interest in joint venture	**73**	138
	Interests in associates	**1**	4
	Less: Equity-accounted investment held-for-sale (refer to note 39)	**(55)**	(122)
		19	20
	Refer note 44 for detailed disclosures		
4.	**OTHER NON-CURRENT RECEIVABLES**		
	Non-current financial assets at amortised cost		
	Participation loan to Technologies Acceptances Receivables Proprietary Limited TAR)	**189**	191
	Preference share investment in Auto X (Pty) Ltd	**61**	–
	Proceeds receivable on disposal of Powertech Transformers (note 41)	**100**	–
		350	191
	Non-current financial assets at fair value through other comprehensive income		
	Preference share investment in Technologies Acceptances Receivables Proprietary Limited*	**21**	–
		21	–
	Non-current financial assets at fair value through profit or loss		
	Cash collateral – Share linked incentive ("SLI") hedge	**108**	–
	Investment in Aberdare Cables Proprietary Limited	**94**	–
		202	–
	Non-current receivables		
	Preference share investment in Technologies Acceptances Receivables Proprietary Limited	**–**	21
	Investment in Aberdare Cables Proprietary Limited**	**–**	94
	Preference share investment in Auto X Proprietary Limited	**–**	91
	Cash collateral – Share linked incentive ("SLI") hedge	**–**	71
		–	277
		572	468

* *Refer note 44 for detailed disclosures*

** *The investment in Aberdare Cables Proprietary Limited (Aberdare) (17.5% shareholding in the ordinary shares) is treated a financial asset at fair value through profit or loss as the Group does not have significant influence over the relevant activities of Aberdare. The value of the investment in underpinned by a put option whereby the Group has the right to exercise the option on or after 10 April 2019 to sell the investment for R94 million. The other shareholder (representing 82.5% shareholding in the ordinary shares) have a call option where they can exercise the option to buy the shareholding from the Group for R94 million on or after 10 April 2019.*

Refer note 42 for explanations regarding the change in accounting policy and the reclassification of financial assets following the adoption of IFRS 9 in the current year.

EXPOSURE TO CREDIT RISK

All of the Group's non-current financial assets at amortised cost and FVOCI are considered to have low credit risk, and the loss allowance recognised during the period was therefore limited to 12 months expected losses. The Group considers a financial instrument to have low credit risk when it has a low risk of default and the issuer has a strong capacity to meet its contractual cash flow obligations in the near term.

Non-current financial assets at amortised cost

The impact of the Expected Credit Loss (ECL) model had an immaterial impact on the non-current financial assets held at amortised cost. The ECL model incorporated the probability of default (PD) and the loss given default (LGD) of the counterparty. The Group uses judgement in making these assumptions and selecting the inputs to the impairment calculations, based on the Group's past history, existing market conditions as well as forward looking estimates at the end of the reporting period.

Non-current financial assets at fair value through other comprehensive income

The preference share investment as disclosed has been classified as an equity investment in terms of IFRS 9.

R millions	Group 28 February 2019	Group Restated[1] 28 February 2018
5. FINANCE LEASE ASSETS		
Finance lease assets		
Present value of minimum lease payments receivable	**376**	351
Less: Current portion (note 10)	**(180)**	(164)
Non-current finance lease receivable	**196**	187
Rental finance liabilities at amortised cost (included under loans)		
Present value of minimum lease payments payable (note 14)	**385**	363
Less: Current portion (note 14)	**(185)**	(173)
Non-current finance lease liability	**200**	190

Group entities sell certain document processing equipment to third parties on a finance lease basis.

The lease asset arising is in turn financed by a reciprocal lease agreement with financial institutions.

The underlying loans receivable and payable are settled in monthly instalments over periods of up to seven years and bear interest at rates linked to the prime bank overdraft rate. The loans are secured by the underlying equipment sold.

Offsetting criteria have not been met and as a result, the lease asset and lease liability are presented on a gross basis

The relationship between gross investment in the lease at the balance sheet date, and the present value of minimum lease payments receivable at the balance sheet date, is as follows:

R millions	Group 28 February 2019	Group Restated[1] 28 February 2018
Finance lease assets		
Present value of minimum lease payments receivable	**376**	351
Interest receivable	**61**	52
Future minimum lease payments receivable	**437**	403

R millions	28 February 2019 Future minimum lease payments	28 February 2019 Present value of minimum lease payments	Restated[1] 28 February 2018 Future minimum lease payments	Restated[1] 28 February 2018 Present value of minimum lease payments
Non-derivative financial assets				
Finance lease assets are receivable as follows:				
Less than one year	**216**	**180**	199	164
Between one and five years	**221**	**196**	204	187
	437	**376**	403	351
Non-derivative financial liabilities				
Rental finance liabilities are payable as follows:				
Less than one year	**221**	**185**	208	173
Between one and five years	**226**	**200**	208	190
	447	**385**	416	363

R millions	Group 28 February 2019	Group Restated[1] 28 February 2018
5. FINANCE LEASE ASSETS CONTINUED		
Exposure to credit risk of finance lease assets in South Africa		
The maximum exposure to, and concentration of, credit risk for finance lease assets at the reporting date by type of customer was:		
Parastatals/government	**185**	214
Corporates	**191**	137
	376	351

All customers are subjected to stringent credit vetting. It is our experience that only large corporates and parastatal/government departments avail themselves of the document outsourcing services rendered by the Group and hence there is a reduced risk of default.

Lease payments are due between 30 – 90 days after invoice.

EXPOSURE TO LIQUIDITY RISK

The following are the contractual maturities of finance lease assets and liabilities, including interest payments:

	Carrying amount	Contractual cash flows	Six months or less	Six to 12 months	One to two years	Two to five years
28 February 2019						
Non-derivative financial assets						
Finance lease assets	**376**	**437**	**118**	**98**	**143**	**78**
Non-derivative financial liabilities						
Finance lease liabilities	**(385)**	**(447)**	**(121)**	**(100)**	**(145)**	**(82)**
28 February 2018 (restated[1])						
Non-derivative financial assets						
Finance lease assets	351	402	105	93	135	69
Non-derivative financial liabilities						
Finance lease liabilities	(363)	(415)	(110)	(97)	(138)	(70)

[1] *Refer to note 43 for more detail in respect of the restatement of prior year balances.*

EXPOSURE TO INTEREST RATE RISK

A significant portion of finance leases are entered into on a back-to-back basis with financial institutions. The interest rate payable to financial institutions on the finance lease liability is equal to the rate being charged to the customer on the finance lease asset. These rates are automatically adjusted as and when the prime overdraft rate is amended. Accordingly the Group does not have any significant exposure to interest rate risk as a result of these arrangements.

R millions	Group 28 February 2019
6. CONTRACT COSTS CAPITALISED	
Costs incurred to fulfil contracts	**98**
Costs incurred to acquire contracts	**83**
Opening balance	**83**
Costs incurred to fulfil contracts during the year	**55**
Amortisation of costs incurred to fulfil contracts during the year	**(55)**
	181
Less: short term costs incurred to fulfil contracts (refer note 10)	**(98)**
	83

COSTS INCURRED TO FULFIL CONTRACTS

This relates to costs incurred by the Group on certain contracts where the performance obligations have not been met and accordingly revenue could not be recognised.

These costs are short term in nature and will be expensed to profit or loss within 12 months after the reporting period.

COSTS INCURRED TO OBTAIN CONTRACTS

These costs include fitment, commissions and other costs directly attributable to the negotiation and conclusion of customer service contracts. These costs are amortised on a systematic basis over the average customer life and the amortisation relating to the hardware and fitment is included in amortisation in profit or loss.

Following the adoption of IFRS 15 in the current year using the modified retrospective approach, comparative information have not been presented. The opening balance relates to the closing balance presented in note 7. This has been presented separately in the current year.

	Group	
R millions	28 February 2019	28 February 2018
7. CAPITAL RENTAL DEVICES		
Opening balance	**335**	360
Additions to capital rental devices during the year	**191**	257
Amortisation for the year	**(198)**	(199)
Written off during the year	**(35)**	–
	293	418
Other non-current assets	**–**	43
	293	461
Reconciliation of rental devices closing balance		
Capitalised devices	**293**	335
Capitalised commissions and other costs	**–**	83
	293	418

The capital rental devices relates to the costs of hardware that the Group supplies to its customers as part of service agreements. These devices remain the legal property of the Group and are depreciated over the period of the contract, up to a maximum of three years. The depreciation on these items are included in depreciation and amortisation in profit or loss.

Following the adoption of IFRS 15 in the current year using the modified retrospective approach, the capitalised costs in respect of the capital rental devices and the capitalised commissions have been presented separately in the current year, refer to note 6 for capitalised commissions and other costs in respect of the current year.

8. DEFERRED TAXATION

Deferred tax movements

R millions	Opening balance	Recognised in profit or loss	Recognised directly in equity	Acquisitions of subsidiaries	Translation differences and other	Closing balance
28 February 2019						
Wear and tear allowances	**90**	**11**	**–**	**20**	**13**	**134**
Working capital allowances	**(24)**	**20**	**–**	**–**	**–**	**(4)**
Provisions, accruals and other allowances	**(79)**	**(4)**	**–**	**–**	**–**	**(83)**
Share-based payments	**(3)**	**(4)**	**(4)**	**–**	**–**	**(11)**
Tax losses	**(126)**	**9**	**–**	**–**	**–**	**(117)**
Other	**1**	**–**	**–**	**–**	**–**	**1**
	(141)	**32**	**(4)**	**20**	**13**	**(80)**
28 February 2018						
Wear and tear allowances	100	(58)	–	52	(4)	90
Working capital allowances	(13)	(11)	–	–	–	(24)
Provisions, accruals and other allowances	(97)	18	–	–	–	(79)
Share-based payments	(2)	(2)	1	–	–	(3)
Tax losses	(142)	16	–	–	–	(126)
Other	(1)	1	–	–	1	1
	(155)	(36)	1	52	(3)	(141)

R millions	Group 28 February 2019	Group 28 February 2018
The above balance comprises:		
Deferred tax liabilities	**75**	73
Deferred tax assets	**(155)**	(214)
Net deferred tax asset	**(80)**	(141)
The Group has used judgement and determined that the deferred tax asset is recoverable based on expected future taxable profits.		
Tax losses		
Estimated tax losses and deductible temporary differences that are available for set-off against future taxable income	**1 020**	1 552
Continuing operations	**462**	492
Discontinued operations	**558**	1 060
Recognised	**(417)**	(451)
Continuing operations	**(417)**	(451)
Discontinued operations	**–**	–
Unrecognised estimated tax losses and deductible temporary differences	**603**	1 101
Continuing operations	**45**	41
Discontinued operations	**558**	1 060

R millions	Group 28 February 2019	28 February 2018
9. INVENTORIES		
Raw materials	**142**	127
Work in progress	**13**	170
Finished goods	**837**	958
Consumable stores	**25**	8
	1 017	1 263
Less: Inventories classified as held-for-sale (refer note 38)	**–**	(270)
	1 017	993
Inventories carried at cost	**763**	694
Inventories carried at net realisable value	**254**	299
	1 017	993

Write downs of inventories to net realisable of R14 million (2018: R8 million) value occurred in the Group during the current financial year and is included in materials and services consumed.

	Group 28 February 2019	Restated[1] 28 February 2018
10. TRADE AND OTHER RECEIVABLES		
Financial assets at amortised cost		
Gross trade receivables	**3 210**	3 099
Less: Impairment allowance	**(93)**	(169)
Less: Other allowances*	**(13)**	(20)
Deposits	**14**	15
Current portion of finance lease assets (note 5)	**180**	164
Other receivables	**66**	38
Proceeds receivable on the disposal of Powertech Transformers (note 41)	**50**	–
Facility receivable from Aeromaritime International Management	**38**	40
Revenue accrued on contracts not yet billed	**–**	119
Customer finance lease receivables	**–**	1
Proceeds receivable on disposal of investment	**–**	27
Less: Receivables classified as held-for-sale (note 39)	**–**	(315)
	3 452	2 999
Non-financial assets		
Costs incurred to fulfil contracts (note 6)	**98**	–
Prepayments	**1 173**	200
Other receivables	**78**	116
VAT receivable	**11**	15
	1 360	331
Less: long term prepayments	**(87)**	–
	4 725	3 330
Financial assets at fair value through profit or loss		
Forward exchange contracts	**6**	30
	4 731	3 360

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

[1] *Refer to note 43 for more detail in respect of the restatement of prior year balances.*

See note 42 for explanations regarding the change in accounting policy and the reclassification of financial assets following the adoption of IFRS 9.

	Group 28 February 2019	Group Restated[1] 28 February 2018
10. TRADE AND OTHER RECEIVABLES CONTINUED		
EXPOSURE TO CREDIT RISK		
The exposure to credit risk, excluding finance lease assets, at the reporting date was represented by:		
Gross trade receivables	**3 210**	3 099
Less: Impairment allowance	**(93)**	(169)
Less: Other allowances*	**(13)**	(20)
Deposits	**14**	15
Other receivables	**66**	38
Customer finance lease receivables	**–**	1
Proceeds receivable on the disposal of Powertech Transformers	**50**	27
Facility receivable from Aeromaritime International Management	**38**	40
Contract assets, net off contract loss allowance	**195**	–
	3 467	3 031
The exposure to credit risk, excluding finance lease assets, at the reporting date was represented by:		
Parastatals/government	**1 051**	969
Corporates	**2 191**	1 814
SMEs	**217**	211
Individuals	**8**	37
	3 467	3 031
The Group generally deals with the larger corporates who have a sound credit standing.		
In certain cases credit risk insurance cover is obtained as security for debtors to ensure payment.		
Credit risk in respect of corporates and SME's is controlled through the use of credit vetting agencies and the setting of credit limits by experienced personnel. Credit limits are typically reviewed at least annually.		
The exposure to credit risk, excluding finance lease assets, at the reporting date was represented by:		
South Africa	**2 098**	2 025
Rest of Africa	**129**	138
Europe	**1 146**	743
Rest of world	**94**	125
	3 467	3 031

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

[1] *Refer to note 43 for more detail in respect of the restatement of prior year balances.*

The majority of the financial assets outside of South Africa are in respect of the Group's international operations which are experienced in managing their own local credit risk. With regards to cross border trade, credit risk is managed through the use of letters of credit and credit insurance as considered necessary.

Credit risk, concentration risk and significant judgement applied by management

Gross trade receivable with Thobela Telecoms (RF) Proprietary Limited ("TT")

Altron Nexus Proprietary Limited (Nexus) holds a jointly controlled interest in TT. TT is the vehicle through which the City of Tshwane (CoT) has contracted for the procurement and installation of a fibre broadband network (CoT project). Nexus has in turn been contracted by TT to complete the build and implementation of the CoT project. In the prior year, CoT initiated legal proceedings to halt progress on the project combined with a review of the tender given concerns over internal CoT irregularities related to the tender process.

As at the end of the reporting period, the Group had an outstanding balance of R301 million (2018: R265 million) outstanding from TT. The increase in the balance from the prior year is as a result of delay costs that were invoiced to TT in terms of the agreements entered into.

Management is of the view that their legal case is sound and that there is a very high probability that judgment will go in their favour, which would escalate receipt of the outstanding funding.

In addition, CoT has commenced with certain initiatives in relation to the project in order to amicably resolve the ongoing dispute.

Any potential loss is further negated through the Group's right to collect the equipment that has been installed due to amounts owing remaining outstanding.

Management is confident that the judge presiding over the matter will issue judgment in the near future.

As at year-end management has not raised a loss allowance in respect of the outstanding balance from TT. In accordance with IFRS 15; R34 million of the revenue relating to the delay costs charged have been constrained at year-end.

EXPECTED CREDIT LOSSES

The Group has the following financial assets subject to the expected credit loss model (ECL):

- Trade receivables
- Contract assets
- Finance lease assets

The Group applies the IFRS 9 simplified approach to measuring expected credit losses which uses a lifetime expected loss allowance for all trade receivables, contract assets and finance lease assets.

Simplified parameter-based approach – ECL is calculated based on the life-time expected credit losses using a formula incorporating the following parameters: Exposure at default (EAD), probability of default (PD) and loss given default (LGD) (i.e. ECL = PD x LGD x EAD). Exposures are Grouped by customer type i.e. corporate, SME, parastatal, etc. In calculating the expected credit loss rates, the Group considers loss rates for each category of customers. The inputs used in the calculation of the ECL is based on published indices which incorporates an element of forward-looking information.

As the Group is applying the simplified approach in respect of the ECL model, the Group distinguishes between non-performing and credit impaired counterparties. In the event that the counterparty is classified as credit impaired, the Group calculates the interest on the trade receivable, net of the impairment loss. The impact of this is immaterial for the current year.

When the Group identifies a counterparty that has defaulted and the probability of recovery is remote, the amounts are written off, either by utilising the provision raised in respect of the counterparty or recognising the write-off in profit or loss.

To measure the expected credit losses, trade receivables, contract assets and finance lease assets have been Grouped based on shared credit risk characteristics. The contract assets relate to unbilled work in progress and have substantially the same risk characteristics as the trade receivables for the same types of contracts. The Group has therefore concluded that the expected loss rates for trade receivables are a reasonable approximation of the loss rates for the contract assets.

The Group provides credit losses against trade receivables, finance lease assets and contract assets as follow:

	Expected credit loss rate %*	Basis for recognition of ECL provision	Gross carrying amount at default	Net carrying amount at default
Parastatals/government***	**0.03 – 0.32**	**Life time expected losses**	**1 267**	**1 236**
Corporates***	**0.03 – 0.60**	**Life time expected losses**	**2 351**	**2 294**
SMEs	**0.01 – 8.33**	**Life time expected losses**	**222**	**217**
Individuals	**0.72 – 1.07**	**Life time expected losses**	**8**	**8**
			3 848	**3 755**
Proceeds receivable on the disposal of Powertech Transformers**			50	50
Facility receivable from Aeromaritime International Management**			38	38
			3 936	3 843

* *The Group applied a range of ECL rates on trade receivables at the reporting period based on the specific probability of default of the counterparty.*

** *The impact of the ECL model had an immaterial impact on these balances. The ECL model incorporated the probability of default (PD) and the loss given default (LGD) of the counterparty. The Group uses judgement in making these assumptions and selecting the inputs to the impairment calculations, based on the Group's past history, existing market conditions as well as forward looking estimates at end of the reporting period.*

*** *Gross and net carrying amount at default includes balances in respect of finance lease assets, refer note 5.*

10. TRADE AND OTHER RECEIVABLES CONTINUED

RECONCILIATION OF LOSS ALLOWANCE

Trade receivables and contract assets are written off when there is no reasonable expectation of recovery. Indicators that there is no reasonable expectation of recovery include, amongst others, the failure of a debtor to engage in a repayment plan with the Group or a failure to make contractual payments for a period of greater than 120 days past due.

Impairment losses on trade receivables and contract assets are presented as net impairment losses within operating profit. Subsequent recoveries of amounts previously written off are credited against the same line item. The impairment loss recognised in the current year is in respect of revenue recognised from contracts with customers.

The impairment loss allowance in respect of finance lease assets are immaterial.

The movement in the impairment allowance in respect of trade receivables and contract assets during the year was as follows:

	Trade receivables		**Contract assets**	
R millions	**2019**	2018	**2019**	2018*
Balance at the beginning of the year	**169**	199	**–**	–
Amounts restated through opening retained earnings (refer note 42)	**3**	–	**–**	–
Opening loss allowance as at 1 March 2018	**172**	199	**–**	–
Impairment loss recognised	**3**	7	**1**	–
Disposals of operations	**–**	(6)	**–**	–
Translation	**1**	–	**–**	–
Written off	**(83)**	(31)	**–**	–
Balance at the end of the year	**93**	169	**1**	–

* *The comparative amounts have not been disclosed due to the adoption of IFRS 9 on the modified retrospective approach on 1 March 2018.*

CURRENCY RISK

Currency risk positions are reflected in note 28.

DERIVATIVE ASSETS AT FAIR VALUE

Derivative assets at fair value include:

	Group	
R millions	**2019**	2018
Forward exchange contracts – Fair value hedge	**6**	30
	6	30

CREDIT RISK ON DERIVATIVE ASSETS

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

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

R millions	Group 2019	Group Restated[1] 2018
11. CASH AND CASH EQUIVALENTS AND RESTRICTED CASH		
Cash at bank	**1 304**	768
Cash held on behalf of merchants*	**77**	299
Bank overdrafts	**(1 181)**	(972)
Net cash and cash equivalents per the statement of cash flows	**200**	95
Restricted cash		
Thobela Telecoms	**26**	–

* *As part of the Group's business operations, cash is collected from customers on behalf of merchants and paid over to merchants when the amounts are cleared in the bank account.*

[1] *Refer to note 43 for more detail in respect of the restatement of prior year balances.*

The Group ceded the cash balances in this bank account to Thobela Telecoms for the due, proper and timeous payment and performance in full of its portion of the equity contribution in Thobela Telecoms. This was a requirement for the project entered into by the Group.

The cash on hand at year-end is due to the timing between receiving the cash from the customers, the cash clearing in the bank account and the payments being made to the merchants.

On average, these amounts are paid over to merchants between two to five business days from receipt into the bank account.

CREDIT RISK

The Group limits its credit risk exposure by investing only with financial institutions that have a sound credit rating. Management does not expect any counterparty to fail to meet its obligations based on the credit ratings of the financial institutions presented below:

R millions	Credit ratings	Cash and cash equivalents	Restricted cash
28 February 2019			
South Africa	**AA+ to B**	**(603)**	**26**
United Kingdom	**A-1 to F1+**	**568**	**–**
Australia	**AA- to Aa2**	**55**	**–**
Other	**Various**	**180**	**–**
		200	**26**

EXPECTED CREDIT LOSSES

While cash and cash equivalents are also subject to the ECL model, the identified impairment loss was immaterial.

INTEREST RISK

Interest rate risk is monitored by management daily and cash is moved between bank accounts to maximise arbitrage. Bank overdrafts and cash balances are subject to market related interest rates.

CURRENCY RISK

Currency risk positions are reflected in note 28.

NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS (continued)

FOR THE YEAR ENDED 28 FEBRUARY 2019

12. SHARE CAPITAL AND PREMIUM

		Group and company			
		28 February 2019 Number of shares	28 February 2018 Number of shares	**28 February 2019 R millions**	28 February 2018 R millions
12.1	AUTHORISED				
	A Ordinary shares of no par value (2018: No par value)	**500 000 000**	500 000 000	**–**	–
	N Ordinary shares of 0.01 cent each (2018: 0.01 cent each)	**500 000 000**	500 000 000	**–**	–
	High voting share of no par value (unlisted)	**1**	1	**–**	–
12.2	ISSUED				
	A Ordinary shares				
	In issue at the beginning of the year	**399 092 426**	105 669 131	**3 160**	2
	Issued in terms of share schemes	**288 146**	1 065 534	**5**	13
	Conversion of par value shares to no par value	**–**	–	**–**	579
	Share buy back (9 A shares for every 10 N shares)	**–**	237 935 993	**–**	2 166
	Shares issued	**–**	54 421 768	**–**	400
	In issue at the end of the year	**399 380 572**	399 092 426	**3 165**	3 160
	Less: Own shares acquired by subsidiary	**(28 180 081)**	(28 180 081)	**(299)**	(299)
	Net A ordinary shares at the end of the year	**371 200 491**	370 912 345	**2 866**	2 861
	N Ordinary shares				
	In issue at the beginning of the year	**–**	264 371 346	**–**	–
	Issued in terms of share schemes	**–**	2 952	**–**	–
	Share buy back (9 A shares for every 10 N shares)	**–**	(264 374 298)	**–**	–
	In issue at the end of the year	**–**	–	**–**	–
	High Voting share				
	In issue at the beginning of the year	**1**	–	**–**	–
	Share issued	**–**	1	**–**	–
	Net High Voting share at the end of the year	**1**	1	**–**	–
	Total number of shares in issue at the end of the year, net of own shares acquired	**371 200 492**	370 912 346		
12.3	SHARE PREMIUM				
	Balance at the beginning of the year			**–**	2 745
	Share buy back (9 A shares for every 10 N shares)			**–**	(2 166)
	Conversion of par value shares to no par value			**–**	(579)
	Balance at the end of the year			**–**	–
12.4	TOTAL ISSUED SHARE CAPITAL AND PREMIUM			**2 866**	3 160

Terms of equity shares

A Ordinary shares

The holders of ordinary shares are entitled to receive dividends as declared from time to time and are entitled to one vote per share at meetings of the company.

N Ordinary shares

Holders of N Ordinary shares rank *pari passu* with the A ordinary shares with regard to entitlement to dividends and the company's residual assets.

The shares have limited and diluted voting rights only in specific and limited circumstances.

High Voting share

The holders (Venter family) of the High Voting share are entitled to voting rights of 25% plus one vote, so long as members of the Venter family are the ultimate beneficial owners of at least 10% of the A ordinary shares.

Treasury shares

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

12.5 SHARE-BASED PAYMENTS

1. Altron 2009 Share Plan – Equity settled share-based payments

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

– Share appreciation rights

These grant participants rights to acquire shares subject to meeting future performance vesting conditions. Vesting occurs in equal tranches over a three year period commencing on the third anniversary of the grant, subject to meeting the vesting conditions which include internal growth measures (non-market conditions). These rights lapse six years after the grant date.

– Performance share awards

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

– Bonus share grants

The Bonus Share Scheme is a three year scheme. The vesting period is three years from the initial date of the grant provided that the participants are still in the employ of the Group. Participants will receive a grant that matches, according to a specified ratio of growth in key measures in the Group, such as EBITDA, a portion of the Participants' annual performance bonus. The full value of the vested Bonus Shares will be settled to the participants in shares as the exercise price per share is Rnil per share.

Summary of share options allocated in terms of Altron 2009 Share Plan:

Date granted	Exercise price per share	Share appreciation rights	Performance share awards	Bonus share grants
10 December 2012	R23.44	452 358		
16 August 2013	R22.51	1 001 635		
15 August 2014	R23.89	1 008 289		
22 February 2017	R9.90	726 531		
22 February 2017	R0.00		551 949	
22 February 2017	R0.00			772 218
17 July 2017	R0.00		56 120	
17 July 2017	R0.00			441 967
30 January 2013	R19.93	793 473		
1 April 2017	R10.00	2 000 000		
1 November 2017	R0.00		227 642	
1 September 2017	R0.00		58 615	
1 September 2017	R0.00			33 692
13 June 2018	R15.00	4 041 412		
27 February 2019	R18.60	2 704 403		
		12 728 101	894 326	1 247 877

12. SHARE CAPITAL AND PREMIUM CONTINUED

12.5 SHARE-BASED PAYMENTS CONTINUED

The number and weighted average exercise prices of share options are as follows:

	Weighted average exercise price Rand 2019	Number of options (000) 2019	Weighted average exercise price Rand 2018	Number of options (000) 2018
Outstanding at the beginning of the year	**10.53**	**8 124**	14.41	11 834
Conversion of share options	**–**	**–**	–	-1 183
		8 124		10 651
Granted during the year	**16.23**	**6 746**	–	2 818
Options lapsed/forfeited/reinstated	**22.57**	**(2 182)**	19.86	(4 279)
Exercised during the year	**7.21**	**(525)**	–	(1 066)
Outstanding at the end of the year	**13.41**	**12 163**	10.53	8 124
Exercisable at the end of the year			–	2 250

Exercise prices on outstanding options at the end of the period ranged from Rnil to R23.89 (2018: Rnil to R23.89).

The weighted average remaining period to vesting on outstanding options at the end of the period was two years (2018: two years).

The fair value of services received in return for share options granted is measured by reference to the fair value of the share options granted. The estimate of the fair value of the services received is measured using the Black-Scholes Model for all options except for the performance share awards which are valued using the Monte Carlo valuation model.

Evidence indicated that most options are exercised on or shortly after the vesting date and the assumptions have been adjusted accordingly. There is no difference between the options granted to key management and senior employees.

Bonus and performance share awards vest entirely and are exercisable after three years.

Fair value and assumptions of share options awarded during the current and prior year

		Share appreciation rights
28 February 2019		
Fair value at grant date	(Rand)	**5.32 – 7.48**
Share price	(Rand)	**15.00 – 18.60**
Exercise price	(Rand)	**15.00 – 18.60**
Expected volatility	(%)	**32.62 – 39.25**
Option life	(years)	**3 – 5**
Dividend yield	(%)	**0 – 1.51**
Risk-free interest rate	(%)	**7.67 – 8.90**

		Bonus and performance shares	Share appreciation rights
28 February 2018			
Fair value at grant date	(Rand)	12.20 – 13.00	3.56 – 4.38
Share price	(Rand)	12.20 – 13.00	10.00
Exercise price	(Rand)	–	10.00
Expected volatility	(%)	52.64	32.62 – 39.25
Option life	(years)	3	3 – 5
Dividend yield	(%)	0	0
Risk-free interest rate	(%)	7.67	7.78 – 8.13

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

	Share appreciation rights	Performance share awards	Bonus share grants	Total share options
Number of options allocated at 28 February 2017	8 290 329	1 639 533	1 904 301	11 834 163
Conversion of share options	(829 033)	(163 953)	(190 430)	(1 183 416)
Number of options granted	2 000 000	342 377	475 659	2 818 036
Number of options lapsed/forfeited/reinstated	(3 479 010)	(697 989)	(101 761)	(4 278 760)
Number of options exercised	–	(225 642)	(839 892)	(1 065 534)
Number of options allocated at 28 February 2018	5 982 286	894 326	1 247 877	8 124 489
Number of options granted	6 745 815	–	–	6 745 815
Number of options lapsed/forfeited/reinstated	(2 128 153)	–	(54 116)	(2 182 269)
Number of options exercised	(295 747)	(68 354)	(160 997)	(525 098)
Number of options allocated at 28 February 2019	**10 304 201**	**825 972**	**1 032 764**	**12 162 937**

2. Share Linked Incentives (SLI's) – Cash settled share-based payments
In previous financial years, the Group granted SLI's to certain employees that entitles them to a cash payment after two years and three years of service. The SLI's expire at the end of the two- and three-year periods after grant date. The amount of the cash payment is determined based on the increase in the share price of the Company between grant date and the time of exercise and other performance criteria. The full value of the vested SLI's will be settled to the participants in cash.

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

	Weighted average exercise price Rand 2019	Number of options (000) 2019	Weighted average exercise price Rand 2018	Number of options (000) 2018
Outstanding at the beginning of the year	**6.78**	**7 816**	5.79	24 229
Conversion of share options	**–**	**–**	–	(2 425
		7 816		21 804
Granted during the year	**–**	**–**	–	1 100
Options lapsed/forfeited/reinstated	**6.28**	**(1 611)**	5.63	(9 279)
Exercised during the year	**6.28**	**(3 829)**	5.70	(5 809)
Outstanding at the end of the year	**7.93**	**2 376**	6.78	7 816
Exercisable at the end of the year			–	2 250

The weighted average remaining period to vesting on outstanding options at the end of the period was one year (2018: two years).

12. SHARE CAPITAL AND PREMIUM CONTINUED

12.5 SHARE-BASED PAYMENTS CONTINUED

2. Share Linked Incentives (SLI's) – Cash settled share based payments continued

	9 Dec 2015	1 Mar 2016	1 Jun 2017	Total share options
Number of options allocated at 28 February 2017	12 165 806	12 063 339	–	24 229 145
Conversion of share options	(1 218 273)	(1 206 334)	–	(2 424 607)
Number of options granted	–	–	1 100 000	1 100 000
Number of options exercised	(2 379 459)	(3 429 871)	–	(5 809 330)
Number of options lapsed/forfeited	(3 128 181)	(6 150 759)	–	(9 278 940)
Number of options allocated at 28 February 2018	5 439 893	1 276 375	1 100 000	7 816 268
Number of options exercised	(3 829 293)	–	–	(3 829 293)
Number of options lapsed/forfeited	(1 610 600)	–	–	(1 610 600)
Number of options allocated at 28 February 2019	**–**	**1 276 375**	**1 100 000**	**2 376 375**

Fair value and assumptions

		9 Dec 2015	1 Mar 2016	1 Jun 2017
28 February 2019				
Fair value of option	(Rand)	**–**	**12.91**	**7.81**
Exercise price	(Rand)	**–**	**5.30**	**10.99**
Share price at year-end	(Rand)	**–**	**12.45**	**12.45**
Expected volatility	(%)	**–**	**25.87**	**34.49 – 38.01**
Option life	(years)	**–**	**3**	**2 – 3**
Dividend yield	(%)	**–**	**–**	**–**
Risk-free interest rate	(%)	**–**	**6.75**	**6.75 – 8.60**
28 February 2018				
Fair value of option	(Rand)	5.84	6.96	3.17 – 4.40
Exercise price	(Rand)	6.28	5.30	10.99
Share price at year-end	(Rand)	12.45	12.45	12.45
Expected volatility	(%)	23.19	25.87	34.49 – 38.01
Option life	(years)	3	3	2 – 3
Dividend yield	(%)	–	–	–
Risk-free interest rate	(%)	7.04	7.04	7.04 – 8.00

3. Employee Share Scheme (ESS) – Equity settled share-based payments
On 15 November 2016, Bytes Technology Group Limited (a wholly owned subsidiary of the Group) issued and allotted B Ordinary shares to it's employees at £0.001. These shares carry no voting and no dividend rights. Upon vesting of the B shares, the B shares are converted into Fixed Rate Preference Shares (FRPS), the FRPS are immediately converted into ordinary shares.

All of the options remain outstanding at the end of the year and there have been no movements since the grant date. None of these options are exercisable at the reporting date. The details of options outstanding at the financial year end are as follows:

Number of options allocated at 28 February 2018 and 2019	1 000

Fair value and assumptions of share options awarded

		15 Nov 2016
Fair value at grant date	(GBP)	3.00
Share price	(GBP)	65.76
Exercise price	(GBP)	72.33
Expected volatility	(%)	25.00
Option life	(years)	5
Dividend yield	(%)	9.3
Risk-free interest rate	(%)	1.40

The fair value of the services received is measured using the Binomial Approach Model.

The weighted average remaining period to vesting on outstanding options at the end of the period were two years (2018: three years).

12.6 SHARE-BASED PAYMENT EMPLOYEE EXPENSES

	Group	
R millions	**28 February 2019**	28 February 2018
Equity settled share-based payment expenses	**20**	20
Cash settled share-based payment expenses	**23**	22
Total expense recognised as employee costs (note 19.2)	**43**	42

13. RESERVES

	GROUP	
R millions	**28 February 2019**	28 February 2018
13.1 FOREIGN CURRENCY TRANSLATION RESERVE Comprises all foreign exchange differences arising from the translation of the financial statements of foreign operations.	**215**	102
13.2 PREMIUM/DISCOUNT ON NON-CONTROLLING INTEREST EQUITY TRANSACTIONS Comprises the premium or discount on the subsequent purchase or sale of equity instruments in existing subsidiaries where there is no resulting change in control.	**(3 258)**	(3 258)
13.3 CASH FLOW HEDGING RESERVE Comprises the effective portion of the cumulative net change in the fair value of cash flow hedging instruments relating to hedged transactions that have not yet occurred.	**(1)**	(4)
13.4 SHARE-BASED PAYMENTS RESERVE Comprises the net fair value of equity instruments granted to employees under share schemes expensed net of tax credits on deductible recharges in excess of expenses recognised.	**210**	195
13.5 STATUTORY RESERVES Comprises the Capital Redemption Reserve funds as well as legal reserves of a foreign subsidiary.	**95**	95
13.6 FAIR VALUE RESERVE Comprises the cumulative net change in the fair value of financial assets at fair value through other comprehensive income/available-for-sale, net of deferred taxation. The change in the remeasurement of the defined benefit plan through other comprehensive income is also being recorded in this reserve.	**260**	256
Total reserves	**(2 479)**	(2 614)

	Group 28 February 2019	Group Restated[1] 28 February 2018
14. LOANS		
14.1 NON-CURRENT LOANS		
Financial liabilities at amortised cost		
Deferred purchase considerations	**59**	–
Secured bank loans	**1 300**	1 473
Loans from non-controlling interests	**2**	2
Rental finance liabilities (note 5)	**385**	363
Finance lease liabilities	**–**	12
	1 746	1 850
Financial liabilities at fair value		
Contingent consideration*	**–**	66
	1 746	1 916
Less: Payable within one year disclosed as current loans	**(484)**	(414)
Total non-current loans	**1 262**	1 502
14.2 CURRENT LOANS		
Current portion of financial liabilities at amortised cost		
Current portion of rental finance liabilities (note 5)	**185**	173
Current portion of finance lease liabilities	**–**	11
Current portion of secured bank loans	**267**	200
Current portion of deferred purchase considerations	**30**	–
Current portion of contingent consideration	**–**	28
Current portion of loan from non-controlling interest	**2**	2
Current portion of long-term loans	**484**	414
Less: Short term portion of long term loans classified as held-for-sale (refer note 39)	**–**	(10)
Total current loans	**484**	404

* *The carrying value of the contingent consideration approximates its fair value.*

TERMS AND DEBT REPAYMENT SCHEDULE

The terms and conditions of outstanding loans were as follows:

	Currency	Nominal interest rate %	Year of maturity	28 February 2019 Carrying value R millions	28 February 2018 Restated[1] Carrying value R millions
Secured					
Rental finance liabilities	**ZAR**	**10.98 – 16.94**	**2023**	**385**	363
Finance lease liabilities	**ZAR**	**12.7 – 12.9**	**2021**	**–**	2
Finance lease liabilities	**CHF**	**0.25**	**2018**	**–**	10
Secured bank loan	**ZAR**	**JIBAR + 1.95**	**2022**	**1 300**	–
Secured bank loan	**ZAR**	**JIBAR + 3.3**	**2022**	**–**	800
Secured bank loan	**ZAR**	**JIBAR + 3.3**	**2020**	**–**	673
Loan from non-controlling interests	**ZAR**	**–**	**2020**	**2**	2
Contingent purchase consideration	**AUD**	**–**	**2019**	**–**	38
Contingent purchase consideration	**AUD**	**–**	**2018**	**–**	28
Deferred purchase consideration	**ZAR**	**9.01**	**2019**	**30**	–
Deferred purchase consideration	**ZAR**	**9.01**	**2020**	**29**	–
				1 746	1 916

SECURITY

Finance lease liabilities are secured by equipment with a carrying amount of nil (2018: R11 million).

Rental finance liabilities are largely matched by reciprocal finance lease assets from the customer on the back to back arrangement (refer note 5).

During the current year the Group renegotiated its long term debt financing with the banks at more favourable terms. A long term facility of R2 billion was granted to the Group of which R1.3 billion was drawn at 28 February 2019. The previous drawn facility of R1.2 billion was settled on 28 February 2019. The remaining undrawn facility at year-end is R700 million.

The loans have been secured by way of cross-guarantees from the following entities in the Group:

Altron TMT SA Holdings Proprietary Limited
Altron TMT SA Group Proprietary Limited
Bytes Technology Group Proprietary Limited
Altron TMT Proprietary Limited
Altech Netstar Group Proprietary Limited
Netstar Proprietary Limited
Bytes Software Services Limited
Bytes Technology Group Limited
Bytes Security Partnerships Limited
Phoenix Software Limited

[1] *Refer to note 43 for more detail in respect of the restatement of prior year balances*

FINANCE LEASE LIABILITIES

R millions	**28 February 2019** Future minimum lease payments	**28 February 2019** Present value of minimum lease payments	28 February 2018 Future minimum lease payments	28 February 2018 Present value of minimum lease payments
Finance lease liabilities are payable as follows:				
Less than one year	**–**	**–**	21	12
Between one to five years	**–**	**–**	5	–
	–	**–**	26	12

LIQUIDITY RISK

The following are the contractual maturities of financial liabilities, including interest payments. The loans will be settled in the ordinary course of business.

R millions	Currency	Carrying amount	Contractual cash flows	Six months or less	Six to 12 months	One to two years	Two to five years
28 February 2019							
Non-derivative financial liabilities							
Rental finance liabilities	**ZAR**	**385**	**447**	**121**	**100**	**145**	**82**
Secured bank loan	**ZAR**	**1 300**	**1 564**	**193**	**186**	**355**	**831**
Loan from non-controlling interests	**ZAR**	**2**	**2**	**2**	**–**	**–**	**–**
Contingent purchase consideration	**ZAR**	**59**	**64**	**–**	**32**	**32**	**–**
		1 746	**2 077**	**316**	**318**	**532**	**913**
28 February 2018 (Restated[1])							
Non-derivative financial liabilities							
Rental finance liabilities	ZAR	363	420	103	98	134	85
Finance lease liabilities	ZAR	2	2	1	–	1	–
Finance lease liabilities	CHF	10	24	13	7	4	–
Secured bank loan	ZAR	800	987	142	136	257	452
Secured bank loan	ZAR	673	813	–	–	813	–
Loan from non-controlling interests	ZAR	2	2	2	–	–	–
Contingent purchase consideration	ZAR	38	38	–	–	38	–
Contingent purchase consideration	ZAR	28	28	28	–	–	–
		1 916	2 314	289	241	1 247	537

NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS (continued)
FOR THE YEAR ENDED 28 FEBRUARY 2019

14. LOANS CONTINUED

14.10 CURRENT LOANS CONTINUED

PROFILE

At year-end the interest rate profile of the Group's interest-bearing loans was:

R millions	Group 2019	Group Restated[1] 2018
Variable-rate instruments		
Carrying amount of financial liabilities	**1 685**	1 848
	1 685	1 848

CASH FLOW SENSITIVITY ANALYSIS FOR VARIABLE-RATE INSTRUMENTS

A change of 100 basis points in interest rates at the reporting date would have increased/(decreased) profit or loss and equity by the amounts shown below for a period of one year compounded monthly. This analysis assumes that all other variables , in particular foreign currency rates, remain constant. The analysis is performed on the same basis for 2018.

R millions	Profit or loss and equity 100 bp increase	Profit or loss and equity 100 bp decrease
28 February 2019		
Variable-rate loans	**(17)**	**17**
28 February 2018		
Variable-rate loans	(18)	18

CURRENCY RISK

Currency risk positions on borrowings that do not match the functional currencies of the underlying operations of the Group, are reflected in note 28.

R millions	28 February 2019	28 February 2018
Borrowing facilities		
In terms of the articles of association, the borrowing powers of the Group are unlimited.		
Unutilised banking facilities	**1 168**	884

[1] *Refer to note 43 for more detail in respect of the restatement of prior year balances.*

Included in the unutilised bank facilities is the undrawn amount in respect of the long term debt of R700 million.

R millions	Onerous contracts	Warranties and fault rectification	Total
15. PROVISIONS			
Total provisions at 28 February 2017	12	75	87
Provisions raised during the year	23	29	52
Disposal of subsidiaries	(9)	(14)	(23)
Translation	–	(3)	(3)
Provisions utilised during the year	(4)	(7)	(11)
Total provisions at 28 February 2018	22	80	102
Provisions raised during the year	**–**	**2**	**2**
Disposal of subsidiaries	**(5)**	**(38)**	**(43)**
Provisions utilised during the year	**(17)**	**(29)**	**(46)**
Total provisions at 28 February 2019	**–**	**15**	**15**
Non-current provisions	–	10	10
Less: Non-current provisions classified as held for sale (refer to note 39)	–	(5)	(5)
Total non-current provisions at 28 February 2018	–	5	5
Current provisions	22	70	92
Less: Current provisions classified as held for sale (refer to note 39)	(22)	(50)	(72)
Total current provisions at 28 February 2018	–	20	20
Non-current provisions	**–**	**–**	**–**
Current provisions	**–**	**15**	**15**
Total current provisions at 28 February 2019	**–**	**15**	**15**

Refer to accounting policies for a description of provisions. The impact of discounting on the long term provision has been assessed as not material and is not included in the disclosure above.

	28 February 2019	Restated[1] 28 February 2018
16. TRADE AND OTHER PAYABLES		
Financial liabilities at amortised cost		
Trade and other payables	**2 963**	3 042
Amounts due to Merchants (refer note 11)	**77**	299
Payroll liabilities	**268**	221
	3 308	3 562
Non-financial liabilities		
Other payables	**17**	23
Cash-settled share-based payment liability	**18**	17
Payroll liabilities	**101**	–
VAT payable	**159**	–
Receipts in advance	**–**	556
	295	596
	3 603	4 158
Less: Trade and other payables classified as held-for-sale (refer note 39)	**–**	(378)
	3 603	3 780
Financial liabilities at fair value through profit or loss		
Forward exchange contracts	**18**	101
	3 621	3 881

[1] *Refer to note 43 for more detail in respect of the restatement of prior year balances.*

The presentation above has been amended following the adoption of IFRS 9 in the current year.

16. TRADE AND OTHER PAYABLES CONTINUED

(a) TRADE PAYABLES

Management of liquidity risk

The Group has negotiated favourable credit terms with suppliers, which enables the Group to utilise its operating cashflow to full effect. The suppliers age analysis is reviewed by management on a regular basis to ensure that credit terms are adhered to and suppliers are paid when due. The Group utilises multiple credit terms, most of which are less than one year.

Currency risk

Most amounts owed in foreign currency are covered by foreign exchange contracts (refer to note 28).

Interest rate risk

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

(B) RECEIPTS IN ADVANCE

Revenue on receipts in advance is recognised as and when the goods are delivered or the services are rendered. Until the revenue recognition criteria are met these amounts remain payable to the respective customers.

R millions	Carrying amount	Six months or less	Six to 12 months
Estimate of when revenues are expected to be earned on these receipts:			
28 February 2018	**556**	**332**	**224**

Due to the adoption of IFRS 9 and 15 on the modified retrospective approach on 1 March 2019, the prior year reflects the accounting policies applied in the prior year. In the current year, these balances are reflected in contract liabilities. The prior year disclosure has been amended given the inaccurate information used to calculate the estimate in the prior year. The information presented above is based on management's best estimate.

Receipts in advance is short term in nature and management expects all these balances to be recognised in the future.

(c) FINANCIAL LIABILITIES AT FAIR VALUE THROUGH PROFIT OR LOSS

R millions	28 February 2019	28 February 2018
Cash flow hedge	**–**	5
Forward exchange contracts	**18**	96
Total	**18**	101

17. RETIREMENT BENEFIT PLANS

DEFINED CONTRIBUTION PLANS

The majority of the Group's employees are members of the Altron Group Pension Fund which is a defined contribution fund and is governed by the Pension Funds Act, 1956 as amended. The contribution rate of the employers is between 10% and 20% (2018: 10% – 20%), calculated on the pensionable emoluments of members.

Additionally the Group provides retirement benefits for certain of its employees through the Altron Group Provident Fund. The fund is a defined contribution fund and is governed by the Pension Funds Act, 1956 as amended. Contributions to the fund comprise between 7% and 20% of pensionable emoluments.

The Group's contribution to these funds amounted to R190 million (2018: R201 million).

MULTI-EMPLOYER PLANS

Post acquisition of subsidiaries, certain employees remained members of their previous funds. A number of these are defined benefit plans. These industry managed retirement benefit schemes are dealt with as defined contribution plans as sufficient information to account for them as defined benefit plans is not available.

The Group's contribution to these other funds amounted to R2 million (2018: R42 million).

DEFINED BENEFIT PLANS

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

For details on the related employee benefit expenses, see note 19.2

Members of the Altron Group Pension Fund who were members prior to 1 September 1996 were entitled to a minimum benefit equal to the previously provided defined benefit pension. Furthermore, upon retirement, any member of the Altron Group Pension Fund could purchase a pension from the fund, though this option has now been closed to new employees joining the Group after 31 May 2014. The base pension and subsequent increases granted, based on weighted average investment returns on funds, are guaranteed by the pension fund.

All employees with a defined benefit underpin who retire in the fund have their share of fund topped up (if necessary) at the time of retirement to enable them to purchase a pension in the fund equal to 1/45th of the average of the 12 month average pensionable value. All employees are treated identically.

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

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

FUNDING

The defined benefit plans are fully funded by the Group's subsidiaries and members as discussed above. The funding requirements are based on the pension fund's actuarial measurement framework set out in its funding policies. The funding is based on a separate actuarial valuation for funding purposes for which the assumptions may differ from the assumptions below. The defined benefit component relating to the active members is funded by the employers through a guarantee reserve that resides in the fund. Under the latest IAS 19 valuation this reserve is fully funded on a total service cost basis and has a surplus of R180 million (2018: R164 million).

The defined benefit component relating to the pensioners is also fully funded and retains an investment reserve in order to manage volatility in its investment returns.

The Group expects to pay R20 million in contributions to its defined benefit plan in the next financial year.

		Group	
	R millions	**28 February 2019**	28 February 2018
17.1	FAIR VALUE OF PLAN ASSETS		
	Fair value of plan assets	**3 837**	4 027
	Present value of funded obligations	**(3 595)**	(3 727)
	Surplus	**242**	300
	Amount not recognised due to asset ceiling limitation	**(62)**	(136)
	Pension fund asset recognised at the end of the year	**180**	164
17.2	COMPONENTS OF CURRENT YEAR EXPENSE RECOGNISED IN PROFIT OR LOSS		
	Current service cost	**(22)**	(34)
	Interest cost	**(329)**	(381)
	Interest income on plan assets	**357**	403
	Interest on asset ceiling	**(13)**	(4)
		(7)	(16)
17.3	AMOUNTS RECOGNISED IN OTHER COMPREHENSIVE INCOME ARE AS FOLLOWS		
	Loss on plan assets excluding interest income	**(234)**	(128)
	Actuarial gain	**152**	216
	Effect of asset ceiling limit	**87**	(93)
		5	(5)

	R millions	Group 28 February 2019	Group 28 February 2018
17.	**RETIREMENT BENEFITS PLANS** CONTINUED		
17.4	REMEASUREMENT IN OTHER COMPREHENSIVE INCOME		
	Changes in financial assumptions		
	Changes in demographic assumptions	**17**	(16)
	Experience losses	**–**	–
	Excess return on assets	**135**	232
	Change in the asset ceiling	**(221)**	(124)
		74	(97)
		5	(5)
17.5	RECONCILIATION OF DEFINED BENEFIT OBLIGATION		
	Present value of defined benefit obligation at beginning of year	**3 727**	4 129
	Current service cost	**22**	34
	Interest cost	**329**	381
	Benefits paid	**(368)**	(629)
	Employee contributions to defined contribution fund credits subject to defined benefit underpin	**4**	5
	Transfers from defined contribution fund	**33**	23
	Actuarial gains	**(152)**	(216)
	– Actuarial gain arising on financial assumptions	**(17)**	16
	– Actuarial gain arising from actual experience being different from assumed	**(135)**	(232)
	Present value of defined benefit obligation at end of year	**3 595**	3 727
17.6	RECONCILIATION OF FAIR VALUE OF PLAN ASSETS		
	Assets at market value at beginning of year	**4 027**	4 346
	Interest income on plan assets	**357**	403
	Loss on plan assets excluding interest income	**(234)**	(128)
	Contributions paid – by employers	**22**	35
	Contribution holiday	**–**	(23)
	Benefits paid	**(368)**	(629)
	Transfers from defined contribution fund	**33**	23
		3 837	4 027
17.7	RECONCILIATION OF ASSET CEILING		
	Asset ceiling at the beginning of the year	**136**	39
	Net interest on asset ceiling	**13**	4
	Effect of asset ceiling not in profit and loss	**(87)**	93
	Asset ceiling at the end of the year	**62**	136
	Plan assets		
	Plan assets comprise:		
	Equities:		
	– Local	**27.1%**	28.6%
	– International	**21.4%**	21.0%
	Fixed interest		
	– Local	**27.9%**	27.6%
	– International	**1.5%**	4.8%
	Property		
	– Local	**3.5%**	3.5%
	– International	**3.1%**	0.0%
	Collective investments:		
	– Local	**9.5%**	8.7%
	– Cash and other	**2.8%**	2.8%
	– Net current assets	**3.2%**	3.0%

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

The plan assets do not include transferable financial instruments or property occupied by the Group.

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

Defined benefit obligation
Actuarial assumptions

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

	28 February 2019 %	28 February 2018 %
Discount rate	**10.0**	9.2
Future salary growth	**7.0**	7.0
Future pension growth	**4.8**	4.0
Inflation	**6.0**	6.0

At 28 February 2019, the weighted-average duration of the defined benefit obligation was 11.75 years (2018: 12.0 years).

Sensitivity analysis

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

	Defined benefit asset recognised	
R millions	**Increase**	**Decrease**
28 February 2019		
Discount rate (1% movement)	**233**	**(65)**
Salary increase (1% movement)	**(154)**	**202**
Pension increase (1% movement)	**(38)**	**215**
28 February 2018		
Discount rate (1% movement)	225	(11)
Salary increase (1% movement)	(130)	192
Pension increase (1% movement)	(45)	203

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

18. REVENUE FROM CONTRACTS WITH CUSTOMERS

18.1 PRIOR YEAR DISCLOSURE

R millions	2018*
Goods sold	12 521
Services rendered	5 084
Rental finance income	76
	17 681
	14 743
Continuing operations	2 938
Discontinued operations	17 681

* *The Group elected to adopt IFRS 15 using the modified retrospective approach without restating the prior year, therefore prior year balances have not been disclosed.*

18. REVENUE FROM CONTRACTS WITH CUSTOMERS CONTINUED

18.2 ASSETS AND LIABILITIES RELATED TO CONTRACTS WITH CUSTOMERS

The Group has recognised the following assets and liabilities related to contracts with customers:

	Group	
R million	2019	2018*
Current contract assets	196	–
Loss allowance	(1)	–
Total current contract assets	**195**	–
Non-current contract costs capitalised (refer note 6)	83	–
Current contract costs capitalised (refer note 6)	98	
Total contract costs capitalised	**181**	–
Non-current contract liabilities	87	
Current contract liabilities	1 423	–
Total contract liabilities	**1 510**	–

Contract liabilities recognised at the beginning of the year

At the beginning of the year, R1 394 million was recognised as a contract liability. The total amount was recognised as revenue during the current year, due to the short term nature of the contracts entered into. The closing balance represents new contracts entered into where the performance obligations have not yet been met at year-end. The contract liability is expected to be recognised as revenue in the next financial year.

R million	Group 2019
Revenue in terms of IAS 18	
Had the Group applied the accounting policies effective in the prior year, the total revenue would have been:	
Revenue	**20 356**

R million	Group 2019	Group 2018*
Unsatisfied long-term service contracts		
The following table shows unsatisfied performance obligations:		
Aggregate amount of the transaction price allocated to contracts that are partially or fully unsatisfied as at 28 February 2019	**3 553**	–
	3 553	–
Management expects the contract liabilities that are allocated to contracts with partially or fully unsatisfied performance obligations will be recognised as follow:		
Within one year	**257**	–
Within two years	**114**	–
Thereafter	**3 182**	–
	3 553	–

* *The Group elected to adopt IFRS 15 using the modified retrospective approach without restating the prior year, therefore prior year balances have not been disclosed.*

18. REVENUE FROM CONTRACTS WITH CUSTOMERS CONTINUED

18.3 REVENUE BY SEGMENT

The Altron Group is a diversified Group which derives its revenues and profits from a variety of sources.

Segmentation is based on the Group's internal organisation and reporting of revenue based upon internal accounting presentation.

Revenue by reportable segment is disaggregated by major product/service and geographic region below.

28 February 2019

Continuing operations

	Altron ICT South African operations					
Revenue by product R millions	**Altron Nexus**	**Altron Bytes Document Solutions**	**Altron Bytes Managed Solutions**	**Altron Bytes People Solutions**	**Altron Bytes Secure Transaction Solutions**	**Altron Bytes Systems Integration**
Project related revenue	**515**	**–**	**–**	**–**	**–**	**522**
Over time	515	–	–	–	–	522
Sale of goods and related services	**150**	**861**	**407**	**–**	**276**	**602**
At a point in time	150	861	407	–	245	560
Over time	–	–	–	–	31	42
Maintenance, support and outsource services	**520**	**557**	**761**	**–**	**124**	**580**
Over time	520	557	761	–	124	580
Training and skills management	**–**	**–**	**–**	**427**	**–**	**–**
Over time	–	–	–	427	–	–
Software, cloud and licenses, including software assurance services	**–**	**33**	**–**	**31**	**168**	**36**
At a point in time	**–**	**33**	**–**	**23**	**168**	**36**
Over time	–	–	–	8	–	–
Software application and development	**–**	**–**	**–**	**–**	**34**	**212**
Over time	–	–	–	–	34	212
Switching and other transactional services	**–**	**–**	**–**	**–**	**539**	**75**
Over time	–	–	–	–	539	75
Total revenue from contracts with customers	**1 185**	**1 451**	**1 168**	**458**	**1 141**	**2 027**
Rental finance income	**–**	**47**	**–**	**–**	**–**	**–**
Total revenue	**1 185**	**1 498**	**1 168**	**458**	**1 141**	**2 027**
Revenue by Geographic region						
South Africa	1 169	1 351	1 056	450	1 120	1 937
Rest of Africa	16	147	112	1	21	77
Total Africa	**1 185**	**1 498**	**1 168**	**451**	**1 141**	**2 014**
Europe	–	–	–	7	–	10
Rest of world	–	–	–	–	–	3
Total international	**–**	**–**	**–**	**7**	**–**	**13**
Total revenue	**1 185**	**1 498**	**1 168**	**458**	**1 141**	**2 027**

		Altron ICT International operations						
Altron Karabina	Altron ICT South African Operations	Bytes Technology Group UK	Other international operations	Altron ICT International operations	Altron Arrow	Netstar	Corporate and consolidation	Continuing operations
80	**1 117**	**216**	**2**	**218**	**–**	**–**	**(42)**	**1 293**
80	1 117	216	2	218	–	–	(42)	1 293
–	**2 296**	**320**	**152**	**472**	**499**	**1 521**	**(155)**	**4 633**
–	2 223	320	152	472	499	85	(105)	3 174
–	73	–	–	–	–	1 436	(50)	1 459
8	**2 550**	**91**	**89**	**180**	**–**	**–**	**(87)**	**2 643**
8	2 550	91	89	180	–	–	(87)	2 643
1	**428**	**34**	**–**	**34**	**–**	**–**	**(15)**	**447**
1	428	34	–	34	–	–	(15)	447
–	**268**	**5 712**	**42**	**5 754**	**–**	**–**	**(209)**	**5 813**
–	**260**	**4 137**	**42**	**4 179**	**–**	**–**	**(154)**	**4 285**
–	8	1 575	–	1 575	–	–	(55)	1 528
16	**262**	**–**	**–**	**–**	**–**	**–**	**(9)**	**253**
16	262	–	–	–	–	–	(9)	253
–	**614**	**–**	**–**	**–**	**–**	**–**	**(20)**	**594**
–	614	–	–	–	–	–	(20)	594
105	**7 535**	**6 373**	**285**	**6 658**	**499**	**1 521**	**(537)**	**15 676**
–	**47**	**–**	**–**	**–**	**–**	**–**	**–**	**47**
105	**7 582**	**6 373**	**285**	**6 658**	**499**	**1 521**	**(537)**	**15 723**
105	7 188	5	22	27	494	1 292	(194)	8 807
	374	2	208	210	5	–	(35)	554
105	**7 562**	**7**	**230**	**237**	**499**	**1 292**	**(229)**	**9 361**
–	17	6 311	17	6 328	–	1	(308)	6 038
–	3	55	38	93	–	228	–	324
–	**20**	**6 366**	**55**	**6 421**	**–**	**229**	**(308)**	**6 362**
105	**7 582**	**6 373**	**285**	**6 658**	**499**	**1 521**	**(537)**	**15 723**

18. REVENUE FROM CONTRACTS WITH CUSTOMERS CONTINUED

18.3 REVENUE BY SEGMENT

28 February 2019

Discontinuing operations

Revenue by product R millions	Discontinued operations Powertech Group	Multimedia Group	Autopage Group	Corporate and consolidation	Discontinued operations
Sale of goods and related services	**427**	**761**	**–**	**–**	**1 188**
At a point in time	427	761	–	–	1 188
Maintenance, support and outsource services	**–**	**14**	**–**	**–**	**14**
Over time	–	14	–	–	14
Total revenue	**427**	**775**	**–**	**–**	**1 202**
Revenue by geographic region					
South Africa	394	481	–	–	875
Rest of Africa	33	–	–	–	33
Total Africa	**427**	**481**	**–**	**–**	**908**
Rest of world	–	294	–	–	294
Total international	**–**	**294**	**–**	**–**	**294**
Total revenue	**427**	**775**	**–**	**–**	**1 202**

19. OPERATING PROFIT BEFORE CAPITAL ITEMS

Total operations

Is stated after taking account of the following items:

19.1 DIRECTORS' AND PRESCRIBED OFFICERS' REMUNERATION

Non-executive directors **Fees for services as directors**	Other fees	Directors' fees	28 Feb 2019 R'000 Total	28 Feb 2018 R'000 Total
AC Ball	**–**	**592**	**592**	636
S Sithole	**–**	**503**	**503**	570
BW Dawson*	**1 500**	**–**	**1 500**	2 400
SW van Graan	**–**	**690**	**690**	510
RE Venter#	**2 210**	**730**	**2 940**	2 587
MC Berzack (retired 31 May 2017)	**–**		**–**	217
GG Gelink	**–**	**714**	**714**	724
MJ Leeming (Chairman)	**–**	**1 349**	**1 349**	1 453
Dr PM Maduna (resigned 28 February 2019)	**–**	**474**	**474**	575
JRD Modise (retired 31 May 2017)	**–**	**–**	**–**	246
DNM Mokhobo (resigned 28 February 2019)	**–**	**502**	**502**	561
SN Susman (retired 31 May 2017)	**–**	**–**	**–**	157
Dr WP Venter (retired 31 July 2018)	**–**	**132**	**132**	231
Dr P Mganga (appointed 1 February 2019)	**–**	**29**	**29**	–
BJ Francis (appointed 21 June 2018)	**–**	**276**	**276**	–
	3 710	**5 991**	**9 701**	10 867

* *Remuneration in terms of consultancy agreement.*

\# *Remuneration in terms of consultancy agreement and non-executive director fees.*

Full time directors	Guaranteed pay*	Defined contribution pension payments	Performance related bonuses (accrued)	Other bonuses	Other payments	Share option expense#	Total
28 February 2019							
Executive							
M Nyati	**6 128**	**709**	**7 791**	**–**	**–**	**4 444**	**19 072**
	6 128	**709**	**7 791**	**–**	**–**	**4 444**	**19 072**
28 February 2018							
Executive							
RE Venter (resigned as executive director 1 April 2017)	1 791	347	–	–	89	3 589	5 816
AMR Smith (resigned 28 February 2018)	3 417	541	–	–	205	239	4 402
M Nyati	4 923	578	4 837	6 500	–	2 849	19 687
	10 131	1 466	4 837	6 500	294	6 677	29 905

IFRS 2 income statement expense in respect of options granted to directors relating to both equity settled and cash settled share based payments.

* *This relates to fixed annual salary.*

Prescribed officers	Total salary	Defined contribution pension payments	Performance related bonuses (accrued)	Other bonuses	Other payments	Share option expense	Total
28 February 2019							
T Jacobs (appointed 1 March 2018, resigned 19 October 2018)	**2 359**	**–**	**–**	**896**	**112**	**–**	**3 367**
DS Mashishi	**3 080**	**363**	**1 883**	**–**	**–**	**227**	**5 553**
MZ Maubane	**2 919**	**344**	**1 758**	**640**	**–**	**213**	**5 874**
MCS Govender	**3 300**	**241**	**2 056**	**–**	**118**	**602**	**6 317**
A Holden	**4 367**	**861**	**3 889**	**–**	**120**	**10 269**	**19 506**
	16 025	**1 809**	**9 586**	**1 536**	**350**	**11 311**	**40 617**
28 February 2018							
NM Kayton (resigned 30 June 2017)	1 204	133	–	–	2 663	218	4 218
DS Mashishi	789	112	264	–	–	311	1 476
MZ Maubane	1 534	158	434	335	–	–	2 461
MCS Govender	1 672	131	1 034	1 000	74	209	4 120
W Oosthuysen (resigned 30 June 2017)	1 132	94	–	–	4 922	513	6 661
L Savage (resigned 30 June 2017)	1 027	220	–	–	5 446	729	7 422
A Holden	2 963	765	874	–	120	693	5 415
	10 321	1 613	2 606	1 335	13 225	2 673	31 773

19. OPERATING PROFIT BEFORE CAPITAL ITEMS CONTINUED

ALTRON 2009 SHARE PLAN

	Share option	Allocation date	Strike price	Balance 1 March 2018
28 February 2019				
Directors' options				
RE Venter	Altron PS	2017/02/28	n/a	212 999
	Altron BS	2017/02/28	n/a	39 410
Nyati, M	Altron SAR	2017/04/01	10.00	2 000 000
	Altron BS	2017/07/17	n/a	409 836
	Altron SAR	2018/06/13	15.00	
	Altron SAR	2019/02/27	18.60	
Prescribed officers' options				
A Holden	Altron SAR	2012/12/12	21.10	16 287
	Altron SAR	2013/08/19	20.26	22 758
	Altron SAR	2014/08/19	25.51	22 765
	Altron PS	2017/02/28	n/a	84 588
	Altron BS	2017/02/28	n/a	48 424
	Altron SAR	2018/06/13	15.00	
	Altron SAR	2019/02/27	18.60	
MCS Govender	Altron PS	2017/07/17	n/a	56 120
	Altron BS	2017/07/17	n/a	32 131
	Altron SAR	2018/06/13	15.00	
	Altron SAR	2019/02/27	18.60	
DS Mashishi	Altron PS	2017/11/01	n/a	227 642
	Altron SAR	2018/06/13	15.00	
	Altron SAR	2019/02/27	18.60	
MZ Maubane	Altron SAR	2018/06/13	15.00	
	Altron SAR	2019/02/27	18.60	

Awarded	Lapsed	Exercised	Exercise date	Net gains R'000s	Exercise price	Balance 28 February 2019	Expiry date
						212 999	Feb – 20
						39 410	Feb – 20
						2 000 000	Apr – 23
						409 836	Apr – 20
714 286						714 286	Jun – 24
375 878						375 878	Feb – 25
	(16 287)					–	Dec – 18
						22 758	Aug – 19
						22 765	Aug – 20
						84 588	Feb – 20
						48 424	Feb – 20
366 476						366 476	Jun – 24
267 106						267 106	Feb – 25
						56 120	Jul – 20
						32 131	Jul – 20
238 095						238 095	Jun – 24
155 737						155 737	Feb – 25
						227 642	Nov – 20
222 222						222 222	Jun – 24
143 657						143 657	Feb – 25
208 730						208 730	Jun – 24
136 161						136 161	Feb – 25

NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS (continued)
FOR THE YEAR ENDED 28 FEBRUARY 2019

19. OPERATING PROFIT BEFORE CAPITAL ITEMS CONTINUED
ALTRON 2009 SHARE PLAN CONTINUED

	Share option	Allocation date	Strike price	Balance 1 March 2017
Directors' options				
AMR Smith (resigned 28 February 2018)	Altron SAR	2011/12/02	21.50	21 275
	Altron SAR	2012/12/12	21.10	27 181
	Altron SAR	2013/08/19	20.26	33 636
	Altron SAR	2014/08/19	25.51	34 990
	Altron PS	2014/08/19	n/a	25 862
	Altron BS	2014/08/19	n/a	35 917
	Altron PS	2017/02/28	n/a	98 580
	Altron BS	2017/02/28	n/a	36 908
RE Venter	Altron SAR	2011/12/02	21.50	51 419
	Altron SAR	2012/12/12	21.10	64 762
	Altron SAR	2013/08/19	20.26	77 061
	Altron SAR	2014/08/19	25.51	75 049
	Altron PS	2014/08/19	n/a	65 260
	Altron BS	2014/08/19	n/a	92 352
	Altron PS	2017/02/28	n/a	236 666
	Altron BS	2017/02/28	n/a	43 789
Nyati, M	Altron SAR	2017/04/01	10.00	2 000 000
	Altron BS	2017/07/17	n/a	409 836
Prescribed officers' options				
NM Kayton	Altron SAR	2011/12/02	21.50	17 000
	Altron SAR	2012/12/12	21.10	27 138
	Altron SAR	2013/08/19	20.26	33 583
	Altron SAR	2014/08/19	25.51	33 606
	Altron PS	2014/08/19	n/a	24 839
	Altron BS	2014/08/19	n/a	7 280
WH Oosthuysen	Altron SAR	2013/08/19	24.75	18 567
	Altron SAR	2013/08/19	17.94	33 544
	Altron SAR	2013/08/19	20.26	28 334
	Altron SAR	2014/08/19	25.51	33 134
	Altron PS	2014/08/19	n/a	23 463
	Altron BS	2014/08/19	n/a	18 728
	Altron PS	2017/02/28	n/a	78 503
	Altron BS	2017/02/28	n/a	11 693
LM Savage	Altron SAR	2013/08/19	17.94	37 194
	Altron SAR	2013/08/19	20.26	28 860
	Altron SAR	2014/08/19	25.51	30 613
	Altron PS	2014/08/19	n/a	17 303
	Altron BS	2014/08/19	n/a	19 489
	Altron PS	2017/02/28	n/a	93 987
	Altron BS	2017/02/28	n/a	32 880
A Holden	Altron SAR	2011/12/02	21.50	17 815
	Altron SAR	2012/12/12	21.10	21 113
	Altron SAR	2013/08/19	20.26	28 899
	Altron SAR	2014/08/19	25.51	28 457
	Altron PS	2014/08/19	n/a	16 084
	Altron BS	2014/08/19	n/a	24 768
	Altron PS	2017/02/28	n/a	93 987
	Altron BS	2017/02/28	n/a	53 804
MC Govender	Altron PS	2017/07/17	n/a	–
	Altron BS	2017/07/17	n/a	–
D Mashishi	Altron PS	2017/11/01	n/a	–

SAR – share appreciation rights, PS – performance shares (free shares), BS – bonus shares (free shares). Conditional rights and share appreciation rights are net settled and are subject to performance conditions. Exercised amounts related to conditional rights and not the number of shares traded.

Converted/ awarded	Lapsed	Exercised	Exercise date	Net gains R'000s	Exercise price	Balance 28 February 2018	Expiry date
(2 127)	(19 148)					–	Dec – 17
(2 718)	(24 463)					–	Dec – 18
(3 364)	(30 272)					–	Aug – 19
(3 499)	(31 491)					–	Aug – 20
(2 586)	(23 276)					–	Aug – 17
(3 592)		(32 325)	2017/08/19	408	12.61	–	Aug – 17
(9 858)	(88 722)					–	Feb – 20
(3 691)	(33 217)					–	Feb – 20
(5 142)	(46 277)					–	Dec – 17
(6 476)	(58 286)					–	Dec – 18
(7 706)	(69 355)					–	Aug – 19
(7 505)	(67 544)					–	Aug – 20
(6 526)	(4 894)	(53 840)	2017/05/31	592	10.99	–	Aug – 17
(9 235)		(83 117)	2017/05/31	913	10.99	–	Aug – 17
(23 667)						212 999	Feb – 20
(4 379)						39 410	Feb – 20
						2 000 000	Mar – 23
						409 836	Apr – 20
	(17 000)					–	Dec – 17
	(27 138)					–	Dec – 18
	(33 583)					–	Aug – 19
	(33 606)					–	Aug – 20
(2 484)		(22 355)	2017/10/31	242	11.45	–	Aug – 17
(728)		(6 552)	2017/10/31	75	11.45	–	Aug – 17
(1 857)	(16 710)					–	Nov – 17
(3 354)	(30 190)					–	Feb – 19
(2 833)	(25 501)					–	Aug – 19
(3 313)	(29 821)					–	Aug – 20
(2 346)		(21 117)	2017/06/30	224	10.60	–	Aug – 17
(1 873)		(16 855)	2017/06/30	179	10.60	–	Aug – 17
(7 850)	(56 915)	(13 738)	2017/06/30	146	10.60	–	Feb – 20
(1 169)		(10 524)	2017/06/30	112	10.60	–	Feb – 20
(3 719)	(33 475)					–	Feb – 19
(2 886)	(25 974)					–	Aug – 19
(3 061)	(27 552)					–	Aug – 20
(1 730)		(15 573)	2017/06/30	165	10.60	–	Aug – 17
(1 949)		(17 540)	2017/06/30	186	10.60	–	Aug – 17
(9 399)	(68 141)	(16 447)	2017/06/30	174	10.60	–	Feb – 20
(3 288)		(29 592)	2017/06/30	314	10.60	–	Feb – 20
(1 782)	(16 033)					–	Dec – 17
(2 111)	(2 715)					16 287	Dec – 18
(2 890)	(3 251)					22 758	Aug – 19
(2 846)	(2 846)					22 765	Aug – 20
(1 608)	(14 476)					–	Aug – 17
(2 477)		(22 291)	2017/08/19	281	12.61	–	Aug – 17
(9 399)						84 588	Feb – 20
(5 380)						48 424	Feb – 20
56 120						56 120	Jul – 20
32 131						32 131	Jul – 20
227 642						227 642	Nov – 20

19. OPERATING PROFIT BEFORE CAPITAL ITEMS CONTINUED

SHARE LINKED INCENTIVES

	Allocation date	Strike price	Balance
28 February 2019			
RE Venter	**2016/03/01**	**5.89**	**48 096**
	2017/06/01	**10.99**	**350 000**
A Holden	**2015/12/01**	**6.98**	**524 913**
	2016/03/01	**5.89**	**1 228 279**
28 February 2018			
RE Venter	2015/12/01	6.98	1 530 460
	2016/03/01	5.89	53 440
	2017/06/01	10.99	–
AMR Smith	2015/12/01	6.98	662 158
	2016/03/01	5.89	292 890
WH Oosthuysen	2015/12/01	6.98	465 589
	2016/03/01	5.89	1 204 909
LM Savage	2015/12/01	6.98	581 360
	2016/03/01	5.89	1 364 754
A Holden	2015/12/01	6.98	583 237
	2016/03/01	5.89	1 364 754

Awarded	Lapsed	Exercised	Exercise date	Gains R'000s	Exercise price	Balance	Expiry date
						48 096	**Mar – 19**
						350 000	**Jun – 19**
		(524 913)	**2018-12-09**	**2 922**	**18.11**	**–**	**Dec – 18**
						1 228 279	**Mar – 19**
(153 046)	(726 968)	(650 446)	2017/05/31	2 610	10.99	–	Dec – 18
(5 344)						48 096	Mar – 19
350 000						350 000	Jun – 19
(66 216)	(595 942)					–	Dec – 18
(29 289)	(263 601)					–	Mar – 19
(46 559)	(174 596)	(244 434)	2017/06/30	885	10.6	–	Dec – 18
(120 491)	(271 104)	(813 314)	2017/06/30	3 832	10.6	–	Mar – 19
(58 136)	(218 010)	(305 214)	2017/06/30	1 106	10.6	–	Dec – 18
(136 475)	(307 070)	(921 209)	2017/06/30	4 340	10.6	–	Mar – 19
(58 324)						524 913	Dec – 18
(136 475)						1 228 279	Mar – 19

R millions	Group 28 February 2019	Group Restated[1] 28 February 2018
19. OPERATING PROFIT BEFORE CAPITAL ITEMS CONTINUED		
Total operations		
Is stated after taking account of the following items:		
19.2 EMPLOYEES' REMUNERATION		
Employee remuneration (including directors' remuneration)	**3 636**	3 784
Share-based payments – equity settled (note 12.6)	**20**	20
Share-based payments – cash settled (note 12.6)	**23**	22
Retirement and provident funds	**216**	243
	3 895	4 069
Continuing operations	**3 701**	3 513
Discontinued operations	**194**	556
19.3 MATERIALS AND SERVICES CONSUMED		
Cost of goods sold and services rendered	**9 987**	10 662
Repairs and maintenance	**86**	117
Sales and administration costs	**761**	875
Management fees	**35**	12
Auditors' remuneration	**31**	23
Audit fees	**27**	21
Fees for other servces	**3**	1
Expenses	**1**	1
Foreign exchange (gains)/losses	**(11)**	43
Gains	**(99)**	(115)
Losses	**95**	115
Forward exchange contracts fair value adjustments	**(7)**	43
Operating lease charges	**176**	182
Property	**155**	148
Plant, equipment and vehicles	**21**	34
Other expenses	**488**	589
	11 553	12 503
Continuing operations	**10 570**	10 037
Discontinued operations	**983**	2 466
19.4 FOREIGN EXCHANGE (GAINS)/LOSSES		
	(11)	43
Realised	**2**	37
Unrealised	**(13)**	6
Continuing operations	**(11)**	11
Discontinued operations	**–**	32
19.5 OTHER INCOME		
Other income	**(170)**	(131)
Management fees received	**(14)**	(2)
	(184)	(133)
Continuing operations	**(155)**	(41)
Discontinued operations	**(29)**	(92)

[1] *The prior year balances were restated to enhance the disclosure presented above.*

R millions	Group 28 February 2019	28 February 2018
20. CAPITAL ITEMS		
Continuing operations		
Impairment of goodwill	**–**	(30)
Net profit on disposal of property, plant and equipment	**16**	1
Impairment of property, plant and equipment	**(7)**	(17)
Contract costs written off	**(35)**	–
Reversal of provision related to East Africa disposal	**–**	10
Impairment of historic proceeds receivable	**–**	(2)
	(26)	(38)
Discontinued operations		
Profit/(loss) on disposal of discontinued operations	**30**	(90)
Impairment of intangible assets	**(2)**	(6)
Profit on disposal of property, plant and equipment	**63**	–
Impairment of held-for-sale disposal groups	**(67)**	(175)
	24	(271)
Total	**(2)**	(309)
21. FINANCE INCOME		
Recognised in profit or loss		
Interest income on financial assets measured at amortised cost	**150**	190
Dividend income on financial assets measured at FVOCI/available for sale	**4**	4
Dividend received from joint venture	**–**	26
	154	220
Continuing operations	**130**	164
Discontinued operations	**24**	56
	154	220
22. FINANCE EXPENSE		
Recognised in profit or loss		
Interest expense on financial liabilities measured at amortised cost	**333**	419
	333	419
Continuing operations	**306**	342
Discontinued operations	**27**	77
	333	419
23. SHARE OF LOSS OF EQUITY-ACCOUNTED INVESTEES, NET OF TAXATION		
Attributable earnings	**(1)**	(1)

R millions	Group 28 February 2019	Group 28 February 2018
24. TAXATION		
24.1 TAXATION CHARGE		
Current year		
– normal tax	**163**	157
– capital gains tax	**4**	–
– deferred tax	**29**	(24)
Adjustment to prior years		
– normal tax	**(36)**	(7)
– deferred tax	**3**	(12)
	163	114
Continuing operations	**158**	145
Discontinued operations	**5**	(31)

	%	%
24.2 RECONCILIATION OF EFFECTIVE TAX RATE		
South African normal tax rate	**28.0**	28.0
Adjusted for:		
Non-deductible expenditure*	**2.6**	4.1
Goodwill impaired	**–**	3.0
Non-taxable income**	**(3.6)**	(5.5)
Capital gains tax rate differential	**(0.5)**	–
Foreign tax rate differential	**(3.2)**	(5.5)
Income from associates	**–**	0.1
Temporary differences and tax losses not recognised	**0.6**	24.2
– Assessed losses not recognised	**0.5**	9.7
– Impairment of held-for-sale disposal Groups	**–**	37.8
– Other	**0.1**	(23.3)
Utilisation of previously unrecognised tax losses	**(2.4)**	(1.3)
Prior year adjustments	**(3.6)**	(6.7)
Net increase	**(10.1)**	12.4
Effective tax rate	**17.9**	40.4

* *Relates to impairment recognised on the non-current assets held for sale*

** *Relates to the profit on disposal of discontinued operations, defined benefit fund income and fair value adjustment in respect of EZY2C.*

25. EARNINGS PER SHARE

25.1 RECONCILIATION BETWEEN EARNINGS AND HEADLINE EARNINGS

	Group			
	28 February 2019		28 February 2018	
R millions	Gross	Net of tax and non-controlling interests	Gross	Net of tax and non-controlling interests
Earnings attributable to shareholders		**711**		187
Adjustments for:				
Impairment of goodwill	**–**	**–**	30	30
Impairment of intangible assets	**2**	**2**	6	5
(Profit)/loss on disposal of operations	**(30)**	**(30)**	90	90
Impairment of held-for-sale disposal Groups	**67**	**67**	175	129
Net profit on disposal of property, plant and equipment	**(79)**	**(66)**	(1)	–
Impairment of property, plant and equipment	**7**	**5**	17	12
Reversal of provision released for East Africa disposal	**–**	**–**	(10)	(7)
Impairment of loan	**–**	**–**	2	2
Contract costs written off	**35**	**19**	–	–
Headline earnings		**708**		448
Headline earnings per share from total operations (cents)		**191**		121

25.2 RECONCILIATION BETWEEN EARNINGS AND HEADLINE EARNINGS FROM CONTINUING OPERATIONS

R millions	2019 Gross	2019 Net of tax and non-controlling interests	2018 Gross	2018 Net of tax and non-controlling interests
Earnings attributable to shareholders		**655**		404
Adjustments for:				
Impairment of goodwill	**–**	**–**	30	30
Net profit on disposal of property, plant and equipment	**(16)**	**(16)**	(1)	–
Impairment of property, plant and equipment	**7**	**5**	17	12
Reversal of provision released for East Africa disposal	**–**	**–**	(10)	(7)
Impairment of loan	**–**	**–**	2	2
Impairment of costs incurred to fulfil contracts	**35**	**19**	–	–
Headline earnings		**663**		441
Headline earnings per share from continuing operations (cents)		**179**		119

25.3 RECONCILIATION BETWEEN EARNINGS AND HEADLINE EARNINGS FROM DISCONTINUED OPERATIONS

R millions	2019 Gross	2019 Net of tax and non-controlling interests	2018 Gross	2018 Net of tax and non-controlling interests
Earnings attributable to shareholders		**56**		-217
Adjustments for:				
Impairment of intangible assets	**2**	**2**	6	5
(Profit)/loss on disposal of operations	**(30)**	**(30)**	90	90
Net profit on disposal of property, plant and equipment	**(62)**	**(50)**	–	–
Impairment of held-for-sale disposal Groups	**67**	**67**	175	129
Headline earnings		**45**		7
Headline earnings per share from discontinuing operations (cents)		**12**		2

25. EARNINGS PER SHARE CONTINUED

	Number of shares	28 February 2019	28 February 2018
25.4	RECONCILIATION OF WEIGHTED AVERAGE NUMBER OF SHARES		
	Issued shares at the beginning of the year (A ordinary and N ordinary shares)	**399 092 426**	370 040 477
	Share buy back (9 A shares for every 10 N shares)	**–**	(26 438 009)
	Effect of own shares held at the beginning of the year	**(28 180 081)**	(28 180 081)
	Effect of shares issued during the year	**100 522**	54 726 365
	Weighted average number of shares	**371 012 867**	370 147 752
25.5	RECONCILIATION BETWEEN NUMBER OF SHARES USED FOR EARNINGS PER SHARE AND DILUTED EARNINGS PER SHARE		
	Weighted average number of shares	**371 012 867**	370 147 752
	Dilutive options	**3 801 170**	2 473 130
	Weighted average number of shares (diluted)	**374 814 037**	372 621 882

	R millions	28 February 2019	28 February 2018
25.6	RECONCILIATION BETWEEN EARNINGS AND DILUTED EARNINGS ARE AS FOLLOWS:		
	Earnings attributable to shareholders	**711**	187
	Diluted earnings	**711**	187

		GROUP			
		28 February 2019		28 February 2018	
	R millions	Gross	Net of tax and non-controlling interests	Gross	Net of tax and non-controlling interests
25.7	RECONCILIATION BETWEEN HEADLINE EARNINGS ATTRIBUTABLE TO SHAREHOLDERS AND DILUTED HEADLINE EARNINGS				
	Headline earnings		**708**		448
	Diluted headline earnings		**708**		448
	Diluted headline earnings per share (cents)		**189**		120

25.8 RECONCILIATION BETWEEN HEADLINE EARNINGS AND NORMALISED HEADLINE EARNINGS FROM CONTINUING OPERATIONS

Normalised headline earnings have been presented to demonstrate the impact of material, non-operational once-off costs associated with accessing benefits that will only be realised in subsequent reporting periods, as well as certain restructuring costs, on the headline earnings of the Group.

The presentation of normalised headline earnings is not an IFRS defined measure nor requirement.

Headline earnings are reconciled to normalised headline earnings as follows:

	Group			
	28 February 2019		28 February 2018	
R millions	Gross	Net of tax and non-controlling interests	Gross	Net of tax and non-controlling interests
Headline earnings from continuing operations		**663**		441
Fair value adjustment on contingent consideration	**(13)**	**(9)**		
Foreign currency gains on contingent consideration	**5**	**3**	(6)	(3)
Retrenchment and restructuring costs	**34**	**22**	77	54
Acquisition related costs	**–**	**–**	8	8
		679		500
Normalised headline earnings per share (cents)		**183**		135

25.9 RECONCILIATION BETWEEN DILUTED HEADLINE EARNINGS AND NORMALISED DILUTED HEADLINE EARNINGS FROM CONTINUING OPERATIONS

	Group			
R millions	2019 Gross	2019 Net of tax and non-controlling interests	2018 Gross	2018 Net of tax and non-controlling interests
Diluted headline earnings from continuing operations		**663**		441
Settlement of contingent consideration	**(13)**	**(9)**		
Foreign currency gains on contingent consideration	**5**	**3**	(6)	(3)
Retrenchment and restructuring costs	**34**	**22**	77	54
Acquisition related costs	**–**	**–**	8	8
		679		500
Normalised diluted headline earnings per share (cents)		**181**		135

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

Basic headline earnings per share is calculated by dividing headline earnings by the weighted average number of A ordinary shares in issue during the year.

For diluted earnings per share the weighted average number of shares is adjusted to assume conversion of all outstanding share options under the employee share option schemes, net of proceeds received on those options that have a dilutive effect.

		Group	
	R millions	**28 February 2019**	28 February 2018
26.	**COMMITMENTS**		
26.1	NON-CANCELLABLE OPERATING LEASES		
	At year-end the Group had outstanding commitments under non-cancellable operating leases, which fall due as follows:		
	Within one year		
	Property	**114**	155
	Plant, equipment and vehicles	**13**	22
		127	177
	One to five years		
	Property	**250**	252
	Plant, equipment and vehicles	**15**	48
		265	300
	Thereafter		
	Property	**44**	35
	Plant, equipment and vehicles	**45**	1
		89	36
	Total	**481**	513
26.2	CAPITAL COMMITMENTS		
	Significant capital expenditure authorised and contracted for at the end of the reporting period but not recognised as liabilities are as follow:		
	Property, plant and equipment	**6**	–
		6	–

27. EVENTS AFTER THE REPORTING PERIOD

Effective 1 March 2019, the Group acquired a 64.59% interest in Altron Aloe Machines for R9.7 million. This business forms part of Altron Bytes Document Solutions division.

The initial accounting for the business combination has not been completed and, as a result, it was impracticable for certain IFRS 3 *Business Combination* disclosures to be made due to the close proximity of the acquistion to the financial statements release date.

The Group declared a dividend of 44 cents per share on 8 May 2019.

The Group exercised its put option in respect of the investment in Aberdare Cables Proprietary Limited (refer note 4).

The directors are not aware of any other events after the reporting period that will have an impact on financial position, performance or cash flows of the Group.

28. FINANCIAL RISK MANAGEMENT

Exposure to currency, interest rate, liquidity and credit risk arises in the normal course of the Group's business.

This note presents information about the Group's exposure to each of the above risks, the Group's objectives, policies and processes for measuring and managing risk, and the Group's management of capital. Further quantitative disclosures are included throughout these consolidated financial statements.

The board of directors has overall responsibility for the establishment and oversight of the Group's risk management framework.

The board has established the risk management committee, which is responsible for developing and monitoring the Group's risk management policies.

The committee reports regularly to the board of directors on its activities.

The Group's risk management policies are established to identify and analyse the risks faced by the Group, to set appropriate risk limits and controls, and to monitor risks and adherence to limits. Risk management policies and systems are reviewed regularly to reflect changes in market conditions and the Group's activities.

28.1 CATEGORIES OF FINANCIAL INSTRUMENTS

Millions	Assets: Amortised cost	Assets: Fair value through profit or loss	Assets: Equity instruments at FVOCI	Assets: Total	Liabilities: Amortised cost	Liabilities: Fair value through profit or loss	Liabilities: Total
28 February 2019							
Non-current financial asset							
Non-current financial assets	**350**	**202**	**21**	**572**	**–**	**–**	**–**
Current financial asset							
Trade and other receivables	**3 452**	**–**	**–**	**3 452**	**–**	**–**	**–**
Forward exchange contracts	**–**	**6**	**–**	**6**	**–**	**–**	**–**
Cash and cash equivalents	**1 304**	**–**	**–**	**1 304**	**–**	**–**	**–**
Cash held on behalf of merchants	**77**	**–**	**–**	**77**	**–**	**–**	**–**
Restricted cash	**26**	**–**	**–**	**26**	**–**	**–**	**–**
	5 209	**208**	**21**	**5 437**	**–**	**–**	**–**
Non-current financial liabilities							
Loans	**–**	**–**	**–**	**–**	**1 262**	**–**	**1 262**
Current financial liability							
Trade and other payables	**–**	**–**	**–**	**–**	**3 231**	**–**	**3 231**
Amounts due to merchants	**–**	**–**	**–**	**–**	**77**	**–**	**77**
Forward exchange contracts	**–**	**–**	**–**	**–**	**–**	**18**	**18**
Loans	**–**	**–**	**–**	**–**	**484**	**–**	**484**
Bank overdraft	**–**	**–**	**–**	**–**	**1 181**	**–**	**1 181**
	–	**–**	**–**	**–**	**6 235**	**18**	**6 253**
28 February 2018							
Non-current financial asset							
Non-current financial assets	282	165	21	468	–	–	–
Current financial asset							
Trade and other receivables	2 999	–	–	2 999	–	–	–
Forward exchange contracts	–	30	–	30	–	–	–
Cash and cash equivalents	768	–	–	768	–	–	–
Cash held on behalf of merchants	299	–	–	299	–	–	–
Restricted cash	–	–	–	–	–	–	–
	4 348	195	21	4 564	–	–	–
Non-current financial liabilities							
Loans	–	–	–	–	1 502	–	1 502
Current financial liability							
Trade and other payables	–	–	–	–	3 263	–	3 263
Amounts due to merchants	–	–	–	–	299	–	299
Forward exchange contracts	–	–	–	–	–	101	101
Loans	–	–	–	–	404	–	404
Bank overdraft	–	–	–	–	972	–	972
	–	–	–	–	6 440	101	6 541

28. FINANCIAL RISK MANAGEMENT CONTINUED

28.2 FOREIGN CURRENCY RISK

Forward exchange contracts are used as a means of reducing exposure to fluctuations in foreign exchange rates for procurement in foreign currencies.

The Group incurs currency risk as a result of transactions which are denominated in a currency other than the Group entities' functional currency in respect of purchases, sales and borrowings. The currencies giving rise to currency risk in which the Group primarily deals are British pounds (GBP), US dollars (USD), Euros (Euro) and Australian Dollars (AUD). The Group entities hedge payables, receivables and borrowings denominated in foreign currencies.

The settlement of these transactions takes place within a normal business cycle. The Group has clearly defined policies for the management of foreign currency exchange risks.

Speculative use of financial instruments or derivatives is not permitted and none has occurred during any periods presented.

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

	28 February 2019 Foreign amount				28 February 2018 Foreign amount			
Millions	AUD	GBP	Euro	USD	AUD	GBP	Euro	USD
Trade and other receivables	–	–	1	4	–	1	2	15
Cash and cash equivalents	–	–	–	6	–	–	1	4
Loans	–	–	–	–	(7)	–	–	–
Trade and other payables	–	–	(1)	(40)	–	(10)	(4)	(31)
Gross balance sheet exposure	–	–	–	(30)	(7)	(9)	(1)	(12)
Forecast transactions	–	–	(2)	(50)	–	–	(1)	(22)
Gross exposure	–	–	(2)	(80)	(7)	(9)	(2)	(34)
Forward exchange contracts	–	–	3	90	–	10	4	36
Net exposure	–	–	1	10	(7)	1	2	2

	28 February 2019 ZAR				28 February 2018 ZAR			
Millions								
Trade and other receivables	–	–	16	56	–	16	29	177
Cash and cash equivalents	–	–	–	85	–	–	14	47
Loans	–	–	–	–	(64)	–	–	–
Trade and other payables	–	–	(16)	(564)	–	(162)	(58)	(366)
Gross balance sheet exposure	–	–	–	(423)	(64)	(146)	(15)	(142)
Forecast transactions	–	–	(32)	(705)	–	–	(14)	(260)
Gross exposure	–	–	(32)	(1 128)	(64)	(146)	(29)	(402)
Forward exchange contracts	–	–	48	1 268	–	162	58	425
Net exposure	–	–	16	140	(64)	16	29	23

The following significant exchange rates were used for the conversion of foreign operations on consolidation and transactions during the year and balances at year-end:

	28 February 2019 Average rate	28 February 2019 Closing rate	28 February 2018 Average rate	28 February 2018 Closing rate
British pound	**17,83**	**18,69**	17,18	16,24
Euro	**15,80**	**16,02**	15,14	14,40
US dollar	**13,56**	**14,09**	13,09	11,80
Australian dollar	**9,93**	**9,99**	10,09	9,15

SENSITIVITY ANALYSIS

A 1% strengthening/weakening in the Rand against the following currencies at 28 February 2018 would have increased/(decreased) profit or loss and equity by the amounts shown below. This analysis assumes that all other variables, in particular interest rates, remain constant. The analysis is performed on the same basis for 2018.

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

R millions	Profit or loss and equity Strengthening	Profit or loss and equity Weakening
28 February 2019		
British pound	**–**	**–**
Euro	**(0,2)**	**0,2**
US dollar	**(1,4)**	**1,4**
Australian dollar	**–**	**–**
28 February 2018		
British pound	(0,2)	0,2
Euro	(0,3)	0,3
US dollar	(0,2)	0,2
Australian dollar	0,6	(0,6)

28. FINANCIAL RISK MANAGEMENT CONTINUED

28.3 FOREIGN EXCHANGE CONTRACTS

The principal or contract amounts of the foreign exchange contracts for trade payables, receivables and borrowings, including forecast transactions, at reporting date were:

	28 February 2019		28 February 2018	
	Foreign amount Millions	Rand amount Millions	Foreign amount Millions	Rand amount Millions
Net foreign exchange contracts to pay/(receive)				
British pounds	–	–	10	174
US dollars	43	622	36	486
Euros	1	23	5	75
Swiss francs	–	–	1	8
		645		743
Comprising foreign exchange contracts:				
– to pay		646		1 100
– to receive		(1)		(357)
		645		743
Value of contracts at mark-to-market		632		672
Foreign exchange contract financial asset at fair value through profit or loss (refer note 10)		6		30
Foreign exchange contract financial liability at fair value through profit or loss (refer note 16)		(18)		(101)
Contracts in respect of forecast transactions The Group has entered into certain forward exchange contracts, included above, which do not relate to specific items appearing on the balance sheet, but were entered into to cover foreign commitments not yet due. The contracts will be utilised for purposes of inventory procurement during the following year.				
– to pay		–		527
– to receive		–		(210)
		–		317

28.4 INTEREST RATE RISK

Financial assets and liabilities that are sensitive to interest rate risk are cash and cash equivalents, bank overdrafts, loans receivable/payable, finance lease assets and rental finance liabilities.

The interest rates applicable to these financial instruments are on a floating basis in line with those currently available in the market.

The Group has certain fixed rate financial assets or liabilities for which the fair value is considered to approximate the carrying value at year-end.

– deferred purchase consideration (R58 million) (refer note 14).

28.5 CREDIT RISK

Credit risk is the risk of financial loss to the Group if a customer or counterparty to a financial instrument fails to meet its contractual obligations and arises principally from the Group's non-current financial assets, trade and other receivables, finance lease assets, foreign exchange contracts and cash and cash equivalents.

Management has a credit risk policy in place and the exposure to credit risk is monitored on an ongoing basis.

Credit evaluations are performed on all customers requiring credit over a certain amount.

Credit guarantee insurance is taken where considered appropriate.

The maximum exposure to credit risk is represented by the carrying value of each financial asset recognised.

The Group has no significant concentration of credit risk, with exposure spread over a large number of customers, apart from the trade receivable in respect of Thobela Telecoms (refer note 10).

The maximum exposure to credit risk arising from derivative financial instruments are the contractual amounts receivable in respect of foreign exchange contracts.

GUARANTEES

The Group's policy is to provide financial guarantees only to wholly owned subsidiaries. At 28 February 2019 no third-party guarantees were outstanding (2018: none).

28.6 LIQUIDITY RISK

Liquidity risk is the risk that the Group will not be able to meet its financial obligations as they fall due.

The Group's approach to managing liquidity risk is to ensure that sufficient liquidity is available to meet its liabilities when due.

The Group ensures it has sufficient cash on demand or access to facilities to meet expected operational expenses for the next

12 months, including the servicing of financial obligations; this excludes the potential impact of extreme circumstances that cannot reasonably be predicted, such as natural disasters. The Group maintains the following lines of credit:

– R1,6 billion (2018: R1,7 billion) overdraft facility that is unsecured. Interest payable is linked to the prime and money market interest rates.

28.7 FAIR VALUES AND RISK MANAGEMENT

(a) Accounting classifications and fair values

The following table shows the carrying amounts and fair values of financial assets and liabilities, including their levels in the fair value hierarchy. It does not include fair value information for financial assets and financial liabilities not measured at fair value as the carrying amounts of these financial assets and liabilities are considered to be a reasonable approximation of fair value.

		Carrying amount		Fair value			
R millions	Note	Designated at fair value	Total	Level 1	Level 2	Level 3	Total
28 February 2019							
Financial assets measured at fair value							
Preference share investment in Technologies Acceptances Receivables Proprietary Limited	**4**	**21**	**21**			**21**	**21**
Cash collateral – Share linked incentive ("SLI") hedge	**4**	**108**	**108**	**108**	**–**	**–**	**108**
Investment in Aberdare Cables Proprietary Limited	**4**	**94**	**94**	**–**	**–**	**94**	**94**
Forward exchange contracts	**10**	**6**	**6**	**–**	**6**	**–**	**6**
		229	**229**	**108**	**6**	**115**	**229**
Financial liabilities measured at fair value							
Forward exchange contracts	**16**	**(18)**	**(18)**	**–**	**(18)**	**–**	**(18)**
		(18)	**(18)**	**–**	**(18)**	**–**	**(18)**

28. FINANCIAL RISK MANAGEMENT CONTINUED

28.7 FAIR VALUES AND RISK MANAGEMENT CONTINUED

		Carrying amount				Fair value			
R millions	Note	Designated at fair value	Fair value hedging instruments	Available for sale	Total	Level 1	Level 2	Level 3	Total
28 February 2018									
Financial assets measured at fair value	4	71	–	–	71	71	–	–	71
Equity investments held at fair value	4	185	–	21	206	–	–	206	206
Forward exchange contracts	10	–	30	–	30	–	30	–	30
		256	30	21	307	71	30	206	307
Financial liabilities measured at fair value									
Forward exchange contracts	16	–	(96)	–	(96)	–	(96)	–	(96)
Contingent consideration		(66)	–	–	(66)	–	–	(66)	(66)
		(66)	(96)	–	(162)	–	(96)	(66)	(162)

The carrying amounts of financial assets that are not subsequently measured at fair value i.e. finance lease assets and financial assets is considered to approximate the fair value.

The carrying amount of financial liabilities that are not subsequently measured at fair value i.e. financial liabilities at amortised cost is considered to approximate the fair value.

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

Level 1 Quoted prices (unadjusted) in active markets for identical assets or liabilities.

Level 2 Inputs other than quoted prices included within Level 1 that are observable for the asset or liability, either directly (i.e. as prices) or indirectly (i.e. derived from prices).

Level 3 Inputs for the asset or liability that are not based on observable market date (unobservable inputs).

(b) MEASUREMENT OF FAIR VALUES

VALUATION TECHNIQUES AND SIGNIFICANT UNOBSERVABLE INPUTS

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

FINANCIAL INSTRUMENTS MEASURED AT FAIR VALUE

Type	Valuation technique	Significant unobservable inputs	Inter-relationship between significant unobservable inputs and fair value measurements
Forward exchange contracts	*Market comparison technique:* The fair value of foreign exchange contracts are marked-to-market by comparing the contracted forward rate to the present value of the current forward rate of an equivalent contract with the same maturity date.	Not applicable	Not applicable
Preference share in Technologies Acceptances Receivables Proprietary Limited	The dividend growth model was used to determine the fair value of the preference share using the historic dividends that were received from the investment.	Discount rate of 14.68% (2018: 13.50%) Annual perpetuity growth 0% (2018: 3%)	The estimated fair value would increase/(decrease) if: • The discount rate was lower/(higher) by 1% then the value would increase (decrease) by R2 million; and • the annual perpetuity growth rate was higher/(lower) by 1% then the value would increase/(decrease) by R2 million.
Investment in Aberdare Cables Proprietary Limited	The valuation of the investment in underpinned by the underlying call and put option structure implemented by the Group with the other shareholder to this investment (refer note 4).	Contractually agreed amounts	The fair value is driven by the put option and call structure as contractually agreed.

TRANSFERS

There were no transfers between levels 1, 2 or 3 of the fair value hierarchy for the years ended 28 February 2019 and 28 February 2018.

28.8 CAPITAL MANAGEMENT

The board's policy is to maintain a strong capital base so as to maintain investor, creditor and market confidence and to sustain the future development of the business. The board of directors monitors both the demographic spread of shareholders and the return on capital, capital being defined as total shareholders' equity, excluding non-controlling interests. The board of directors monitors and approves the level of dividends to shareholders.

The board seeks to maintain a balance between the higher returns that might be possible with higher levels of borrowings and the advantages and security afforded by a sound capital position. The current gearing levels of the Group are within the acceptable limits as a result of the long term debt restructuring which was effected prior to year-end (refer note 14).

The Group's board has determined a medium term targeted debt level of 1.0x EBITDA before capital items (as defined in the accounting policies).

The Group's target is to achieve a return on capital employed of between 20% and 25%.

Altron's share capital consists of 399 million A ordinary shares and 1 high voting share. The holders (Venter family) of the High Voting share are entitled to voting rights of 25% plus one vote, so long as members of the Venter family are the ultimate beneficial owners of at least 10% of the A ordinary shares.

The N ordinary shares were repurchased during the prior financial year for a consideration of 9 A ordinary shares for every 10 N ordinary shares.

28. FINANCIAL RISK MANAGEMENT CONTINUED

28.8 CAPITAL MANAGEMENT CONTINUED

The Group utilises a share scheme, as approved by the shareholders, as a long term retention mechanism for senior executives and other key employees. The three components, which are disclosed fully in note 12 of the financial statements, contain conditions so that the interests of existing shareholders and management are aligned. Awards under this scheme are in accordance with a total remuneration strategy and are approved by the board's remuneration committee.

The Group does not have a defined share buy-back plan, but does from time to time purchase its shares in the market; the timing of these purchases depends on market prices. Shares acquired are either held as treasury shares or would be cancelled on repurchase. The Group currently holds approximately 28 million treasury shares (see note 12) and there are restrictions on the rights of these shares under the JSE Listings Requirements.

The Group has a general authority in place to acquire up to 5% of the company's issued share capital in any one financial year, which expires at the next annual general meeting and adheres to a 10% limit on its holding of treasury shares.

Altron's capital management is partially restricted by covenants given to lenders in respect of borrowing obligations.

For the 28 February 2019 measurement date, the Group's net debt to EBITDA before capital items ratio is 0.76 and the attributable EBITDA before capital items divided by net finance charges is 8.36.

In accordance with the debt structure of the Group, the Group's net debt to attributable EBITDA before capital items ratio is limited to 2 and the attributable EBITDA before capital items divided by the net finance charge is limited to a minimum of 3.5 times.

Attributable EBITDA before capital items is defined as the amount attributable to shareholders of the Group and is calculated as follows: revenue after deducting the associated employee costs and materials and services consumed expenses. This also includes other income earned by the Group. This excludes interest, taxation, depreciation, amortisation, capital items and share losses from associates as defined in the accounting policies.

In the event that these parameters are not met the lenders would be able to require immediate repayment.

Altron has complied with the required covenants at half year and year-end.

There were no changes in the Group's approach to capital management during the year.

Refer to note 12 for a quantitative summary of authorised and issued capital.

29. RELATED-PARTY TRANSACTIONS

The Group has a related-party relationship with its subsidiaries, associates and joint ventures and with its directors and key management personnel (refer below).

	GROUP	
R millions	**28 February 2019**	28 February 2018
29.1 ASSOCIATES AND JOINT VENTURES		
Transactions		
Sale of goods and services to joint venture	**31**	246
Services received from associates	**57**	295
Interest earned from associates	**–**	5
Dividends received from joint venture	**–**	26
Dividends received from associates	**–**	2
Balances		
Thobela Telecoms – joint venture (Trade receivables)	**301**	265

29.2 DIRECTORS

Details relating to directors' remuneration are disclosed in note 19.1.

At 28 February 2019, the directors of the company held direct and indirect interests, including family interests, in 152 606 969 of the company's issued A ordinary shares (2018: 131 332 418) and nil of the company's issued N ordinary shares (2018: nil). Details of shares held per individual director are listed below. A total of 3 752 409 (2018: 2 662 245) share appreciation rights, performance share options and bonus share options are allocated to directors in terms of the company's employee share scheme.

Name of director	Direct beneficial †A Ordinary shares		Direct non-beneficial †A Ordinary shares	
28 February 2019				
Dr WP Venter (retired 31 July 2018)	**8 740 419**	**–**	**–**	**–**
RE Venter	**244 015**	**–**	**–**	**–**
BW Dawson	**2 721 088**	**–**	**–**	**–**
GG Gelink	**18 000**			
M Nyati	**538 333**			
MJ Leeming	**3 676**	**–**	**–**	**–**
Total	**12 265 531**	**–**	**–**	**–**

Name of director	Indirect beneficial †A Ordinary shares		Indirect non-beneficial †A Ordinary shares	
28 February 2019				
Dr WP Venter# (retired 31 July 2018)	**56 192 243**	**–**	**–**	**–**
AB Ball/S Sithole*	**83 780 172**			
MJ Leeming	**321 879**	**–**	**–**	**–**
Total	**140 294 294**	**–**	**–**	**–**

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

\# *Held through Biltron (Pty) Ltd*

† *A ordinary shares were previously designated as Altron ordinary shares.*

Name of director	Direct beneficial †A Ordinary shares	Direct beneficial ‡N Ordinary shares	Direct non-beneficial †A Ordinary shares	Direct non-beneficial ‡N Ordinary shares
28 February 2018				
Dr WP Venter	8 740 419	–	–	–
RE Venter	244 015	–	–	–
BW Dawson	2 721 088	–	–	–
GG Gelink	18 000	–	–	–
AMR Smith	80 881	–	–	–
MC Berzack	141 408	–	–	–
M Nyati	538 333	–	–	–
MJ Leeming	3 676	–	–	–
Total	12 487 820	–	–	–

Name of director	Indirect beneficial †A Ordinary shares	Indirect beneficial ‡N Ordinary shares	Indirect non-beneficial †A Ordinary shares	Indirect non-beneficial ‡N Ordinary shares
28 February 2018				
Dr WP Venter#	56 192 243	–	–	–
AB Ball/S Sithole*	62 262 976	–	–	–
MJ Leeming	321 879	–	–	–
SN Susman	67 500	–	–	–
Total	118 844 598	–	–	–

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

† *A ordinary shares were previously designated as Altron ordinary shares.*

‡ *N ordinary shares were previously designated as Altron participating preference shares.*

R millions	Group 28 February 2019	Group 28 February 2018
29. FINANCIAL RISK MANAGEMENT CONTINUED		
29.3 KEY MANAGEMENT PERSONNEL		
Key management personnel are defined as directors of the company and its principal subsidiary companies, including prescribed officers.		
The key management personnel compensations were as follows:		
Short-term employee benefits, including salaries and bonuses	**57**	55
Post-employment benefits	**5**	3
Equity compensation benefits	**14**	9
	76	67

30. JUDGEMENTS MADE BY MANAGEMENT

In preparing financial statements in conformity with IFRS, estimates and assumptions that affect the reported amounts and related disclosures are as follows:

- **Deferred tax assets**

  Deferred tax assets have been raised at year end on income tax losses and temporary differences in certain subsidiaries based on current profit forecasts.

  The Group analysed its deferred tax assets in respect of assessed losses and expect to realise the deferred tax assets in the ordinary course of business.

- **Impairment assessments of assets**

  The recoverable amounts of the respective CGU's were determined based on value in use calculations. The calculations mainly use forecast cash flow projections based on financial budgets that were approved by the board of directors. The forecast period used in the calculations covers a five year (2018: five-year) period, with year one being the approved budgeted year. A terminal value is calculated into perpetuity using the growth rates. The growth rates used are in line with industry norms.

- **Post-employment benefit obligations**

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

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

- **Technologies Acceptances Receivables Proprietary Limited (TAR)**

  The relevant activities identified by management with regards to the securitisation vehicle are the credit vetting of leases and the management of leases upon default.

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

- **Purchase price allocation of acquisitions**

  The following valuation techniques were used in measuring the fair value of material assets acquired in business combinations:

  i) Relief-from-royalty method (trade names)

  ii) Multi-period excess earnings method (customer relationships)

31. STANDARDS AND INTERPRETATIONS IN ISSUE BUT NOT YET EFFECTIVE

A number of new standards, amendments to standards and interpretations have been issued but are not yet effective for the year ended 28 February 2019 and have not been early adopted by the Group.

IFRS 16 LEASES

IFRS 16 was issued in January 2016. It will result in almost all leases being recognised on the balance sheet by lessees, as the distinction between operating and finance leases is removed. Under the new standard, an asset (the right to use the leased item) and a financial liability to pay rentals are recognised. Practical expedients are available for short-term and low value leases. Lessors continue to classify leases as operating or finance, with IFRS 16's approach to lessor accounting substantially unchanged from its predecessor, IAS 17 Leases (IAS 17).

The Group expects that the most significant impact of the new standard will result from its current property and network site operating leases. As at the reporting date, the Group has non-cancellable operating lease commitments of R481 million (refer to note 26). Of these commitments, approximately R73 million relates to non-lease components of operating leases which will continue to be recognised as an expense in profit or loss as they are incurred.

For lease commitments (excluding non-lease components, short-term and low-value leases) the Group will recognise lease liabilities, representing the present value of the future minimum lease payments discounted at a rate appropriate and after taking into account the lease term, value, economic environment and security over the asset applicable, on 1 March 2019, and corresponding right-of-use assets in respect of these leases, adjusted for prepayments recognised as at 28 February 2019.

On adoption of IFRS 16 operating lease costs (other than short-term and low value lease) will no longer be recognised as part of operating expenses. The Group intends to apply a threshold of R100 000 for assessing what constitutes low-value assets. For the year ended 28 February 2019 the Group has recognised lease expenses of R176 million (refer to note 19.2). Of these operating lease expenses, approximately R39 million relates to non-lease components of operating leases which will continue to be recognised as an expense in operating expenses as they are incurred.

As a result of the new accounting rules, EBITDA before capital items(as defined in accounting policies) used to measure segment results is expected to increase, as the total operating lease payments were previously included in EBITDA before capital items (as defined in accounting policies) under IAS 17. The Group will recognise depreciation on the right-of-use assets and interest on the lease liabilities over the lease term in profit or loss – these charges are excluded from EBITDA before capital items (as defined in accounting policies). Due to the impact of reducing finance charges over the life of the lease, the impact on earnings will initially be dilutive, before being accretive in later periods. Furthermore, leases denominated in currencies that are not the functional currency of the operation will increase foreign exchange exposure. Therefore, the Group expects that net profit after tax may decrease for 2020 as a result of adopting the new standards.

Cash generated from operations will increase, as lease costs will no longer be included in this category of cash flows. Interest paid will increase, as it will include the interest portion of the lease liability repayments. This is expected to have a net positive impact on net cash generated from operating activities. Net cash used in financing activities will increase, as the capital portion of lease liability repayments will be included within repayment of borrowings.

The Group's activities as a lessor are not material and hence the Group does not expect any significant impact on the financial statements. However, some additional disclosures will be required in the next reporting period.

The Group will apply the standard using the modified retrospective approach on 1 March 2019 with optional practical expedients and will apply its election consistently to all of its leases. Therefore, the cumulative effect of adopting IFRS 16 will be recognised as an adjustment to the opening balance of retained earnings at 1 March 2019, with no restatement of comparative information. Right of-use assets will be measured at the amount of the lease liability on adoption (adjusted for any prepaid lease expenses). The Group has elected to apply the practical expedient to not reassess the lease definition.

OTHER STANDARDS

The following relevant amended standard and interpretation is not expected to have a significant impact on the Group's consolidated financial statements.

– IFRIC 23: Uncertainty over Income Tax Treatments.

		Group	
	R millions	**28 February 2019**	Restated 28 February 2018
32.	**CASH GENERATED BY OPERATIONS**		
	Operating profit before capital items	**1 095**	791
	Adjustments for:		
	Depreciation and amortisation	**312**	252
	Amortisation of costs to fulfil contracts	**253**	199
	Share-based payment expense	**43**	44
	Movement in provisions	**(46)**	37
	Pension contribution holiday received	**–**	23
	Defined benefit pension fund gain	**(11)**	–
	Share Linked Incentives paid	**–**	(27)
	Cash collateral – Share linked incentive ("SLI") hedge	**–**	(71)
	Cash collateral – Share linked incentive ("SLI") hedge fair value adjustment	**(37)**	–
	Unrealised foreign exchange (gains)/losses	**(13)**	(7)
	EZY2C contingent consideration settlement adjustment	**(8)**	–
	Increase in contract costs capitalised	**(55)**	–
	Other non-cash movements	**–**	(7)
	Cash generated by operations before movements in working capital	**1 533**	1 234
	(Increase)/decrease in inventories	**(18)**	128
	Increase in trade and other receivables, including contract assets	**(559)**	(318)
	Increase/(decrease) in trade and other payables, including contract liabilities	**393**	(108)
	(Decrease)/increase in amounts due to merchants	**(222)**	126
		1 127	1 062
33.	**DIVIDENDS RECEIVED FROM ASSOCIATES AND OTHER INVESTMENTS**		
	Dividends receivable at the beginning of the year	**1**	1
	Dividends received during the year	**4**	32
	Dividends receivable at the end of the year	**(1)**	(1)
		4	32
34.	**TAXATION PAID**		
	Amounts unpaid at the beginning of the year	**(65)**	(64)
	Amounts recognised in profit or loss	**(131)**	(150)
	Amounts disposed	**–**	7
	Translation differences	**(6)**	2
	Taxation payable classified as held-for-sale in prior year (refer to note 38)	**–**	(5)
	Taxation receivable classified as held for sale in prior year (refer to note 38)	**–**	2
	Amounts acquired in business combinations	**–**	1
	Amounts unpaid at the end of the year	**55**	65
		(147)	(142)

35. ACQUISITION OF SUBSIDIARIES AND BUSINESSES, NET OF CASH ACQUIRED

R millions	Group 28 February 2019	Group Restated 28 February 2018
Property, plant and equipment	**(6)**	(39)
Intangible assets, including customer base and trade name at acquisition	**(81)**	(254)
Inventories	**(2)**	(18)
Trade and other receivables	**(37)**	(250)
Trade and other payables	**37**	326
Deferred tax	**20**	51
Net loans	**1**	2
Net cash	**(15)**	(75)
Taxation payable	**–**	(1)
Non-controlling interest	**–**	2
Goodwill arising on acquisition	**(148)**	(557)
Purchase consideration	**(231)**	(813)
Less: Deferred purchase considerations	**56**	70
Cash paid	**(175)**	(743)
Less: Cash acquired	**15**	75
Cash paid in relation to current year acquisitions	**(160)**	(668)
Less: Contingent consideration paid relating to prior year acquisition	**(58)**	(31)
Less: Unrealised interest on deferred payment terms	**–**	1
	(218)	(698)

Refer to note 38 for detail on the respective businesses acquired during the current year.

R millions	28 February 2019	28 February 2018
36. PROCEEDS ON DISPOSAL OF SUBSIDIARIES, ASSOCIATE AND BUSINESSES, NET OF CASH DISPOSED		
Property, plant and equipment	**2**	125
Inventories	**253**	217
Trade and other receivables	**241**	346
Trade and other payables	**(240)**	(248)
Loans – current	**(4)**	(10)
Provisions	**(41)**	(23)
Taxation payable	**–**	(7)
Net cash	**–**	116
Non-controlling interest	**48**	–
	259	516
Profit/(loss) on disposal of subsidiary and businesses	**30**	(88)
Proceeds on disposal	**289**	428
Proceeds receivable at the beginning of the year	**–**	28
Proceeds receivable at the end of the year	**(150)**	(27)
Less: Preference share receivable	**–**	(80)
Less: Cash disposed	**–**	(116)
Proceeds received on disposal of Auto-X Proprietary Limited in the prior year	**37**	–
Total proceeds received on disposals	**176**	233
Refer to note 39 for detail on the respective businesses disposed of during the current year.		
37. PROCEEDS ON DISPOSAL OF PROPERTY, PLANT AND EQUIPMENT AND INTANGIBLE ASSETS		
Carrying amount	**44**	2
Profit on disposal	**79**	1
Proceeds received on disposal	**123**	3

R millions	28 February 2019	28 February 2018
38. OTHER CASH FLOWS		
38.1 OTHER INVESTING ACTIVITIES		
Loans repaid by associates and other investments	**33**	–
Loans advanced to associates and other investments	**(29)**	(3)
Increase in capital rental devices	**(191)**	(257)
Advances made to TAR during the year	**(12)**	–
Repayment received from TAR during the year	**14**	–
Increase in restricted cash	**(26)**	–
Cash received from cell captive	**5**	14
	(206)	(246)
38.2 RECONCILIATION OF CASH FOWS FROM FINANCING ACTIVITIES		
Loans at the beginning of the year	**1 906**	2 395
Current	**404**	395
Non-current	**1 502**	2 000
Cash flows	**(185)**	(587)
Proceeds from loans raised	**1 543**	195
Repayment of loans	**(1 716)**	(755)
Repayment of finance lease liabilities	**(12)**	(27)
Other movements	**25**	98
Movement in assets held-for-sale	**10**	16
Effects of changes in foreign exchange rates	**(8)**	(5)
Settlement of contingent consideration	**(58)**	(30)
Contingent consideration arising on acquisition	**–**	71
Deferred purchase consideration arising on acquisition	**59**	–
Other movements	**22**	46
Loans at the end of the year	**1 746**	1 906
Current	**484**	404
Non-current	**1 262**	1 502

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

DISCONTINUED OPERATIONS

In prior years the decision was taken to dispose of the Powertech Group and the Multimedia Group and, as a result, these businesses were classified as discontinued operations. The relevant requirements of IFRS 5 were met for this classification at the time. The disposals of the assets and liabilities held-for-sale were completed during the 2019 financial year, except for the investment held in ATC (refer note 3) which remains held for sale at the end of the year. Management believe that the conclusion of the disposal of the investment will be affected in the 2020 financial year.

		Group	
R millions	Note	28 February 2019	28 February 2018
Cash flows used in discontinued operation:			
Net cash utilised in operating activities		**(9)**	(178)
Net cash generated from investing activities		**242**	186
Net cash utilised in financing activities		**–**	(9)
Net cash flow for the year		**233**	(1)
Assets classified as held-for-sale		**55**	714
Property, plant and equipment		**–**	7
Equity-accounted investment	3	**55**	122
Inventories		**–**	270
Trade and other receivables		**–**	315
Liabilities classified as held-for-sale		**–**	465
Provisions (non-current)		**–**	5
Loans (current)		**–**	10
Provisions (current)		**–**	72
Trade and other payables		**–**	378

R millions	Note	2019 Opening balance Investments#	Impairments*	Closing balance Total
Assets classified as held-for-sale				
Equity-accounted investment	3	122	(67)	55

During the current year, the Group recognised a further impairment loss in respect of the investment in ATC based on the determination of the fair value less cost to sell of the investment in accordance with IFRS 5 *Non-current Assets Held-for-Sale.*

The impairment is based on management's best estimate and judgement of the fair value of the investment and represents the lowest value at which the Group will dispose the investment to a willing buyer. The fair value is a level 3 due to the unobservable inputs used in the determining the value.

R millions	Notes	28 February 2018 Powertech Transformers	Multimedia Group	Other#	Impairments*	Total
Assets classified as held-for-sale		670	228	138	(322)	714
Property, plant and equipment	1	141	36	5	(175)	7
Intangible assets	2	83	24	–	(107)	–
Equity-accounted investments	3	–	–	122	–	122
Inventories	7	239	71	–	(40)	270
Trade and other receivables	8	207	97	11	–	315
Liabilities classified as held-for-sale		263	160	42	–	465
Provisions (non-current)	13	–	5	–	–	5
Loans (current)	12	10	–	–	–	10
Provisions (current)	13	44	3	25	–	72
Trade and other payables	14	209	152	17	–	378

* *The income statement effect is included in "Capital items" on the face of the statement of comprehensive income (refer note 20).*

\# *This includes CBI Electric Aberdare ATC Telecom Cables (ATC).*

40. ACQUISITION OF SUBSIDIARIES AND BUSINESSES

ACQUISITION OF iSPARTNERS GROUP (PTY) LIMITED ("ALTRON KARABINA")

Effective 1 September 2018, Altron TMT SA Group Proprietary Limited acquired 100% of the issued share capital of Altron Karabina, a Microsoft solutions business, for a purchase price of R217 million, of which R161 million was paid upfront and the remainder is payable over the next 2 years, with no targets attached to the payment of the remaining balance.

The acquisition contributed revenue of R 105 million and a net profit after tax of R6 million to the Group since acquisition. If the company was acquired on 1 March 2018, the contributed revenue would have been R210 million and the net profit after tax would have been R 12 million.

Goodwill of R148 million was recognised on the acquisition of Altron Karabina which relate to the expected future synergies flowing from the Group's intention to increase its footprint in the Microsoft environment in South Africa.

The following table summarises the recognised amounts of assets acquired and liabilities assumed at the date of acquisition and a reconciliation of the cash outflow for the acquisition.

R millions	Carrying amount	Fair value adjustments	Recognised values
Property, plant and equipment	4	–	4
Intangible assets	16	50	66
Deferred tax	(2)	(14)	(16)
Trade and other receivables	37	–	37
Trade and other payables	(37)	–	(37)
Cash and cash equivalents	15	–	15
Net identifiable assets acquired	33	36	69
Goodwill on acquisition			148
Total purchase consideration			217
Less: Deferred purchase consideration			(56)
Net purchase price paid during the year			161
Less: Cash and cash equivalents in subsidiary acquired			(15)
Net cash outflow on acquisitions			146

ACQUISITION OF THE BUSIINESS CAPE OFFICE MACHINES PROPRIETARY LIMITED ("CAPE OFFICE MACHINES")

Effective 1 May 2018, Altron TMT Proprietary Limited, through its Bytes Document Solutions division acquired the business of Cape Office Machines, a partner to the Altron Bytes Document Solutions business, for a purchase price of R14 million.

The acquisition contributed revenue of R 41 million and a net profit after tax of R1 million to the Group, since effective date. If Cape Office Machines was acquired on 1 March 2018, the contributed revenue would have been R49 million and the net profit after tax would have been R 1 million.

The following table summarises the recognised amounts of assets acquired and liabilities assumed at the date of acquisition and a reconciliation of the cash outflow for the acquisition.

R millions	Carrying amount	Fair value adjustments	Recognised values
Property, plant and equipment	2	–	2
Intangible assets	–	15	15
Deferred tax	–	(4)	(4)
Inventory	2	–	2
Loans	(1)	–	(1)
Net identifiable assets acquired	3	11	14
Goodwill on acquisition			–
Total purchase consideration			14
Net cash outflow on acquisitions			14

MEASUREMENT OF FAIR VALUES

The valuation techniques used for measuring the fair value of material assets acquired are as follows.

Intangible assets acquired

Valuation technique

i) Relief-from-royalty method used to value Trade names.

The relief-from-royalty method considers the discounted estimated royalty payments that are expected to be avoided as a result of the patents or trademarks being owned.

This methodology requires significant judgements relating to the key inputs applied. Discount rates and Royalty rates were the key inputs used in valuation.

ii) Multi-period excess earnings method used to value Customer relationships.

The multi-period excess earnings method considers the present value of net cash flows expected to be generated by the customer relationships, by excluding any cash flows related to contributory assets.

This methodology requires significant judgements relating to the key inputs applied. Useful economic lives of customer relationships, contributory asset charges, discount and customer attrition rates were the key inputs used in the valuation.

41. DISPOSAL OF SUBSIDIARIES, ASSOCIATES AND BUSINESSES

Disposal of interest in Powertech Transformers Proprietary Limited

Effective 31 July 2018, the Group disposed of its collective 80% equity interest in Powertech Transformers Proprietary Limited for R250 million.

Disposal of 100% interest in the Auto X Proprietary Limited Group (Powertech Battery Group)

Effective 1 July 2017, Powertech Industries Proprietary Limited disposed of 100% of its equity interest in the Auto X Group for R324 million. This operation formed part of the Powertech Group, which has been disclosed as a discontinued operation. R188 million was received on the effective date, while the balance of the proceeds will be settled out of actual receipts received by Auto X from the Automotive Production Development Programme. This receivable is in the form of a preference share, with a carrying value of R91 million at 28 February 2018. The preference share receivable in Auto X is included in other investments on the Group's balance sheet.

Disposal of 100% interest in Webroy Proprietary Limited

Effective 1 March 2017, Powertech Industries disposed of 100% of its equity interest in Webroy for R11 million. This operation formed part of the Powertech Group, which has been disclosed as a discontinued operation.

Disposal of 100% interest in Powertech System Integrators Proprietary Limited ("PTSI")

Effective 1 August 2017, Power Technologies Proprietary Limited disposed of 100% of its equity interest in PTSI for R20 million. This operation formed part of the Powertech Group, which has been disclosed as a discontinued operation.

Disposal of QuadPro South Africa Proprietary Limited ("Quadpro")

Effective 31 October 2017, Power Technologies Proprietary Limited disposed of 100% of its equity interest in Quadpro for R10 million. This operation formed part of the Powertech Group, which has been disclosed as a discontinued operation.

Disposal of Swanib Cables Proprietary Limited

Effective 1 September 2017, Power Technologies International Holdings Proprietary Limited disposed of 100% of its equity interest in Swanib for R56 million.

This operation formed part of the Powertech Group, which has been disclosed as a discontinued operation.

Disposal of Crabtree, a division of Powertech Industries Proprietary Limited

Effective 1 February 2018, Powertech Industries disposed of its Crabtree division for R40 million.

This operation formed part of the Powertech Group, which has been disclosed as a discontinued operation.

41. DISPOSAL OF SUBSIDIARIES, ASSOCIATES AND BUSINESSES CONTINUED

Net assets of the above operations disposed:

R millions	2019	2018
Non-current assets	**1**	126
Property, plant and equipment	**–**	125
Other	**1**	1
Current assets	**493**	680
Inventories	**252**	217
Trade and other receivables	**241**	346
Cash and cash equivalents	**–**	116
Other	**–**	1
Equity	**49**	–
Non-controlling interest	**49**	–
Non-current liabilities	**–**	(1)
Other	**–**	(1)
Current-liabilities	**(284)**	(289)
Trade and other payables	**(239)**	(248)
Other	**(45)**	(41)
Disposal value	**259**	516
Less: Preference share receivable	**–**	(91)
Present value adjustment on preference share	**–**	10
Fair value adjustment on preference share	**–**	1
Less: Proceeds receivable	**(150)**	(16)
Current (refer note 10)	**(50)**	(16)
Non-current (refer note 4)	**(100)**	–
Profit/(loss) on disposal of subsidiaries	**30**	(88)
Cash and cash equivalents disposed	**–**	(116)
Proceeds received on disposal	**139**	216

42. CHANGES IN ACCOUNTING POLICIES

The Group has adopted the following new accounting pronouncements as issued by the International Accounting Standards Board (IASB), which were effective for the Group from 1 March 2018:

IFRS 9 *Financial Instruments* (IFRS 9);

IFRS 15 *Revenue from Contracts with Customers* (IFRS 15).

The changes in accounting policies have been applied retrospectively, however the comparative numbers have not been restated, the cumulative impact of the changes in accounting policies have been recognised in opening retained earnings i.e on 1 March 2018.

ADOPTION OF IFRS 9

The adoption of IFRS 9 had the following impact on the Group:

- Change from the IAS 39 incurred loss model to the Expected Credit Loss (ECL) model to calculate impairments on applicable financial assets.
- Change in classification of the measurement categories for financial instruments.

Impairments

Before the adoption of IFRS 9, the Group calculated the allowance for credit losses using the incurred loss model. Under the incurred loss model, the Group assessed whether there was any objective evidence of impairment at the end of each reporting period. If such evidence existed the allowance for credit losses in respect of financial assets at amortised cost were calculated as the difference between the asset's carrying amount and its recoverable amount, being its present value of the estimated future cash flows discounted at the original effective interest rate (EIR).

Under IFRS 9, the Group calculates the allowance for credit losses based on the ECLs for financial assets measured at amortised cost, finance lease assets, investments at FVOCI and contract assets. ECLs are a probability weighted estimate of credit losses. Credit losses are measured as the present value of all cash shortfalls, being the difference between the cash flows to the Group in accordance with the contract and the cash flows that the Group expects to receive. ECLs are discounted at the original EIR of the financial asset.

The impact of applying the ECL model (under the general 3 step approach) on non-current financial assets at amortised cost and at fair value through other comprehensive income was not material on adoption date.

The Group applies the simplified approach to determine the ECL for trade receivables, finance lease assets and contract assets. This results in calculating lifetime ECLs for these assets. ECLs for trade receivables, finance lease assets and contract assets are determined using a simplified parameter-based approach.

Refer to note 10 for more detail on the application of the simplified parameter-based approach on trade receivables, finance lease assets and contract assets.

The table below reconciles the loss allowance as reported on 28 February 2018 in accordance with IAS 39 to the ECL as determined under IFRS 9 of financial instruments that have been impacted by the adoption of IFRS 9:

R millions	2019
Loss allowance	
Closing balance at 28 February 2018	**169**
Adjustment on adoption of IFRS 9	**3**
Opening loss allowance as at 1 March 2018	**172**

Due to the conservative approach previously followed, the adoption of IFRS 9 did not result in a material change in the loss allowance on adoption date.

Classification, initial recognition and subsequent measurement

IFRS 9 introduces new measurement categories for financial assets, the impact of which is illustrated in the table below. From 1 March 2018, the Group classifies financial assets in each of the IFRS 9 categories based on the Group's business model for managing the financial asset and the cash flow characteristics of the financial asset.

The Group intends to hold the non-current financial assets at amortised costs to maturity to collect contractual cash flows and these cash flows consists solely of payments of principal and interest on the principal amount outstanding. The Group's business model for these instruments is to hold to collect the contractual cash flows and is monitored at an investment level.

42. CHANGES IN ACCOUNTING POLICIES CONTINUED

Impairments (continued)

The Group intends to hold the non-current financial assets at FVOCI as long-term strategic investments that are not expected to be sold in the short to medium term.

R millions	Measurement category IAS 39	Measurement category IFRS 9	Carrying amount 28 February 2018	Carrying amount 1 March 2018	Difference
Non-current financial assets					
Participation Loan to TAR (refer note 4)	Loans and receivables	Amortised cost	191	191	–
Preference share investment in TAR (refer note 4)	Available-for-sale	FVOCI	21	21	–
Cash collateral – Share linked incentive ("SLI") hedge (refer note 4)	FVTPL*	FVTPL	71	71	–
Preference share investment in Auto X Proprietary Limited (refer note 4)	Loans and receivables*	Amortised cost	91	91	–
Investment in Aberdare Cables Proprietary Limited (refer note 4)	FVTPL*	FVTPL	94	94	–
Current financial assets					
Cash and cash equivalents (refer note 11)	Loans and receivables	Amortised cost	1 067	1 067	–
Trade and other receivables (refer note 10)	Loans and receivables	Amortised cost	3 031	3 028	(3)
Forward exchange contracts (refer note 10)	FVTPL	FVTPL	30	30	–
Non-current financial liabilities					
Loans (refer note 14)	Amortised cost	Amortised cost	1 464	1 464	–
Loans – contingent consideration (refer note 14)	FVTPL	FVTPL	38	38	–
Current financial liabilities					
Loans (refer note 14)	Amortised cost	Amortised cost	386	386	–
Loans – contingent consideration (refer note 14)	FVTPL	FVTPL	28	28	–
Trade and other payables (refer note 16)	Amortised cost	Amortised cost	3 562	3 562	–
Bank overdraft (refer note 11)	Amortised cost	Amortised cost	972	972	–
Forward exchange contracts (refer note 16)	FVTPL	FVTPL	101	101	–

* *These financial assets were classified as available-for-sale in the prior year, however the measurement of these instruments were in accordance with the categories indicated above. These have been amended accordingly to present the appropriate classification.*

The reclassification into the new measurement categories of IFRS 9 did not have a significant impact on the Group. The impact of the reclassifications on financial assets measurement categories was as follows:

R millions	FVTPL	FVOCI (Available-for-sale under IAS 39)	Amortised cost (loans and receivables under IAS 39)
Financial assets			
Closing balance at 28 February 2018	195	21	4 380
Change in carrying amount due to change in measurement under IFRS 9	–	–	(3)
Opening balance at 1 March 2018	195	21	4 377

Transition to IFRS 9

Changes in accounting policies from the adoption of IFRS 9 have been applied retrospectively however, the Group has elected not to restate comparative information. Differences between the carrying amounts of financial instruments as at 28 February 2018 and 1 March 2018 resulting from the initial application of IFRS 9 are recognised in retained earnings. Accordingly, information relating to 28 February 2018 does not reflect the requirements of IFRS 9 but rather those of IAS 39.

The Group has elected as an accounting policy choice to not adopt the hedge accounting requirements of IFRS 9, but rather to continue applying the hedge accounting requirements of IAS 39.

ADOPTION OF IFRS 15

IFRS 15 establishes a comprehensive framework for determining whether, how much and when revenue is recognised. It replaced IAS 18 *Revenue*, IAS 11 *Construction Contracts* and related interpretations.

Under IFRS 15, revenue is recognised at an amount that reflects the consideration to which an entity expects to be entitled for transferring goods or services to a customer when a customer obtains control of the goods or services. For additional information about the Group's accounting policy relating to revenue recognition, refer to the accounting policies section of the financial statements.

On adoption of IFRS 9 and IFRS 15, the Group restated its retained earnings at 1 March 2018 as follows:

R millions	2019
Retained earnings – as previously reported at 28 February 2018	
Closing balance at 28 February 2018	**2 543**
Impact on the adoption of IFRS 9	**(3)**
Impact on the adoption of IFRS 15	**2**
Opening retained earnings – 1 March 2018	**2 542**

The nature of the changes in the accounting policies are set out below:

Project related revenue

Changes in the accounting policy relate to certain broadband rollout projects where goods and services were provided to customers, in terms of which the costs and related revenue relating to equipment delivered at the respective client site, was historically recognised on a milestone basis upon delivery.

The Group reviewed its contracts relating to these arrangements and in terms of IFRS 15, the goods and services were concluded to be part of a combined performance obligation. In addition, taking into account the guidance in IFRS 15 as it relates to uninstalled materials, the Group resolved that the cost of the uninstalled materials (delivered equipment) be excluded from measuring the progress in these contracts. This resulted in the costs (i.e. fulfillments costs) and related revenue billed to the client (contract liabilities) in respect of open contracts on adoption date, being deferred in the opening balance sheet and subsequently recognised during the current financial reporting period.

42. CHANGES IN ACCOUNTING POLICIES CONTINUED

Cloud services and related licences

The Group reviewed its accounting policy for the sale of cloud services (and related licences) on adoption of IFRS 15. Previously, management applied their judgement in determining the accounting in accordance with the "risks and rewards" approach followed under IAS 18, which resulted in these arrangements being accounted for by the Group as the principal. One of the considerations applied in reaching this conclusion was the consideration of credit risk.

Under IFRS 15, based on the concept of "control" and the transfer thereof; and the change in the criteria to be considered when assessing whether an arrangement should be accounted for on a principal or agent basis, these arrangements are now accounted for by the Group as an agent in terms of IFRS 15. One of the previously relevant indicators, i.e. credit risk is no longer included in the guidance under IFRS 15 further supporting the conclusion reached.

Transition to IFRS 15

Changes in accounting policies from the adoption of IFRS 15 have been applied retrospectively, however, the Group has elected not to restate comparative information. The cumulative impact of IFRS 15 is recognised as an adjustment in retained earnings, on 1 March 2018. Accordingly, information relating to 28 February 2018 does not reflect the requirements of IFRS 15 but rather those of IAS 18.

The Group applied the following practical expedients when applying IFRS 15:

1. The Group has elected to apply IFRS 15 only to contracts that are not completed as at the date of initial application.
2. For contracts that were completed that had variable consideration, the transaction price at the date that the contract was completed was used, rather than estimating variable consideration amounts.
3. For contracts that were modified before the adoption date, the contracts were not restated for these contract modifications and instead, the aggregate effect of all modifications that occurred before the adoption date were considered in aggregate when identifying the satisfied and unsatisfied performance obligations, determining the transaction price and allocating the transaction price to the satisfied and unsatisfied performance obligations.
4. For all reporting periods presented before the date of initial application, we have elected not to disclose the amount of the transaction price allocated to the remaining performance obligations and an explanation of when we expect to recognise that amount as revenue.
5. We have elected when, at contract inception, the period between the transfer of a promised good or service and payment for that good or service will be one year or less, not to account for the effects of the time value of money.

43. CORRECTION OF PRIOR YEAR ACCOUNTING TREATMENT

During the current year, the Group undertook a detailed review of the contracts with customers and vendors in respect of specific business operations. Upon conclusion of this process, the Group discovered that the terms and conditions of certain contracts had not been correctly accounted for historically. As a consequence, these contracts had an impact on the presentation and disclosure of the prior year balances.

MATTERS IDENTIFIED

The Group sells goods under finance lease arrangements in certain parts of its business. As part of these transactions, the Group enters into back-to-back arrangements with an external party to receive cash from the transaction on day one. As the customer settles the monthly lease instalments with the Group, the Group settles its monthly instalments with the external financier. In previous years, the finance lease asset and the finance lease liability were set off on presentation in the balance sheet. Upon analysis of the IFRS requirements for set off, i.e. that the Group currently has a legally enforceable right to set off the recognised amounts and intends either to settle on a net basis, or to realise the asset and settle the liability simultaneously, were not met. Due to the offset requirements not being met in accordance with the requirements of IFRS, the finance lease asset and finance lease liability needed to be presented separately on the balance sheet and as a result the comparative balances were accordingly restated.

The Group enters into arrangements in terms of which it acts as a clearing/collecting agent on behalf of certain merchants.

In terms of these arrangements, the Group collects the cash on behalf of the merchant which is paid into the Group's bank account, after which it is paid over by the Group to the merchant immediately once the payment clears the bank account. In prior years, the Group netted the amounts received into its bank account and the amounts payable to the merchant when presenting its balance sheet. Upon reflection, it was concluded that the balance sheet presentation as previously applied was not appropriate and the cash received as well as the payable to the merchant should have been included on a gross basis, resulting in the comparative balances being restated. As this arrangement had an impact on the cash on hand balances maintained by the Group, the statement of cash flow has been restated to reflect the impact of the additional cash on hand at the end of the preceeding reporting periods.

The above has been corrected by updating each of the affected financial statement line items for the prior period as noted below – The corrections did not have an impact on the consolidated statement of comprehensive income:

R millions	28 February 2018 As previously reported	28 February 2018 Adjustments	28 February 2018 Restated	28 February 2017 As previously reported	28 February 2017 Adjustments	28 February 2017 Restated
Balance sheet (Extract)						
Non-current assets						
Finance lease assets	98	89	187	113	77	190
Current assets						
Trade and other receivables	3 270	90	3 360	2 669	83	2 752
Cash and cash equivalents	768	299	1 067	1 373	173	1 546
Non-current liabilities						
Loans	1 413	89	1 502	1 923	77	2 000
Current liabilities						
Loans	314	90	404	312	83	395
Trade and other payables	3 582	299	3 881	3 177	173	3 350

R millions	28 February 2018 As previously reported	28 February 2018 Adjustments	28 February 2018 Restated
Cash flow (Extract)			
Cash flows from operating activities			
Cash generated from operations	936	126	1 062
Cash flows used in financing activities			
Loans advanced	67	(128)	195
Loans repaid	(627)	128	(755)
Net increase/(decrease) in cash and cash equivalents	(549)	126	(423)
Net cash and cash equivalents at the beginning of the year	329	173	502
Net cash and cash equivalents at the end of the year	(204)	299	95

44. GROUP COMPOSITION

ALTRON

Altron Arrow							
Altron Bytes Systems Integration							
Altron Nexus							
Altron Bytes Document Solutions							
Altron Bytes Managed Solutions							
Bytes Secure Transaction Solutions	Nupay	ACS	CyberTech	MediSwitch	Med-e-mass	Delter	MedeServe
Altron Karabina							
Altron Bytes People Solutions							
Netstar	EZY2C	PINPOINT Communications					
Altron Rest of Africa	Botswana	Namibia	Mozambique	Mauritius	Kenya	UAE	
Bytes UK	Bytes Security Partnerships	Bytes Software Services	Phoenix Software				

44.1 INTERESTS IN SUBSIDIARIES

The Group structure included above only includes the Group's core subsidiaries. The associates and joint ventures have been excluded as these do not form part of the Group's core operations and are not considered material to the Group.

44.2 NON-CONTROLLING INTERESTS

The following subsidiaries have material non-controlling interest (NCI).

Name	**Principal place of business/**	**Ownership interests held by NCI**	
R millions	**country of Incorporation**	**2019**	2018
Netstar Proprietary Limited	South Africa	**25% + 1 share**	25% + 1 share
Altech UEC South Africa Proprietary Limited	South Africa	**25% + 1 share**	25% + 1 share
Altron Arrow Proprietary Limited	South Africa	**50% – 1 share**	50% – 1 share
Powertech Transformers Proprietary Limited (disposed effective 30 July 2018)	South Africa	**0%**	20%
Altron Nexus Proprietary Limited	South Africa	**25% + 1 share**	25% + 1 share

	Altron Nexus	Altech UEC South Africa	Altron Netstar	Altron Arrow	Powertech Transformers	Other non-material NCI*	Total NCI
2019							
Revenue	**1 185**	**586**	**1 290**	**499**	**427**	**69**	
Profit	**47**	**25**	**13**	**17**	**34**	**7**	
Profit attributable to non-controlling interests	**12**	**6**	**3**	**9**	**7**	**2**	**39**
Other comprehensive income	**–**	**–**	**–**	**–**	**–**	**–**	
Total comprehensive income	**47**	**25**	**13**	**17**	**34**	**7**	
Total comprehensive income attributable to non-controlling interests	**12**	**6**	**3**	**9**	**7**	**2**	**39**
Current assets	**985**	**28**	**372**	**222**	**–**	**–**	
Non-current assets	**93**	**–**	**441**	**21**	**–**	**–**	
Share based payments	**(2)**	**–**	**(1)**	**(1)**	**–**	**–**	
Current liabilities	**(795)**	**(106)**	**(393)**	**(69)**	**–**	**–**	
Non-current liabilities	**(343)**	**–**	**(1 488)**	**(2)**	**–**	**–**	
Net assets	**(62)**	**(78)**	**(1 069)**	**171**	**–**	**–**	
Net assets attributable to non-controlling interests at 28 February 2018	**36**	**(65)**	**(270)**	**83**	**(53)**	**24**	**(245)**
Disposed of during the year	**–**	**–**	**–**	**–**	**49**	**–**	**49**
Total comprehensive income attributable to non-controlling interests	**12**	**6**	**3**	**9**	**7**	**2**	**39**
Dividends paid to non-controlling interests during the year	**–**	**–**	**–**	**(5)**	**–**	**(1)**	**(6)**
Share of other reserve movements	**(3)**	**1**	**3**	**–**	**(3)**	**3**	**1**
Net assets attributable to non-controlling interests at 28 February 2019	**45**	**(58)**	**(264)**	**87**	**–**	**28**	**(162)**
2018							
Revenue	1 155	738	1 200	560	1 015	–	
Profit/(loss)	21	(84)	2	22	(50)	–	
Profit/(loss) attributable to non-controlling interests	5	(21)	1	11	(10)	–	(19)
Other comprehensive income	–	1	–	–	–	–	
Total comprehensive income	21	(83)	2	22	(50)	–	
Total comprehensive income attributable to non-controlling interests	5	(20)	1	11	(10)	–	(18)
Current assets	680	124	355	269	442	–	
Non-current assets	123	5	503	22	–	–	
Share-based payments	(6)	–	–	(1)	–	–	
Current liabilities	(562)	(233)	(455)	(122)	(514)	–	
Non-current liabilities	(330)	(160)	(1 497)	(2)	(205)	–	
Net assets	(95)	(264)	(1 094)	166	(277)	–	
Net assets attributable to non-controlling interests at 28 February 2017	31	(45)	(271)	77	(43)	11	(240)
Buy-back of non-controlling interests	–	–	–	–	–	16	16
Acquired during the year	–	–	–	–	–	2	2
Total comprehensive income attributable to non-controlling interests	5	(20)	1	11	(10)	(5)	(18)
Dividends paid to non-controlling interests during the year	–	–	–	(5)	–	–	(5)
Net assets attributable to non-controlling interests at 28 February 2018	36	(65)	(270)	83	(53)	24	(245)

* *Nominal amounts and relates to the 49% non-controlling interest in DigiCopiers Proprietary Limited.*

44. GROUP COMPOSITION CONTINUED

44.3 INTEREST IN ASSOCIATES

The Group has no material associates.

The table below summarises the associate entities in which the Group holds an interest.

Investment	Nature of business
Mediswitch Namibia Proprietary Limited	Provides healthcare IT and eCommerce solutions in Saudi Arabia and Namibia.
Aeromaritime International Management Services Proprietary Limited (AIMS) (Disposed in the current year)	Provides services of clearing for both imports and exports, international forwarding on both seafreight and airfreight, local and national freight distribution and cross-border road freight to neighbouring countries in Africa.

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

	Altron controlled interest		(Decrease)/ increase in investment		Attributable share of profit/(loss)		Dividends received		(Decrease)/ increase in impairment		Total investment	
R millions	2019 %	2018 %	2019	2018	2019	2018	2019	2018	2019	2018	2019	2018
Unlisted												
Mediswitch Namibia Proprietary Limited	**49.9**	49.9	**–**	–	**(1)**	1	**–**	(2)	**–**	–	**1**	2
Aeromaritime International Management Services Proprietary Limited	**–**	20	**(2)**	–	**–**	–	**–**	–	**–**	–	**–**	2
			(2)	–	**(1)**	1	**–**	(2)	**–**	–	**1**	4

Included in trade receivables is an amount receivable from AIMS amounting to R38 million (2018: 31 million), which bears interest at prime plus 0.25% and is repayable within 12 months after year-end. This loan is utilised to fund the working capital requirements of AIMS.

44.4 INTERESTS IN JOINT VENTURES

The Group holds an interest in the following jointly controlled entities:

Bytes conference Centre – The Group participates in this 49% joint arrangement through Altron TMT SA Group (Pty) Ltd.

Thobela Telecom – The Group participates in this 26.5% joint arrangement through Altron Nexus (formerly Altech Radio Holdings) in respect of the City of Tshwane broadband project.

CBI-Electric Telecom Cables (ATC) is the only joint arrangement which is material to the Group. The Group participates in this joint arrangement through Powertech Telecom Cables.

ATC is a telecom cable manufacturing joint venture with CBI Electric (CBI). Both Powertech Telecom Cables and CBI have a 50% board representation with no casting vote.

Unanimous consent is required for decisions over relevant activities as no single party has an outright majority.

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

The following table summarises the financial information of ATC as included in its own financial statements, adjusted for fair value adjustments at acquisition and any differences in accounting policies.

The table also reconciles the summarised financial information to the carrying amount of the Group's interest in ATC. Refer to note 3.

R millions	2019	2018
Revenue	**648**	754
Profit after tax*	**10**	33
Total comprehensive income	**10**	33
* *Includes:* *Depreciation and amortisation of R11 million (2018: R11 million)* *Net interest received R4 million (2018: R3 million)* *Income tax expense of R6 million (2018: R12 million)*		
Current assets**	**309**	296
Non-current assets	**138**	141
Current liabilities	**(84)**	(74)
Non-current liabilities	**(14)**	(24)
Net assets	**349**	339
** *Includes: Cash and cash equivalents of R45 million (2018: R44 million)*		
Group's interest in net assets of investee at beginning of year	**177**	183
Total comprehensive income attributable to the Group	**5**	17
Dividends received during the year	**–**	(23)
Group's interest in net assets of investee at end of year	**182**	177
On acquisition Group adjustments	**(25)**	(25)
IFRS 5 Non-current assets held-for-sale adjustment*	**(102)**	(30)
Carrying amount of interest in investee at end of year (classified as held for sale)	**55**	122

* *Refer to note 39 for the current year impairment of the investment in ATC to fair value less cost to sell in accordance with IFRS 5 Non-current assets held-for-sale. Management has estimated that this represents the lowest value at which the investment will be disposed. Management believe that the conclusion of the disposal will be effected in the 2020 financial year.*

Involvement with unconsolidated structured entities

Preference share in Technologies Acceptances Receivables Proprietary Limited (TAR)

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

The Group owns one variable rate cumulative redeemable preference share in TAR. At the reporting date, a fair value assessment was undertaken which, using recognised valuation principles and techniques, indicated that the preference share was fairly valued at R21 million (2018: R21 million). Refer to note 28.7 for information relating to fair value determination.

The Group has concluded that it does not control, and therefore should not consolidate, the TAR securitisation vehicle. TAR was formed to pool leases of the Group's products.

In substance, TAR's purpose is to facilitate the financing of lease equipment by the Group and a senior funder and to house the lease transactions. When considering the Group's lack of practical ability to direct the relevant activities of TAR as well as agency vs. principal considerations, Altron does not have power over the relevant activities and hence does not control TAR.

Exposure to credit risk

The maximum exposure to credit risk for the Group in relation to the repayment of the participation loan share at the balance sheet date amounts to R189 million (2018: R191 million).

The participation loan is interest bearing at JIBAR plus 1.65% to a maximum of the South African prime rate plus 6% and is repayable by 31 December 2025. TAR is exposed to the risk of customers defaulting on their lease rental payments.

All customers are credit vetted, credit is only extended to customers in accordance with the stipulations of the securitisation vehicle, and is effectively secured by the underlying assets.

Bad debt experience is in line with expectations given the nature of the book.

44. GROUP COMPOSITION CONTINUED

44.4 INTERESTS IN JOINT VENTURES CONTINUED

Involvement with unconsolidated structured entities continued

Exposure to interest rate risk

The TAR participation loan notes earn a minimum interest rate of JIBAR plus 1.65% (2018 – JIBAR plus 1.65%) and a maximum interest rate of South African prime plus 6%. Any return in excess of the prime plus 6% cap is declared as a dividend against the Group's preference share investment in TAR.

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

R millions	2019	2018
Abridged balance sheet		
Non-current assets	**765**	789
Current assets (excluding cash)	**93**	70
Cash and cash equivalents	**92**	59
Total assets	**950**	918
Current liabilities	**(27)**	(31)
Non-current liabilities	**(903)**	(868)
Total liabilities	**(930)**	(899)
Equity	**20**	19
Abridged statement of comprehensive income		
Revenue	**116**	113
Expenditure	**(111)**	(106)
Profit before tax	**5**	7
Taxation	**(1)**	(2)
Profit for the year	**4**	5
Other comprehensive income	**–**	–
Total comprehensive income for the year	**4**	5

45. REPORTING SEGMENTS

An operating segment is a component of the Group that engages in business activities from which it may earn revenues and incur expenses, including revenues and expenses that relate to transactions with any of the Group's other components. The Group determines and presents operating segments based on the information that is internally provided to the Group's executive committee, who is the Group's chief operating decision-makers (CODM). An operating segment's operating results are reviewed regularly by the CODM to make decisions about resources to be allocated to the segment and assess its performance, and for which discrete financial information is available.

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

The segmental information has been prepared to highlight the continuing and discontinued operating segments. This provides more insight into revenue, earnings before interest, tax, depreciation and capital items. (EBITDA before capital items), operating profit before capital items and depreciation.

SEGMENT ANALYSIS

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

Altron ICT South African operations	
Altron Nexus	End-to-end turnkey solutions, ranging from planning and building, to provisioning and procurement of technology, managing and operating networks right down to helping develop a plan for financial funding and management of communications and information needs.
Altron Bytes Document Solutions	Provides a range of hardware and consumables to manage outsource print services such as installation and training, paper and toner supplies, maintenance and services of equipment and service contracts. Xerox provides leading-edge technology, services, software and supplies for production and office environments of any size
Altron Bytes Managed Solutions	Supports and maintains enterprise-wide information products and services, which include servers, desktop and laptop, point of sales and ATM dynamic solutions, warranty and incident management, availability management and project management and distributor for NCR products in South Africa.
Altron Bytes People Solutions	Providers of talent management services including assessment centres, content development, ICT learning solutions, online technologies and soft skills development. In addition they also provide outsourced services for contact centres and extended capability in business processes.
Bytes Secure Transaction Solutions	Provides a selection of managed electronic payment solutions including mobile or online platforms, e-wallet and medical transaction switching.
Altron Bytes Systems Integration	Networking, hardware, software, storage, services, software integration, SAP and management consulting, Microsoft certified solutions provider and a provider of Data Warehousing, CRM services and support. Design, develop and implementation of specialised solutions.
Altron Karabina	Systems integration, Microsoft certified solutions provider in the South Africa. Information security and risk management solutions. End-to-end IT infrastructure solutions including software asset management, software licensing, licence-management-as-a-service, managed services, cloud services, data storage, data centre infrastructure management, enterprise software, servers, network security, unified communications and virtualisation.
Altron ICT International operations	
Bytes Technology Group UK	Systems integration, Microsoft certified solutions provider in the United Kingdom. Information security and risk management solutions. End-to-end IT infrastructure solutions including software asset management, software licensing, licence-management-as-a-service, hardware and devices, managed services, cloud services, data storage, data centre infrastructure management, enterprise software, servers, network security, unified communications and virtualisation.
Other international	Networking, hardware, software, storage, services, software integration, SAP and management consulting, Microsoft certified solutions provider and a provider of Data Warehousing, CRM services and support. Design, develop and implementation of specialised solutions.
Netstar	
Netstar	Market leading provider of specialist vehicle tracking and recovery systems, fleet management services and usage-based telematics to prevent misuse of company fleet vehicles, reduce cost per kilometre, monitor driver behaviour and increase security and safety of drivers.
Altron Arrow	
Altron Arrow	Distributor of industrial electronic components for amongst others: batteries and solar; lighting and optics; software and compilers; and semiconductors and aerospace products.
Discontinued operations	
Altech Autopage Group	Sales, distribution and services provision for cellular network operations.
Altech Multimedia Group (UEC)	Design and manufacture of satellite and terrestrial digital set-top box decoders.
Powertech Group	Manufacturing of power and distribution transformers and other related business.
Other	
Corporate and consolidation	Head office, shared services and treasury function of the Group.

45. REPORTING SEGMENTS CONTINUED

SEGMENT ANALYSIS CONTINUED

The measures presented below are those that the CODM of the Group monitors on an ongoing basis. The segmental information has been prepared to highlight the continuing and discontinued operating segments. This provides more insight into revenue, earnings before interest, tax, depreciation and amortisation before capital items (EBITDA before capital items), operating profit before capital items and depreciation disclosed in the statement of comprehensive income.

The segment revenues, earnings before interest, tax, depreciation, amortisation and capital items (EBITDA before capital items) and operating profit before capital items generated by each of the Group's segments are summarised as follows:

	Revenue			EBITDA before capital items		
	February 2019	February 2018	Growth %	February 2019	February 2018	Growth %
Altron Nexus	**1 185**	1 155	3	**123**	80	54
Altron Bytes Document Solutions	**1 498**	1 353	11	**77**	70	10
Altron Bytes Managed Solutions	**1 168**	1 027	14	**78**	74	5
Altron Bytes People Solutions	**458**	438	5	**29**	29	
Bytes Secure Transaction Solutions	**1 141**	1 073	6	**289**	253	14
Bytes Systems Integration	**2 027**	1 897	7	**119**	123	(3)
Altron Karabina	**105**			**10**		
Altron ICT South African operations	**7 582**	6 943	9	**725**	629	15
Bytes Technology Group UK	**6 373**	6 088	5	**368**	206	79
Other International operations	**285**	244	17	**7**	16	(56)
Altron ICT international operations	**6 658**	6 332	5	**375**	222	69
Corporate and consolidation	**–**	–		**29**	33	(12)
Altron ICT	**14 240**	13 275	7	**1 129**	884	28
Altron Netstar*	**1 521**	1 378	10	**582**	490	19
Altron Arrow	**499**	560	(11)	**29**	33	(12)
Corporate and consolidation	**(537)**	(470)	(14)	**(107)**	(94)	(14)
Normalised continuing operations	**15 723**	14 743	7	**1 633**	1 313	24
Foreign currency gains on deferred acquisition liability					6	
Retrenchment and restructuring costs				**(26)**	(77)	
Acquisition related costs					(8)	
Continuing Operations as reported	**15 723**	14 743	7	**1 607**	1 234	30
Altech Multimedia	**775**	974	(20)	**15**	44	(66)
Altech Autopage	**–**	–		**5**	(23)	122
Powertech Group	**427**	1 964	(78)	**34**	(13)	362
Discontinued operations	**1 202**	2 938	(59)	**54**	8	575
Altron Group	**16 925**	17 681	(4)	**1 661**	1 242	34

	Operating profit before capital items			Depreciation		
	February 2019	February 2018	Growth %	**February 2019**	February 2018	Growth %
	103	61	69	**(20)**	(18)	(11)
	58	57	2	**(13)**	(11)	(18)
	50	56	(11)	**(13)**	(7)	(86)
	20	21	(5)	**(9)**	(8)	(13)
	252	221	14	**(34)**	(28)	(21)
	106	108	(2)	**(10)**	(12)	17
	5			**(2)**	–	
	594	524	13	**(101)**	(84)	(20)
	327	185	77	**(12)**	(8)	(50)
	3	12	(75)	**(4)**	(4)	
	330	197	68	**(16)**	(12)	(33)
	(27)	(17)	(59)	**(32)**	(22)	(45)
	897	704	27	**(149)**	(118)	(26)
	250	224	12	**(28)**	(25)	(12)
	27	32	(16)	**(2)**	(2)	
	(107)	(98)	(9)		(4)	100
	1 067	862	24	**(179)**	(149)	(20)
		6		**–**	–	–
	(26)	(77)		**–**	–	–
		(8)		**–**	–	–
	1 041	783	33	**(179)**	(149)	(20)
	14	44	(68)			
	5	(23)	122			
	35	(13)	369			
	54	8	575			
	1 095	791	38	**(179)**	(149)	(20)

NOTES TO THE SUMMARY CONSOLIDATED FINANCIAL STATEMENTS (continued)

FOR THE YEAR ENDED 28 FEBRUARY 2019

45. REPORTING SEGMENTS CONTINUED

SEGMENT ANALYSIS CONTINUED

Segment EBITDA before capital items can be reconciled to operating profit before capital items as follows:

	February 2019	Restated* February 2018
EBITDA before capital items	**1 661**	1 242
Reconciling items:		
Depreciation	**(179)**	(149)
Amortisation	**(134)**	(103)
Amortisation of costs incurred to acquire contracts and capital rental devices*	**(253)**	(199)
Total operating profit before capital items	**1 095**	791
Discontinued operations profit before capital items	**(54)**	(8)
Continuing operations profit before capital items	**1 041**	783

* *Costs incurred to obtain contracts and capital rental derives have been reclassified to amortisation. The expense was previously included in operating costs before capital items.*

Comparatives have been restated accordingly.

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

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

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

SEPARATE BALANCE SHEET
AT 28 FEBRUARY 2019

R'000	Notes	Company 2019	Company 2018
ASSETS			
Non-current assets		**2 986 620**	2 988 247
Investment in subsidiaries	2	**2 766 237**	2 812 829
Defined benefit asset	9	**180 257**	164 099
Group share scheme recharge receivable	5	**40 126**	11 319
Current assets		**1 218 260**	1 325 639
Amount receivable from subsidiary	2	**1 217 727**	1 325 194
Cash and cash equivalents		**533**	445
Total assets		**4 204 880**	4 313 886
EQUITY AND LIABILITIES			
Total equity		**4 201 702**	4 310 680
Share capital and premium		**3 164 957**	3 160 121
Retained earnings		**594 106**	694 693
Other reserves		**442 639**	455 866
Current liabilities		**3 178**	3 206
Trade and other payables		**2 673**	2 701
Taxation payable		**505**	505
Total equity and liabilities		**4 204 880**	4 313 886

SEPARATE STATEMENT OF COMPREHENSIVE INCOME

FOR THE YEAR ENDED 28 FEBRUARY 2019

		Company	
R'000	Notes	2019	2018
Operating expenses		**(503)**	(1 379)
Other income	9	**11 693**	–
Operating profit/loss		**11 190**	(1 379)
Finance income		**–**	5 078
Profit before taxation		**11 190**	3 699
Taxation	4	**–**	(1 036)
Profit for the year		**11 190**	2 663
Other comprehensive income			
Items that will not be reclassified to profit or loss			
Remeasurement of net defined benefit asset		**4 558**	(5 207)
Other comprehensive income for the year		**4 558**	(5 207)
Total comprehensive income for the year		**15 748**	(2 544)

SEPARATE STATEMENT OF CHANGES IN EQUITY

FOR THE YEAR ENDED 28 FEBRUARY 2019

R'000	A Ordinary share capital (Note 3)	N Ordinary share capital (Note 3)	Share premium (Note 3)	High voting shares	Share-based payment reserve	Fair value reserve	Retained earnings	Total equity
Balance at 28 February 2017	2 113	26	2 745 366	–	187 518	266 161	692 030	3 893 214
Total comprehensive income for the year								
Profit for the year	–	–	–	–	–	–	2 663	2 663
Other comprehensive income								
Remeasurement of net defined benefit asset	–	–	–	–	–	(5 207)	–	(5 207)
Total comprehensive income for the year	–	–	–	–	–	(5 207)	2 663	(2 544)
Transactions with owners, recorded directly in equity								
Share-based payments expense	–	–	–	–	7 394	–	–	7 394
Conversion of par value to no par value	579 545	–	(579 545)	–	–	–	–	–
Share buy-back	2 165 864	(26)	(2 165 838)	–	–	–	–	–
Share options exercised	12 589	–	17	–	–	–	–	12 606
Shares issued	400 000	–	–	10	–	–	–	400 010
Total transactions with owners	3 157 998	(26)	(2 745 366)	10	7 394	–	–	420 010
Balance at 28 February 2018	3 160 111	–	–	10	194 912	260 954	694 693	4 310 680
Total comprehensive income for the year								
Profit for the year	**–**	**–**	**–**		**–**	**–**	**11 190**	**11 190**
Other comprehensive income								
Remeasurement of net defined benefit asset	**–**	**–**	**–**		**–**	**4 558**	**–**	**4 558**
Total comprehensive income for the year	**–**	**–**	**–**		**–**	**4 558**	**11 190**	**15 748**
Transactions with owners, recorded directly in equity								
Share-based payments expense	**–**	**–**	**–**	**–**	**(12 949)**	**–**	**–**	**(12 949)**
Dividends declared	**–**	**–**	**–**	**–**	**–**	**–**	**(111 777)**	**(111 777)**
Share options exercised	**4 836**	**–**	**–**	**–**	**(4 836)**	**–**	**–**	**–**
Shares issued	**–**	**–**	**–**		**–**	**–**	**–**	**–**
Total transactions with owners	**4 836**	**–**	**–**	**–**	**(17 785)**	**–**	**(111 777)**	**(124 726)**
Balance at 28 February 2019	**3 164 947**	**–**	**–**	**10**	**177 127**	**265 512**	**594 106**	**4 201 702**

SEPARATE STATEMENT OF CASH FLOWS

FOR THE YEAR ENDED 28 FEBRUARY 2019

R'000	Note	Company 2019	Company 2018
CASH FLOWS FROM OPERATING ACTIVITIES			
Cash utilised in operations	6.1	**(503)**	(3)
Finance income		**–**	5 078
Increase/(decrease) of loan with subsidiaries		**112 368**	(405 078)
Dividends paid		**(111 777)**	–
Net cash inflow/(outflow) from operating activities		**88**	(400 003)
CASH FLOWS FROM FINANCING ACTIVITIES			
Proceeds on issue of shares		**–**	400 010
Net cash inflow from financing activities		**–**	400 010
Increase in cash and cash equivalents		**88**	7
Cash and cash equivalents at the beginning of the year		**445**	438
Cash and cash equivalents at the end of the year		**533**	445

1. ACCOUNTING POLICIES

Refer to the accounting policies of the consolidated and separate financial statements.

2. INTEREST IN SUBSIDIARIES

	Effective shareholding		Shares at cost less amounts written off		Indebtedness	
	2019 %	2018 %	**2019 R'000**	2018 R' 000	**2019 R'000**	2018 R'000
Altron Finance Proprietary Limited – ordinary shares	**100**	100	**235**	235	**1 217 727**	1 325 194
Altron Finance Proprietary Limited – preference shares	**100**	100	**2 633 952**	2 633 952	**–**	–
Investment in subsidiaries – share-based payments			**132 050**	178 642	**–**	–
			2 766 237	2 812 829	**1 217 727**	1 325 194

The above loan receivable from Altron Finance Proprietary Limited, a subsidiary of the company is unsecured, interest-free and has no fixed terms of repayment.

The preference share is non-cumulative, non-redeemable, non-convertible and is non-interest bearing.

CREDIT RISK

The carrying amount of financial assets represents the maximum credit exposure. The maximum exposure to credit risk at the reporting date was:

R'000	**2019**	2018
Amount receivable from subsidiary	**1 217 727**	1 325 194
Cash and cash equivalents	**533**	445
	1 218 260	1 325 639
Ageing of financial assets		
Not past due	**1 218 260**	1 325 639

Application of IFRS 9

The company has the following financial assets subject to the expected credit loss model (ECL):

- Amount receivable from subsidiary
- Cash and cash equivalents

The company applies the three-stage general impairment model when measuring expected credit losses. The company applies a 12-month expected loss allowance (through a simplified parameter based approach) to the amount receivable from subsidiary as there has not been an increase in the credit risk since initial recognition.

Simplified parameter-based approach – ECL is calculated using a formula incorporating the following parameters: exposure at default (EAD), probability of default (PD) and loss given default (LGD) (i.e. ECL = PD x LGD x EAD).

The inputs used in the calculation of the ECL is based on published indexes which incorporates an element of forward-looking information.

Based on the application of the above, the identified impairment loss was immaterial.

The preference share investment as disclosed above has been classified as an equity investment in terms of IFRS 9.

While cash and cash equivalents are also subject to the expected credit loss model, the identified impairment loss was immaterial, due to the low probability of default taking into account the credit rating of the financial institutions that the funds are held at (refer note 8).

NOTES TO THE SEPARATE FINANCIAL STATEMENTS (continued)
FOR THE YEAR ENDED 28 FEBRUARY 2019

3. SHARE CAPITAL AND PREMIUM

	2019 Number of shares	2018 Number of shares	2019 R'000	2018 R'000
Authorised				
A Ordinary shares of no par value (2018: No par value)	**500 000 000**	500 000 000	**–**	–
N Ordinary shares of 0.01 cent each (2018: 0.01 cent each)	**500 000 000**	500 000 000	**–**	–
High voting share of no par value *(unlisted)*	**1**	1	**–**	–
Issued				
A Ordinary shares				
In issue at the beginning of the year	**399 092 426**	105 669 131	**3 160 111**	2 113
Issued in terms of share schemes	**288 146**	1 065 534	**4 836**	12 589
Conversion of par value shares to no par value	**–**	–	**–**	579 545
Share buy back (9 A shares for every 10 N shares)	**–**	237 935 993	**–**	2 165 864
Shares issued	**–**	54 421 768	**–**	400 000
In issue at the end of the year	**399 380 572**	399 092 426	**3 164 947**	3 160 111
N Ordinary shares				
In issue at the beginning of the year	**–**	264 371 346	**–**	–
Issued in terms of share schemes	**–**	2 952	**–**	–
Share buy-back (9 A shares for every 10 N shares)	**–**	(264 374 298)	**–**	–
Net N ordinary shares at the end of the year	**–**	–	**–**	–
High voting share				
In issue at the beginning of the year	**1**	–	**–**	–
Share issued	**–**	1	**–**	–
Net high voting share at the end of the year	**1**	1	**–**	–
Share premium				
Balance at the beginning of the year			**–**	2 745 366
Share buy back (9 A shares for every 10 N shares)			**–**	(2 165 838)
Conversion of par value shares to no par value			**–**	(579 545)
Share options exercised			**–**	17
Balance at the end of the year			**–**	–
Total issued share capital and premium			**3 164 947**	3 160 111

R'000	2019	2018
4. TAXATION		
Current taxation	–	(1 036)
Reconciliation of rate of taxation		
South African normal taxation rate (%)	**28.0**	28.0
Non-taxable income	**(29.3)**	–
Unrecognised loss	**1.3**	–
Effective taxation rate	–	28.0
5. GROUP SHARE-BASED PAYMENTS		
Group share scheme recharge receivable at fair value	**40 126**	11 319

Details of employee share options granted by the company are reflected in the consolidated financial statements (refer note 12.6).

Options granted under the "Altron 2009 Share Plan" are subject to a recharge arrangement with participating subsidiaries upon exercise of the options by employees of those companies and have been accounted for as set out in the "Group share-based payments" accounting policy in the consolidated financial statements.

On adoption of IFRS 9, the Group share scheme recharge receivable has been classified as a financial asset at fair value through profit or loss.

The fair value is based on a level 1 input as the inputs are based on quoted prices in an active market.

6. NOTES TO THE STATEMENT OF CASH FLOWS

6.1 CASH UTILISED IN OPERATIONS

R'000	2019	2018
Profit before tax	**11 190**	3 699
Adjusted for:		
Share issue expenses (non-cash)	–	1 376
Finance income	–	(5 078)
Pension fund income	**(11 693)**	–
	(503)	(3)

6.2 TAXATION PAID

R'000	2019	2018
Taxation payable at the beginning of the year	**505**	163
Recognised in profit or loss	–	1 036
Movement of loan with subsidiary	–	(694)
Taxation payable at the end of the year	**(505)**	(505)
	–	–

7. RELATED PARTIES

The company has a related party relationship with its subsidiaries, joint ventures and associates (refer note 44 to the consolidated financial statements.

Shareholders

The principal shareholders of the company are detailed in the analysis of shareholders in note 29 of the consolidated financial statements.

Directors

The company has a related party relationship with its directors (refer note 29 of the consolidated financial statements).

Group share-based payments

The Group has a relationship with certain of its subsidiaries in accordance with the Group share-based payment arrangement (refer note 5), for which the balances outstanding at reporting date are as follows:

R'000	2019	2018
Altron Nexus	**2 442**	639
Altron Arrow	**563**	552
Altron TMT	**36 013**	9 373
Altron Netstar	**1 108**	508
Powertech	–	247
	40 126	11 319

8. FINANCIAL RISK MANAGEMENT

CREDIT RISK

The Group limits its credit risk exposure by investing only with financial institutions that have a sound credit rating. Management does not expect any counterparty to fail to meet its obligations based on the credit ratings of the financial institutions presented below:

28 February 2019	Credit ratings	Cash and cash equivalents R'000
South Africa	**AA+ to B**	533

LIQUIDITY RISK

Liquidity risk is the risk that the company will not be able to meet its financial obligations as they fall due. The company's approach to managing liquidity risk is to ensure that sufficient liquidity is available to meet its liabilities when due.

The company ensures it has sufficient cash on demand or access to facilities to meet expected operational expenses for the next 12 months, including the servicing of financial obligations; this excludes the potential impact of extreme circumstances that cannot reasonably be predicted, such as natural disasters.

9. DEFINED BENEFIT ASSET

Retirement benefit plans are disclosed in the consolidated financial statements. Refer to note 17.

10. CHANGES IN ACCOUNTING POLICIES

The company has adopted the following new accounting pronouncements as issued by the International Accounting Standards Board (IASB), which were effective from 1 March 2018:

- IFRS 9 *Financial Instruments* (IFRS 9).
- IFRS 15 *Revenue from Contracts with Customers* (IFRS 15).

The changes in accounting policies have been applied retrospectively, however the comparative numbers have not been restated, the cumulative impact of the changes in accounting policies have been recognised in opening retained earnings i.e. on 1 March 2018.

IFRS 15 did not have an impact on the company as the company does not earn revenue and is an investment holding company.

ADOPTION OF IFRS 9

The adoption of IFRS 9 had the following impact on the company:

- Change from the IAS 39 incurred loss model to the ECL model to calculate impairments of financial instruments
- Change in classification of the measurement categories for financial instruments

Impairments

Before the adoption of IFRS 9, the company calculated the allowance for credit losses using the incurred loss model. Under the incurred loss model, the company assessed whether there was any objective evidence of impairment at the end of each reporting period. If such evidence existed the allowance for credit losses in respect of financial assets at amortised cost were calculated as the difference between the asset's carrying amount and its recoverable amount, being its present value of the estimated future cash flows discounted at the original effective interest rate (EIR).

Under IFRS 9, the company calculates the allowance for credit losses based on the ECLs for financial assets measured at amortised cost.

ECLs are a probability weighted estimate of credit losses. Credit losses are measured as the present value of all cash shortfalls, being the difference between the cash flows to the company in accordance with the contract and the cash flows that the company expects to receive. ECLs are discounted at the original EIR of the financial asset.

The impact of applying the ECL model (under the general 3 step approach) on financial assets at amortised costs was not material on adoption date.

Refer to note 2 for more detail on the application of the simplified parameter-based approach.

Classification, initial recognition and subsequent measurement
IFRS 9 introduces new measurement categories for financial assets, the impact of which is illustrated in the table below. From 1 March 2018, the company classifies financial assets in each of the IFRS 9 categories based on the company's business model for managing the financial asset and the cash flow characteristics of the financial asset.

The company intends to hold the financial assets at amortised cost to maturity to collect contractual cash flows and these cash flows consists solely of payments of principal and interest on the principal amount outstanding. The Group's business model for these instruments is to hold to collect the contractual cash flows and is monitored at an investment level.

	Measurement category		Carrying amount		
	IAS 39	IFRS 9	28 February 2018	1 March 2018	Difference
Current financial assets					
Amount receivable from subsidiary	Loans and receivables	Amortised cost	1 325 194	1 325 194	–
Cash and cash equivalents	Loans and receivables	Amortised cost	533	533	–

TRANSITION TO IFRS 9
Changes in accounting policies from the adoption of IFRS 9 have been applied retrospectively however, the company has elected not to restate comparative information. Differences between the carrying amounts of financial instruments as at 28 February 2018 and 1 March 2018 resulting from the initial application of IFRS 9 are recognised in retained earnings, if material. Accordingly, information relating to 28 February 2018 does not reflect the requirements of IFRS 9 but rather those of IAS 39.

11. EVENTS SUBSEQUENT TO YEAR-END

The company declared a dividend of 44 cents per share on 9 May 2019.

The directors are not aware of any other events after the reporting period that will have an impact on financial position, performance or cash flows of the company.

12. GOING CONCERN

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

HISTORICAL FINANCIAL REVIEW
(TOTAL OPERATIONS)

R millions	28 February 2019*	2018*	2017*
INCOME STATEMENT			
Revenue	**16 925**	17 681	19 717
Operating profit	**1 066**	791	618
Financial income	**154**	220	263
Financial expense	**(333)**	(419)	(558)
Loss/(profit) from equity accounted investees	**(1)**	(1)	–
Capital items	**(2)**	(309)	(488)
Profit/(loss) before taxation	**884**	282	(165)
Taxation	**(163)**	(114)	(137)
Profit/(loss) after taxation	**721**	168	(302)
Attributable to non-controlling interests	**39**	(19)	(117)
Attributable to Altron equity holders	**682**	187	(185)
Headline earnings	**708**	448	240
Dividends paid	**105**	–	–
BALANCE SHEET			
Assets			
Property, plant and equipment	**620**	615	569
Intangible assets and goodwill	**1 965**	1 669	1 029
Equity-accounted investments other investments	**592**	488	325
Capital rental devices	**293**	461	404
Contract costs capitalised	**83**	–	–
Finance lease assets	**196**	98	113
Defined benefit asset	**180**	164	178
Deferred taxation	**155**	214	198
Other current assets	**5 998**	4 977	5 359
Taxation receivable	**25**	4	3
Restricted cash	**26**	–	–
Cash and cash equivalents	**1 381**	768	1 373
Total assets	**11 514**	9 458	9 551
Equity and liabilities			
Shareholders' equity	**3 535**	2 790	2 268
Non-controlling interests	**(162)**	(245)	(240)
Total equity	**3 373**	2 545	2 028
Non-current loans	**1 262**	1 413	1 923
Current loans	**484**	314	312
Loans	**1 746**	1 727	2 235
Other non-current liabilities	**75**	78	48
Bank overdraft	**1 181**	972	956
Other current liabilities	**5 139**	4 136	4 284
Total equity and liabilities	**11 514**	9 458	9 551

** Continued and discontinued operations.*

Definitions

Earnings – Attributable earnings as disclosed in the income statement.
Borrowings – All interest-bearing liabilities.
Capital employed – The total of total equity and borrowings.
Operating assets – Total assets less investments, loans, deferred tax and cash.
Operating profit – Stated before capital items.
Total assets – Property, plant and equipment, investments and loans together with current assets.

2016	2015	2014	2013	2012	2011	2010
26 592	27 623	27 772	24 744	23 563	22 810	22 336
(74)	827	1 342	1 034	1 384	1 524	1 477
193	113	103	58	71	64	87
(685)	(511)	(363)	(226)	(156)	(163)	(163)
18	15	14	15	(1)	2	2
(508)	(400)	5	(1 449)	(900)	(291)	(105)
(1 056)	44	1 101	(568)	398	1 136	1 298
(44)	(104)	(326)	(374)	(477)	(437)	(457)
(1 100)	(60)	775	(942)	(79)	699	841
(227)	(51)	160	(630)	(253)	157	298
(873)	(9)	615	(312)	174	542	543
(488)	312	603	417	603	719	625
104	263	190	291	341	284	372
618	1 888	2 028	1 765	2 238	2 413	2 436
1 042	1 405	1 725	1 597	1 716	2 274	2 754
203	412	424	923	481	245	275
345	303	921	414	150	134	130
–	–	–	–	–	–	–
129	93	68	45	67	61	44
211	190	180	–	–	–	–
256	205	150	119	148	202	200
10 152	9 291	9 135	6 848	6 410	5 709	5 433
–	54	74	–	–	–	–
–	–	–	–	–	–	–
1 491	1 341	1 411	1 225	1 036	1 381	1 255
14 447	15 182	16 116	12 936	12 246	12 419	12 527
2 847	3 639	4 256	4 740	5 011	5 075	4 745
(111)	123	258	489	810	1 239	1 610
2 736	3 762	4 514	5 229	5 821	6 314	6 355
2 675	3 191	283	626	754	830	689
1 003	634	2 666	1 337	637	498	949
3 678	3 825	2 949	1 963	1 391	1 328	1 638
39	69	212	166	182	190	305
1 285	1 050	1 777	385	550	128	81
6 709	6 476	6 664	5 193	4 302	4 459	4 148
14 447	15 182	16 116	12 936	12 246	12 419	12 527

HISTORICAL FINANCIAL REVIEW
(TOTAL OPERATIONS) (continued)

R millions		28 February 2019*	2018*	2017*
RATIOS AND STATISTICS				
Earnings				
Basic earnings/(loss) per share	(cents)	**191.6**	50.6	(53.7)
Headline earnings/(loss) per share	(cents)	**190.8**	121.1	70.9
Dividend proposed per share	(cents)	**–**	–	–
Headline dividend cover	(times)		N/a	N/a
Ordinary shares in issue	(millions)			
– at year-end		**371**	371	102
– weighted average		**371**	370	102
Participating preference shares in issue	(millions)			
– at year-end		**–**	–	237
– weighted average		**–**	–	236
Profitability				
Operating profit to revenue	(%)	**6.3**	4.5	3.1
EBITDA before capital items		**1 632**	1 043	840
EBITDA before capital items to revenue	(%)	**9.6**	5.9	4.3
Return on shareholders' equity	(%)	**30.2**	16.7	(11.4)
Return on capital employed	(%)	**20.8**	15.3	14.5
Return on operating assets	(%)	**14.3**	10.2	(8.3)
Return on net assets	(%)	**31.6**	15.5	(12.2)
Financial				
Current ratio			1.1:1	1.2:1
Acid test ratio			0.9:1	1:1
Net asset value per share		**952**	752	669
Shares				
Number of shareholders				
– ordinary shares		**5 302**	5 302	1 805
– participating preference shares		**–**	–	4 171
Price:earnings ratio				
– ordinary shares	(times)	**9.9**	10.3	14.6
– participating preference shares	(times)	**–**	–	14.0
Market value per share at year end				
– A ordinary shares	(cents)	**1 880**	1 245	1 035
– N ordinary shares	(cents)	**–**	–	990
Other				
Consumer price index (percentage increase)	(%)	**4.0**	4.0	6.6
Production price index (percentage increase)	(%)	**4.2**	4.2	5.9
Number of permanent employees		**8 733**	6 936	10 219

Definitions

Acid test – The ratio of current assets excluding inventories to current liabilities.

Borrowings ratio – The percentage of borrowings to total equity.

Current ratio – The ratio of current assets to current liabilities.

Headline dividend cover – Headline earnings per share divided by dividends proposed per share.

Market value per share – The sellers' price quoted by the JSE Limited.

Price : earnings ratio – The market value per share divided by the headline earnings per share.

Net asset value per share – Shareholders' equity divided by the number of shares in issue at year-end.

EBITDA before capital items – Operating profit before depreciation, amortisation and capital items.

Return on capital employed – The percentage of operating profit to capital employed.

Return on operating assets – The percentage of operating profit to operating assets.

Return on shareholders' equity – The percentage of attributable earnings to shareholders' equity, adjusted for net capital items and translation gains/losses.

Return on net assets – The percentage of profit before tax, excluding finance costs and capital items to net assets.

2016	2015	2014	2013	2012	2011	2010
(259.0)	(2.7)	191.8	(99.0)	55.1	171.8	172.2
(144.8)	93.8	188.1	132.0	190.8	227.7	198.4
–	31.0	80.0	60.0	92.0	108.0	90.0
N/a	3.0	2.4	2.2	2.1	2.1	2.2
102	102	102	102	102	102	102
102	102	102	102	102	102	102
235	235	222	214	214	214	213
235	231	219	214	214	214	213
(0.3)	3.0	4.8	4.2	5.9	6.7	6.6
376	1 383	1 788	1 539	1 946	2 099	1 987
1.4	5.0	6.4	6.2	8.3	9.2	8.9
(19.8)	9.3	15.2	9.1	11.6	13.6	13.0
(1.2)	10.9	17.1	14.4	19.1	19.9	18.5
(0.6)	6.4	9.8	9.7	13.2	14.6	13.8
(0.7)	9.9	17.2	14.5	19.1	20.0	18.3
1.3:1	1.3:1	1.0:1	1.2:1	1.4:1	1.4:1	1.3:1
1.2:1	1.0:1	0.7:1	0.8:1	0.9:1	0.9:1	0.9:1
845	1 080	1 311	1 497	1 585	1 607	1 504
1 755	1 851	1 951	2 185	2 729	3 085	3 647
4 261	4 576	4 836	5 228	5 791	6 286	7 081
(3.7)	19.6	12.8	16.1	12.5	11.5	13.1
(3.7)	19.6	13.0	15.5	12.2	11.4	11.8
530	1 840	2 402	2 199	2 383	2 620	2 600
530	1 840	2 450	2 110	2 320	2 590	2 350
7.0	3.9	5.9	5.9	6.1	3.7	5.7
8.1	2.6	7.7	5.4	8.3	6.7	3.5
12 676	12 049	12 904	12 852	13 232	12 812	12 311

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