Operational review – **Telecommunications and Wireless Communications**

Altech Autopage Cellular

In a cellular services market that continues to evolve, Altech Autopage Cellular remains the largest independent cellular service provider in South Africa and during the period under review performed well ahead of expectations, exceeding both profitability and cash flow targets.

The company increased its subscriber base by over 115 000 new connections (a 14% increase) during the year, moving over the 917 000 mark for postpaid and prepaid connections. The prepaid subscriber base continues to grow steadily. Average revenue per user (ARPU) improved on the previous financial year. This was also boosted by a strong performance in the number of new connections in the high-end corporate and fixed cellular market, both being key elements of the business.

Sales of electronic prepaid vouchers showed continued good growth, particularly through Absa ATMs, POS terminals and Altech Mobile Direct franchised partners. Sales of mobile data services through add-on data bundles and cellular data connections provided a growing stream of revenue for the company. The broadband and data subscriber base now stands at over 41 000 subscribers.

Altech Autopage Cellular's existing channels to market – comprising 150 franchise stores, the corporate sales force (supported by branches in Durban, Cape Town, Port Elizabeth and Bloemfontein) and premium service provider Altech Supercall – have been supplemented by third-party call centres and distributors for data products. The company has significantly leveraged its national sales footprint over the financial year.

Mobile number portability continues to generate a steady migration of 'port customers' for the company. This removal of a long-standing barrier to open competition for subscribers in the cellular market has resulted in a new gain of 4 172 subscribers for Altech Autopage Cellular.

The company is steadfast in its focus on becoming a broad-based communications company, providing unique and creative solutions for users of connectivity. In order to achieve this aim, the company is capitalising particularly on the convergence of voice, data and video, the major telecommunications trend of this decade.

Altech Netstar

Altech Netstar has maintained its market share lead, being South Africa's largest vehicle tracking company in the stolen vehicle recovery (SVR) market. Its trading results were excellent, despite a slowdown in new car sales, increased interest rates and the introduction of the National Credit Act.

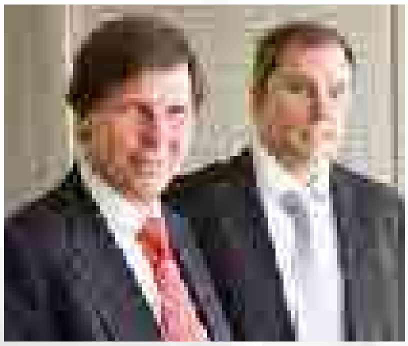
Altech Netstar sustained its ongoing commitment to technology development and innovation. The company now manages a subscriber base of 440 000 vehicles in the SVR market, with the value of the vehicles protected exceeding R51 billion.

Altech Netstar Fleet Management Services introduced new technologies and services to commercial fleets and vehicle subscribers. Its subscriber base increased to over 27 000, representing a remarkable growth of over 70% for the year.

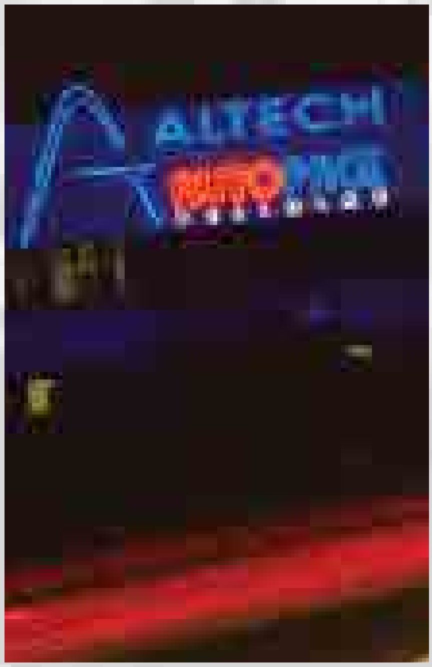
During the financial year, the acquisition of ComTech, a leading operator servicing the commercial transport sector, was concluded. ComTech will strengthen the Altech Netstar Fleet Management Services business through its complementary product range and customer base. As a result, Altech Netstar Fleet Management Services has effectively doubled in size, with a combined fleet management market share in excess of 20%.

Altech Alcom Matomo

Altech Alcom Matomo recorded an excellent performance, enhanced by the completion of



Altech Autopage Cellular.
Left: Graham Passmoor, Group executive: Telecommunications and Wireless Communications.
Right: Stephen Blewett, Managing director: Altech Autopage Cellular.



Joel Stransky, Managing director: Altech Netstar.

"Altech is capitalising on the convergence of voice, data and video, the major telecommunications trend of this decade."

the R540 million contract for the SAPS Gauteng TETRA Radio System. During the year under review, the company also exported radio systems into Africa, implemented significant telemetry system sales and supplied specialised telecommunications equipment to South African network operators.

With significant engineering and project management experience, this company is well placed to exploit further opportunities for the provision of similar systems throughout southern Africa and for 2010 Soccer World Cup infrastructure projects.

Altech Alcom Radio Distributors

Altech Alcom Radio Distributors is a leading distributor of Motorola two-way radio products in southern Africa via a network of authorised dealers. It exceeded both its profitability and its cash flow targets during the review period and achieved significant sales of the Motorola Canopy broadband range of products, which provide robust network Internet Protocol (IP) based digital radio links for digital networks.

Operational review – **Multi-media and Electronics**

Altech UEC

Altech UEC develops, manufactures, services and deploys advanced set-top box products and associated software. The company produced good results for the year, benefiting from its sustained investment in the development of advanced technologies and products, despite consumer spending coming under pressure.

Production of over 1 million decoders was achieved for the financial year. Sales of the ground-breaking dual-view personal video recorder (PVR), developed and supplied by Altech UEC, continued at good levels both in South Africa and in export markets. Altech UEC successfully delivered PVR products to Australia and the original 100 000 Austar decoder order has been extended to in excess of 300 000 units.

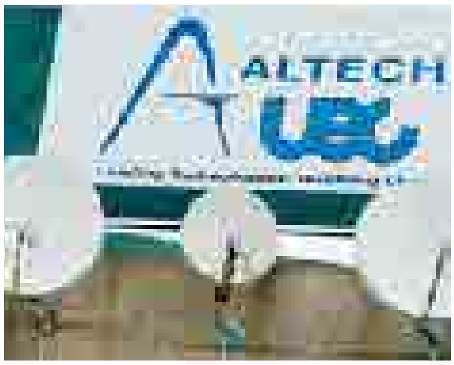
The deployment of satellite television services in India has significantly increased demand for pay-television products across that country and Altech UEC is ideally positioned to capitalise on this trend. It has already concluded supply agreements with two major Indian broadcasting network customers. Indications are that the Indian market may exceed the African market within one year, yielding benefit to Altech UEC, which has concluded arrangements to subcontract certain manufacturing in South East Asia.

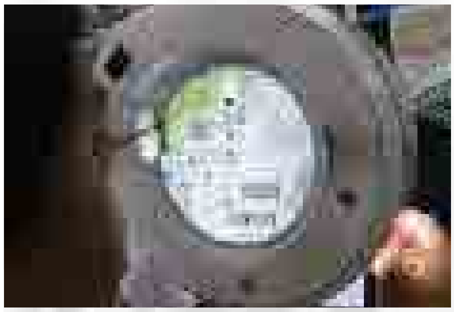
Altech UEC has the appropriate technologies for the proposed South African digitisation migration programme. It continues to invest substantially in research and development to maintain its competitive advantage. During the third quarter of 2007, Altech UEC introduced high definition compliant products to the market, while IPTV and hybrid-products are on track to be launched in the second quarter of 2008. The after-sales service division, Altech Global Decoder Logistics, with support and logistics operations in Australia and South Africa, performed well in its third year of operation.

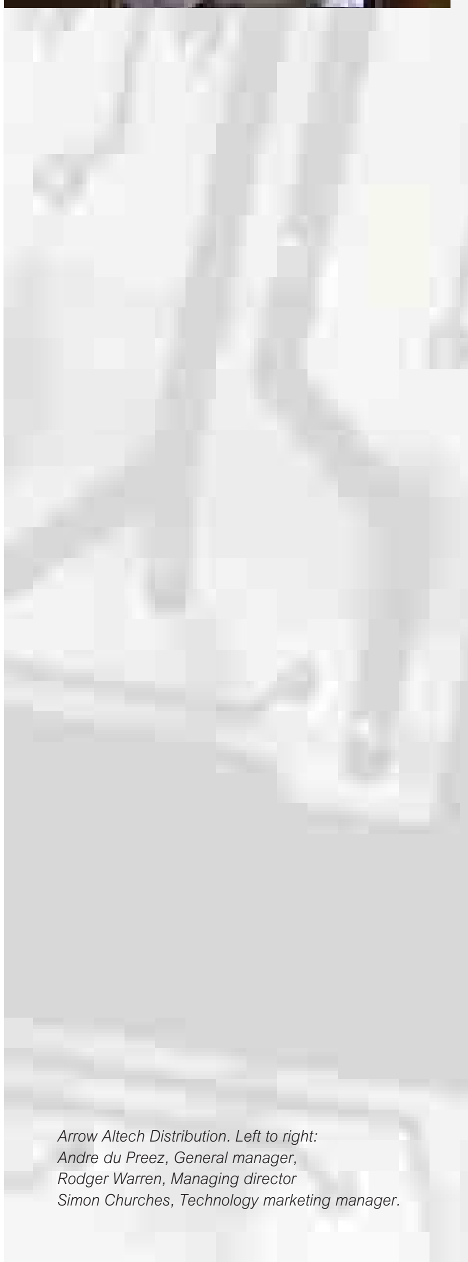
Arrow Altech Distribution

Arrow Altech Distribution has enjoyed solid growth during the year under review with both its earnings and sales being above budget. Solid year-on-year growth was recorded in all six key technology groups.

Customised demand-creation activities by Arrow Altech Distribution, for which several supplier accolades were received, have resulted in a strong order book. Average unit sales are above the previous year. Several new suppliers were also added, allowing the offering of new products into new markets.

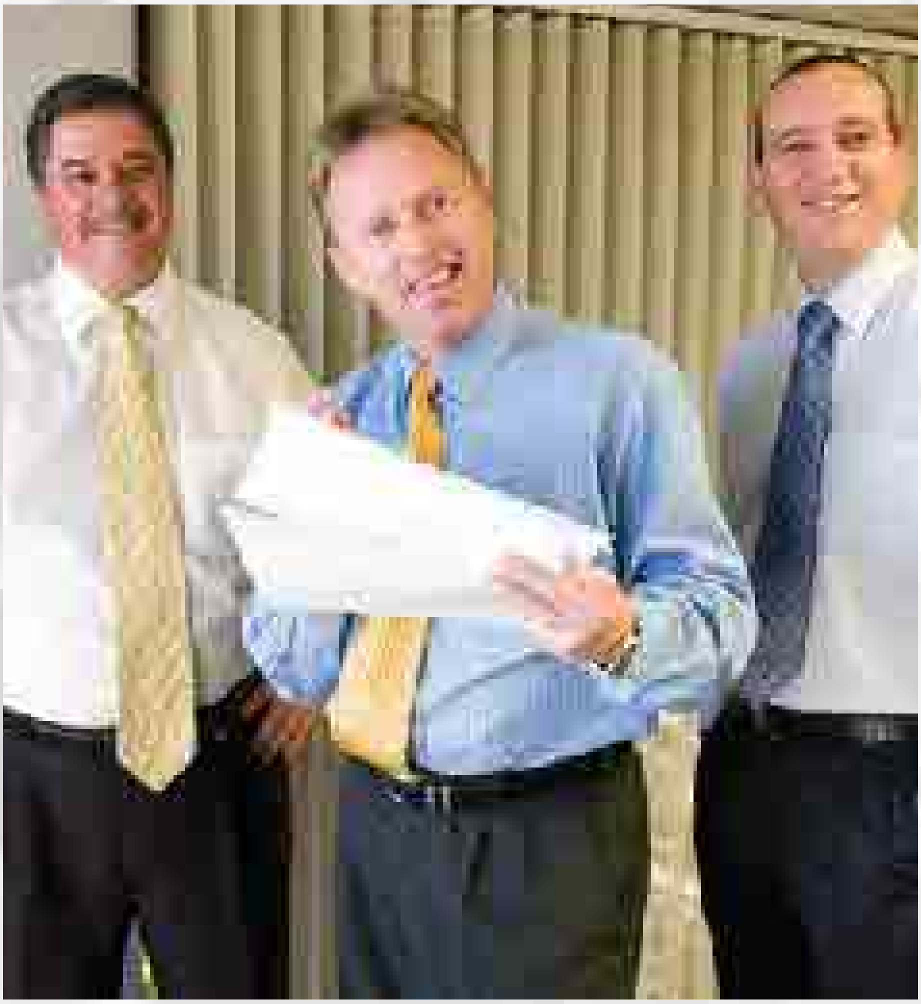






Arrow Altech Distribution. Left to right:
Andre du Preez, General manager,
Rodger Warren, Managing director
Simon Churches, Technology marketing manager.

"Altech UEC continues to invest substantially in research and development to maintain its competitive advantage."



Operational review – **Information Technology**

Altech Isis

Altech Isis again performed commendably during the year under review, entrenching its position as a reputable supplier of turn-key business support systems in South Africa and Africa.

MobiMaster (subsequently renamed Altech Isis France), which was acquired in 2006, was fully integrated into the group's systems during the 2007/2008 financial year, and product integration is progressing as planned. Existing customers have been retained and new orders have been received. In addition, the team in France is investigating a number of opportunities in the Middle East.

Altech NamITech

Altech NamITech is Africa's leading provider of GSM and CDMA cellular SIM cards, prepaid vouchers, and non-secure and secure cards for retail and banking, including EMV smartcards and Magstripe cards. The company operates the largest secure bureau in Africa for Mastercard and Visa-accredited cards.

The South African operation has concluded its rationalisation programme, which consolidated all manufacturing activities into one facility. This has resulted in significant cost reductions, operational efficiencies and improved economies of scale.

Growth at Altech NamITech West Africa has proceeded at an astounding pace over the past year. Starting out as a new entrant three years ago, the company has now become Africa's leading provider of prepaid vouchers. Sales of prepaid vouchers in Nigeria have grown from less than 10 million per month in 2006 to over 100 million per month by the end of 2007. Growth is expected to continue, boosted by product enhancements, including cellular SIM cards and banking cards, that will add further value to its offerings in the financial and telecommunication sectors.

Altech Card Solutions

This business has enjoyed another successful year with turnover and profits exceeding expectations. Solid growth was experienced in card personalisation solutions and in its switching division.

During 2007, Altech Card Solutions was awarded the 'Thales eSecurity' distributorship for the supply of cryptographic solutions to the banking and government sectors. Significant orders received for EFTPOS terminals from the financial sector contributed positively to Altech Card Solutions' results.

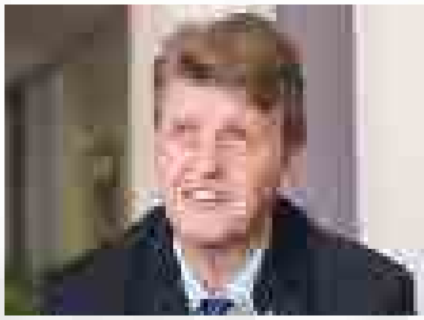
Altech Stream

In 2007, Altech Stream, in partnership with Samsung Electronics, successfully commissioned its trial network in Gauteng, based on the test WiMax 802.16e licence awarded earlier in the year by ICASA. The network is focused on the wireless delivery to triple-play services, including video streaming, internet access and voice-over internet protocol (VoIP) to both PCs as well as new generation handsets.

As the WiMax 802 standard is now widely expected to emerge as the dominant wireless IP delivery technology, it is expected that this initiative will be exploited to the full in terms of the opportunities presented by media convergence over broadband delivery systems.

While liberalisation in the South African market is proceeding at a slow pace, opportunities in the rest of Africa are opening up and Altech has moved aggressively towards exploiting these and gaining bridgeheads in key African markets.

In June 2007, Altech Stream Rwanda was awarded internet and gateway licences, as well as a frequency spectrum in the WiMax bands. Already, the company is installing a network in Kigali that will begin distributing IP-based services over broadband in the current financial year.



Henk Basson, Regional general manager: Altech Stream East Africa.

Altech Card Solutions left to right: Derek Chaplin, Managing director: Nico Els, General manager: Data Card Products, Mark Badenhorst, Key account manager: FNB, Johan Retief, General manager: Transaction Switching.

Altech NamITech: Philip du Preez, Managing director, Henry Hartman, Executive Quality Assurance and Business Systems.

"The recent acquisition of a 51% controlling interest in certain subsidiaries within the Sameer ICT Group in Kenya, positions Altech as the largest data operator in Central and East Africa."

This infrastructure had been enabled by a technology and distribution agreement that was signed in April 2007 with USA-based CityNet (now Xiocom), making it possible for it to enter the sub-Saharan market with an IP-based wireless broadband delivery system that has already proved successful in more than 40 cities worldwide.

A significant achievement, in terms of Altech's strategy to move up the telecoms value chain and expand its geographic presence in Africa, is the recent acquisition (completed just after the financial year-end) of a 51% controlling interest in certain subsidiaries within the Sameer ICT Group in Kenya.

This acquisition positions Altech as the largest data operator in Central and East Africa. Altech has acquired a 51% controlling interest in Kenya Data Networks Limited (KDN), Swift Global (Kenya) Limited and Infocom Limited (Uganda). These businesses possess cutting-edge IP-data network infrastructure in the region, as well as operator licences for Kenya, Tanzania and Uganda.

This transaction constitutes a partnership with the Sameer ICT Group in which Altech and Sameer can cooperate on many fronts, combining Sameer's regional expertise, infrastructure and profitable operations, with Altech's investment and state-of-the-art technologies, to exploit the significant convergence and development opportunities in the region.

Financial statements

Certificate from the company secretaries

In terms of section 268G(d) of the Companies Act, 1973, as amended, we certify that, to the best of our knowledge and belief, the company has lodged with the Registrar of Companies for the financial year ended 29 February 2008 all such returns as are required of a public company in terms of the Companies Act, and that all such returns are true, correct and up to date.

Altech Management Services (Pty) Limited

Secretaries

per: Reana Wolmarans

Company secretary

May 2008

Independent auditor's report

To the members of Allied Technologies Limited

We have audited the accompanying annual financial statements and group annual financial statements of Allied Technologies Limited, set out on pages 64 to 117, which comprise the directors report, balance sheets as at 29 February 2008, and the income statements, statements of changes in equity and cash flow statements for the year then ended, and a summary of significant accounting policies and other explanatory notes.

Management's responsibility for the financial statements

Management is responsible for the preparation and fair presentation of these financial statements in accordance with International Financial Reporting Standards and the requirements of the Companies Act in South Africa. This responsibility includes: designing, implementing and maintaining internal control relevant to the preparation and fair presentation of financial statements that are free from material misstatement, whether due to fraud or error; selecting and applying appropriate accounting policies; and making accounting estimates that are reasonable in the circumstances.

Auditor's responsibility

Our responsibility is to express an opinion on these financial statements based on our audit. We conducted our audit in accordance with International Standards on Auditing. Those standards require that we comply with ethical requirements and plan and perform the audit to obtain reasonable assurance whether the financial statements are free from material misstatement.

An audit involves performing procedures to obtain audit evidence about the amounts and disclosures in the financial statements. The procedures selected depend on the auditor's judgement, including the assessment of the risks of material misstatement of the financial statements, whether due to fraud or error. In making those risk assessments, the auditor considers internal control relevant to the entity's preparation and fair presentation of the financial statements 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 entity's internal control. An audit also includes evaluating the appropriateness of accounting policies used and the reasonableness of accounting estimates made by management, as well as evaluating the overall presentation of the financial statements.

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

Opinion

In our opinion, the annual financial statements and group annual financial statements present fairly, in all material respects, the financial position of Allied Technologies Limited as of 29 February 2008, and of its financial performance and its cash flows for the year then ended in accordance with International Financial Reporting Standards and the requirements of the Companies Act in South Africa.

PKF (Jhb) Inc.

Director: Paul Badrick

Registration number 1994/001166/21

Chartered Accountants (SA)

Registered Auditors

Sandton
23 April 2008

Directors report

The directors have pleasure in submitting the annual financial statements of the company and the group for the year ended 29 February 2008.

NATURE OF BUSINESS

Altech is an investment holding company involved in the broad fields of telecommunications, multi-media and information technology.

Altech's holding company is Allied Electronics Corporation Limited (Altron) which is incorporated in the Republic of South Africa.

FINANCIAL RESULTS

Group attributable earnings for the year ended 29 February 2008 were R435 million (2007: R423 million), representing earnings per ordinary share of 421 cents (2007: 410 cents) based on the weighted average number of shares in issue of 97 040 (2007: 97 763 000).

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

DIVIDEND

Dividend number 65 of 288 cents per share (2007: 240 cents), in respect of the year ended 29 February 2008, was declared payable on Monday, 9 June 2008 to ordinary shareholders recorded in the register at the close of business on Friday, 6 June 2008.

It is Altech's policy to declare a single annual dividend at the time of announcing the group's results in April/May of each year.

SUBSIDIARIES

Particulars of the principal subsidiaries of the group are given in Annexure 1 on page 112.

The attributable interest of the company in the income and losses of its subsidiaries for the year ended 29 February 2008 is:

	2008 R'000	2007 R'000
Aggregate amount of income after taxation	511	476
Aggregate amount of losses after taxation	46	53

TRANSACTIONS WITH MINORITIES

During the financial year, Altech entered into new agreements with Pamodzi Investment Holdings (Pty) Limited as a result of the restructuring of the IT business units within the Altech group. The restructuring resulted in the sale of the business units of Altech Data (Pty) Limited which comprised Altech Isis and Altech Card Solutions (ACS) into Altech NamITech (Pty) Limited. Previously Pamodzi Investment Holdings (Pty) Limited owned 25% of the issued share capital in both Altech Data (Pty) Limited and Altech NamITech Holdings (Pty) Limited. These shares were bought back by Altech for a consideration of R49 million and, simultaneously, Pamodzi Investment Holdings (Pty) Limited acquired 25% in the issued share capital in Altech NamITech (Pty) Limited (whose name had been subsequently changed to Altech Information Technologies (Pty) Limited) for R19 million. The difference of R30 million was paid to Pamodzi Investment Holdings (Pty) Limited. From an Altech group perspective, the cost of the transaction amounted to R20.4 million. (The difference of R9.6 million, between the amount paid and the cost of the transaction, represents the Altech group's share of the outside shareholders' interest in the reserves acquired.)

ACQUISITIONS

Rustenburg Netstar franchise

Altech Netstar acquired the Rustenburg Netstar franchise on 1 August 2007 for a purchase consideration of R10.9 million.

ComTech (Pty) Limited (ComTech)

On 1 January 2008, Altech acquired 100% of the interest in ComTech for a consideration of R53 million, of which R44 million had been paid upfront. The balance of R9 million has been deferred subject to the company's achievement of specified profits to 31 August 2009.

51% in Kenya Data Networks Limited, Swift Global (Kenya) Limited and Infocom Limited (Uganda)

Subsequent to year-end, on 1 March 2008, Altech acquired from Sameer ICT Limited, 51% of the issued share capital in Kenya Data Networks Limited, Swift Global (Kenya) Limited and Infocom Limited. The combined purchase price of US$75 million was allocated as follows:

- US$68 million for the shares in Kenya Data Networks Limited,
- US$5 million for the shares in Swift Global (Kenya) Limited; and
- US$2 million for the shares in Infocom Limited.

Of the total amount of US$75 million, an amount of US$10 million is held in escrow (plus interest), to be released to the vendors of the shares concerned, against the achievement of an aggregated combined profit after taxation of at least US$11.7 million for the 12 months ending 28 February 2009. The escrow amount and interest thereon will be reduced proportionally to any shortfall on the warranted profit after taxation stated above.

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

Bloemfontein and Witbank Netstar franchises

Altech Netstar concluded agreements to acquire 100% of the above mentioned franchises subsequent to year-end for a combined consideration of R18.3 million.

DISPOSALS

Altech disposed of 25% of its interest in Altech Netstar Fleet Management Services (Pty) Limited to Nariku (Pty) Limited, and 25.01% of its shares in Altech Alcom Matomo (Pty) Limited to Platina Venture Holdings (Pty) Limited.

The proceeds of these disposals amounted to R13 million.

RESOLUTIONS

Altech passed and registered one special resolution on 18 July 2007, approving the acquisition by Altech or any of its subsidiaries of Altech's shares.

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

SHARE BUYBACK PROGRAMME

Annually Altech seeks, and obtains, the approval of the shareholders in general meeting to purchase Altech shares. This authority, valid until the following year's annual general meeting and subject to the Listings Requirements of the JSE Limited, allows the Altech group to purchase its own shares up to a maximum of 20% of the issued shares, at a price not greater than 10% above the preceding five-day weighted average. Shareholders have been asked to renew this authority at the forthcoming July 2008 annual general meeting.

During the year, Altech shares with a value of R103 million were purchased by an Altech subsidiary. Altech now indirectly holds a total of 8 609 607 Altech ordinary shares, representing approximately 8.19% of its issued capital, by way of treasury stock.

OFFER BY ALTRON GROUP TO PURCHASE THOSE ALTECH SHARES NOT ALREADY OWNED BY ALTRON

During the past financial year, Altech received an offer from its listed holding company, Altron, relating to a scheme of

Directors report *continued*

arrangement in terms of which Altech would be delisted and become wholly owned by Altron. The relevant documentation was issued to the Altech shareholders on 12 November 2007. The proposed scheme of arrangement was not approved by the requisite majority of Altech minority shareholders and, consequently, the proposal was not implemented and Altech remains a separate listed company, controlled by Altron.

SHARE CAPITAL

Full details of the authorised, issued and unissued capital of the company at 29 February 2008 are contained in note 7 to the financial statements.

SHARE OPTION SCHEMES

The company has two share incentive schemes, namely the Allied Technologies Limited Share Trust and the Altech Group Share Incentive Trust. Details of these schemes are more fully contained in note 7 to the annual financial statements.

During the past financial year, options in respect of 125 525 ordinary shares were exercised, allotted and issued in terms of the Allied Technologies Limited Share Trust for a consideration of R4 035 142. 1 200 ordinary shares were forfeited.

With regard to the Altech Group Share Incentive Trust, options relating to 173 839 ordinary shares were exercised, allotted and issued for a consideration of R1 814 214. 38 336 shares and 315 466 conditional rights were forfeited.

Accordingly, at the date of this report, the issued capital of the company comprises 105 093 798 ordinary shares of 0.5 cents each.

A total of 325 828 ordinary shares of 0.5 cents each therefore remain reserved for allocation in terms of the Altech Group Share Incentive Trust. 484 631 unexercised conditional rights have been allocated to employees in terms of the Altech Group Share Incentive Trust, and, upon exercise, will be issued as ordinary shares in the capital of this company.

Ten percent of the remaining 935 293 069 unissued ordinary shares are the subject of a general authority granted to directors in terms of the Companies Act, 1973, as amended, which authority remains valid only until the next annual general meeting which will be held on Tuesday, 8 July 2008. At that meeting, shareholders will be asked to place 10% of the unissued ordinary shares under the control of the directors.

DIRECTORATE

The names of the directors and alternate directors of the company in office at the date of this report appear on pages 118 to 122.

Appointments	
1 April 2008	Mr ZJ Sithole
4 April 2008	Mr M Sindane
Resignations	
29 February 2008	Ms DC Radley
	Mr PL Wilmot
25 March 2008	Dr EN Banda

In terms of the company's articles of association, Messrs MJ Sithole and M Sindane retire at the forthcoming annual general meeting and Dr WP Venter and Messrs PMO Curle and RE Venter retire by rotation. All the retiring directors are eligible and available for re-election. Their profiles appear on pages 118 to 122.

DIRECTORS INTERESTS IN THE ISSUED SHARES OF THE COMPANY

As at year-end, the directors' interests in the issued shares of the company were as follows:

	Beneficial		Non-beneficial	
Direct	2008	2007	2008	2007
Dr HK Davies	—	—	—	—
CG Venter*	—	—	1 000	1 000
Dr EN Banda	—	—	—	—
Dr JEW Carstens*	25 000	—	1 000	1 000
PMO Curle*	—	—	—	—
ML Leoka	—	—	—	—
R Naidoo	—	—	—	—
DC Radley	—	—	—	1 000
Dr HA Serebro	4 000	4 000	—	—
M Sindane	—	—	—	—
ZJ Sithole	—	—	—	—
RE Venter	—	—	—	—
Dr WP Venter	25 500	25 500	—	—
PL Wilmot	—	—	—	—
Total direct	54 500	29 500	2 000	3 000

	Beneficial		Non-beneficial	
Indirect	2008	2007	2008	2007
Dr HK Davies	—	—	—	—
CG Venter*	—	—	—	—
Dr EN Banda	—	—	—	—
Dr JEW Carstens*	—	—	—	—
PMO Curle*	—	—	—	—
ML Leoka	—	—	—	—
R Naidoo	—	—	—	—
DC Radley	—	—	—	—
Dr HA Serebro	3 000	8 000	3 000	1 000
M Sindane	—	—	—	—
ZJ Sithole	—	—	—	—
RE Venter	—	—	—	—
Dr WP Venter	—	—	—	—
PL Wilmot	—	—	—	—
Total indirect	3 000	8 000	3 000	1 000
Total	57 500	37 500	5 000	4 000

**Executive directors.*

Directors report *continued*

Details of the directors' interests in the Altech Share Option Schemes are provided in the remuneration report on pages 62 and 63 of this annual report.

Other interests of directors and officers

Dr WP Venter, through his family and related trusts, holds a controlling interest in this company's holding company, Altron.

Directors' emoluments

The emoluments of executive and non-executive directors are determined by the company's remuneration and nomination committee. Further information relating to the earnings and perquisites of the directors, together with details relating to option allocations, are set out in the remuneration report on pages 59 to 63.

Secretaries

Altech Management Services (Pty) Limited acts as secretaries to the company. The secretaries' business and postal addresses appear on the inside back cover.

Segment reporting

The operational reviews on pages 14 to 19 of the annual report provide details pertaining to each major class of business of the group. See also Annexures 1 and 2 on pages 112 to 117.

Corporate governance

The directors subscribe to the values of corporate governance as embodied in the King II Report on Corporate Governance, published in March 2002. Details of the group's compliance with the Code of Corporate Practices and Conduct as contained in the King II Report appear on page 57 of the corporate governance report.

Audit committee

In terms of section 270 A(f) of the Corporate Laws Amendment Act of 2006 (the Act), the Altech audit committee has discharged all of those functions delegated to it in terms of the Altech audit committee mandate and terms of reference, and ascribed to it in terms of the Act.

During the period under review, the Altech audit committee:

a) met on two separate occasions to review, *inter alia*, the year-end and interim results of the Altech group, as well as to consider regulatory and accounting standard compliance insofar as the same pertained to the audit committee and the Altech group respectively;

b) considered and satisfied itself that the external auditors are independent auditors, determined the external auditors' fees for the 2007/8 financial year and nominated the external auditors for appointment for the following financial year;

c) determined the non-audit-related services which the external auditors are permitted to provide to Altech and revised the policy for the use of the external auditors for non-audit-related services. This included preapproving all non-audit-related service agreements concluded between Altech and the external auditors;

d) confirmed the internal audit charter and the audit plan for the 2007/8 financial year;

e) ensured that the audit committee complied with the membership criteria specified in the Act; and

f) held separate meetings with management and the external auditors to discuss any problems and reservations arising from the year-end audit and any related matters which management and the external auditors wished to discuss.

For further details in this regard, shareholders are referred to pages 54 and 55 of the annual report.

Approval of the annual financial statements and going-concern statement

The annual financial statements set out in this report have been prepared in accordance with statements of International Financial Reporting Standards and in the manner required by the South African Companies Act, and are based on appropriate accounting policies, consistently applied, which are supported by reasonable and prudent judgements and estimates.

The directors of the company are responsible for the preparation of the annual financial statements and related financial information that fairly present the state of affairs and the results of the company and the group.

To enable the board to meet these responsibilities, systems of internal control and accounting and information systems have been implemented aimed at providing reasonable assurance that risk of error, fraud or loss is reduced. The group's internal audit function, which has unrestricted access to the group's audit committee, evaluates and, if necessary, recommends improvements in the systems of internal control and accounting practices, based on audit plans and that take cognisance of the relative degrees of risk of each function or aspect of the business.

The audit committee, together with the internal and external auditors, plays a central role in matters relating to financial and internal control, accounting policies, reporting and disclosure.

To the best of their knowledge and belief, based on the above and after making enquiries, the board of directors confirms that they have every reason to believe that the company and the group have adequate resources in place to continue in operational existence for the foreseeable future. For this reason, they continue to adopt the going-concern basis in preparing the annual financial statements. The auditors have concurred with the directors' statements on internal control and going concern.

The annual financial statements for the year ended 29 February 2008, which appear on pages 64 to 117, were approved by the board on 23 April 2008 and are signed on its behalf by:

Dr Hilton Davies

Independent non-executive chairman

Craig Venter

Chief executive officer

Dr John Carstens

Chief financial officer

Accounting policies

Allied Technologies Limited (the company) is a South African registered company. The consolidated financial statements of the company for the year ended 29 February 2008 comprise the company and its subsidiaries (together referred to as the group) and the group's interest in associates and jointly controlled entities.

STATEMENT OF COMPLIANCE

The consolidated financial statements have been prepared in accordance with International Financial Reporting Standards (IFRS), the interpretations adopted by the International Accounting Standards Board (IASB) and the requirements of the South African Companies Act.

Adoption of new and revised International Financial Reporting Standards

Circular 08/2007 – Headline earnings

During the current year, the group adopted the new circular on headline earnings. The group previously reflected closure costs as an adjustment to headline earnings. In terms of circular 08/2007 issued by the South African Institute of Chartered Accountants, closure costs are no longer a headline earnings adjustment (refer to note 24.1 of the notes to the financial statements for details).

BASIS OF PREPARATION

The annual financial statements are prepared in millions of South African rands (Rm) on the historical-cost basis, except for the following assets and liabilities which are stated at fair value: derivative financial instruments and investments classified as available-for-sale.

Non-current assets and liabilities and disposal groups held-for-sale are stated at the lower of carrying amount and fair value less cost-to-sell.

The preparation of financial statements in conformity with IFRS requires management to make judgements, estimates and assumptions that may affect the application of policies and 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.

The accounting policies set out below have been applied consistently to the periods presented in these consolidated financial statements.

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

BASIS OF CONSOLIDATION

Subsidiaries

Subsidiaries are those entities over which the group has the power to, directly or indirectly, exercise control over the financial and operating policies, so as to obtain benefits from their activities.

The financial statements of subsidiaries are included in the consolidated financial statements from the date that control commences until the date that control ceases.

Associates

An investment in an associate is an investment in a company in which the group exercises significant influence but not control. The equity method of accounting for associates is adopted in the group financial statements. In applying the equity method, account is taken of the group's share of accumulated retained earnings and movements in reserves from the effective date on which the enterprise became an associate and up to the effective date of disposal.

Goodwill arising on the acquisition of associates is included in the carrying amount of the associate and is treated in accordance with the group's accounting policy for goodwill. The share of associated retained earnings and reserves is generally determined from the associate's latest audited financial statements but, in some instances, interim results are used. 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 incurred obligations or made payments on behalf of the associate.

Joint ventures

Joint ventures are those enterprises over which the group exercises joint control in terms of a contractual agreement. Joint ventures are proportionately consolidated, whereby the group's share of the joint venture's assets, liabilities, income, expenses and cash flows are combined with similar items, on a line-by-line basis, in the group's financial statements from the date the joint control commences until the date the joint control ceases.

Eliminations on consolidation

Intragroup balances and transactions, and any unrealised gains or losses arising from intragroup 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 the investment 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.

Goodwill

All business combinations are accounted for by applying the "purchase method". Goodwill represents amounts arising on the acquisition of subsidiaries, associates and joint ventures. In respect of business combinations that have occurred since the IFRS transition date, 1 March 2004, goodwill represents the difference between the cost of the acquisition and the fair value of the net identifiable assets, liabilities and contingent liabilities acquired.

The group made an election in terms of IFRS 1 that in respect of acquisitions prior to 1 March 2004, goodwill is included on the basis of its deemed cost, which represents the amount recorded under previous SA GAAP on 1 March 2004. The classification and accounting treatment of business combinations that occurred prior to 1 March 2004 has not been restated in preparing the group's opening IFRS balance sheet at 1 March 2004.

Goodwill is measured at cost less accumulated impairment losses.

Goodwill is allocated to cash-generating units and is no longer amortised but tested annually for impairment. Previously goodwill arising on each acquisition was amortised over its useful life on a straight-line basis and subjected to annual impairment testing.

Negative goodwill arising on an acquisition is recognised directly in the income statement.

Premiums and discounts arising on subsequent purchases from, or sales to, minority interests in subsidiaries

Any increases and decreases in ownership interests in subsidiaries without a change in control are recognised as equity transactions in the group financial statements. Accordingly, any premiums or discounts on subsequent purchases of equity instruments from, or sales of equity instruments to, minority interests are recognised directly in the equity of the parent shareholder.

Black economic empowerment (BEE) transactions

BEE transactions involving the disposal or issue of equity interests in subsidiaries are only recognised when the accounting recognition criteria have been met.

CASH AND CASH EQUIVALENTS

Cash and cash equivalents comprise cash balances and call deposits, including amounts held by a related-party treasury company and a wholly owned subsidiary of Allied Technologies Limited. 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.

CAPITAL ITEMS

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

EMPLOYEE BENEFITS

Short-term employee benefits

The cost of all short-term employee benefits are recognised during the period in which the employee renders the related service. The accruals for employee entitlements to salaries and annual leave represent the amounts which the group has a present obligation to pay as a result of the employee's services provided. The accruals have been calculated at undiscounted amounts based on current salary levels.

Retirement benefits

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

After the acquisition of subsidiaries, certain employees remained members of their previous funds. A number of these are defined benefit plans. These industry-managed retirement benefit schemes are dealt with as defined contribution plans as the group's obligations under the schemes are equivalent to those arising in a defined contribution plan.

The group's contributions to defined contribution funds are charged to the income statement 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. Members prior to November 1999 are entitled to some medical assistance.

The projected unit credit method is used to determine the present value of these defined benefit obligations, the related service cost and, where applicable, the past-service cost.

The fair value of plan assets is deducted from the present value of the defined benefit obligation to the extent permitted by IAS 19 – Employee benefits. Past-service costs are recognised as an expense on a straight-line basis over the average period until the benefits become vested. Past-service costs which are already vested, are expensed immediately.

Accounting policies *continued*

Actuarial gains and losses are recognised as income or expense if the net cumulative unrecognised actuarial gains or losses at the end of the previous financial year exceeded the greater of:

- 10% of the present value of the defined benefit obligation at that date before deducting plan assets; and
- 10% of the fair value of the plan assets at that date.

The amount recognised is the excess determined above, divided by the expected average remaining working lives of the employees participating in the plan.

When the calculation results in a benefit to the group, the recognised asset is limited to the net total of any unrecognised past-services cost and the present value of any future refunds from the plan or reductions in future contributions to the plan.

Post-retirement medical aid benefits

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

FINANCIAL INSTRUMENTS

Measurement

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

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 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.

Interest-bearing borrowings

Subsequent to initial recognition, interest-bearing borrowings are stated at amortised cost with any difference between cost and redemption value being recognised in the income statement over the period of the borrowings on an effective interest basis.

Investments

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

Other investments held by the group are classified as being available-for-sale and are stated at fair value, with any resultant gain or loss being recognised directly in equity, except for impairment losses and, in the case of monetary items, foreign exchange gains or losses, which are recognised in the income statement. When these investments are disposed of, the cumulative gain or loss previously recognised directly in equity is recognised in the income statement as a capital item. Where these investments are interest-bearing, interest calculated using the effective interest method is recognised in the income statement.

Trade and other receivables/payables

Trade and other receivables/payables originated by the group are stated at amortised cost less impairment losses on receivables.

Derivative instruments

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

Derivative financial instruments comprise foreign exchange contracts. Subsequent to initial recognition they are measured at fair value. Fair value adjustments are recognised in the income statement. Fair value is determined by comparing the contracted forward rate to the present value of the current forward rate of an equivalent contract with the same maturity date. However, where derivatives qualify for hedge accounting, recognition of any resultant gain or loss depends on the nature of the item being hedged.

Hedging

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

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 equity up to the transaction date is adjusted against the initial measurement of the asset or liability. For other cash flow hedges, the cumulative amount recognised in equity is recognised in the income statement in the period when the commitment or forecast transaction affects the income statement.

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 equity 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 the income statement.

Where a derivative financial instrument is used to economically hedge the foreign exchange exposure of a recognised monetary asset or liability, no hedge accounting is applied and any gain or loss on the hedging instrument is recognised in the income statement.

Offset

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

FOREIGN CURRENCIES

Foreign currency transactions

Foreign currency transactions are translated to the respective functional currencies of group entities at the rates of exchange ruling at the date of transaction. Monetary assets and liabilities denominated in foreign currencies at the balance sheet date are translated to the functional currency at the rates ruling at that date. Gains or losses on translation are recognised in the income statement.

Financial statements of 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 balance sheet date. The revenues and expenses of foreign operations are translated to South African rands at rates approximating the foreign exchange rates ruling at the date of the transactions.

Foreign exchange differences arising on translation are recognised directly in a separate component of equity – the foreign currency translation reserve. The foreign currency translation reserve applicable to a foreign operation is released to the income statement as a capital item upon disposal of that foreign operation.

IMPAIRMENT OF ASSETS

The carrying amounts of the group's assets are reviewed at least annually 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.

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.

The recoverable amount is the higher of an asset's fair value less cost to sell and its value in use.

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 the income statement 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 the income statement 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.

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

Reversal of impairment

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

An impairment loss in respect of an investment in an equity instrument classified as available-for-sale is not reversed through the income statement. An impairment loss in respect of goodwill is not reversed.

Accounting policies *continued*

INTANGIBLE ASSETS

Goodwill

Refer to "Basis of consolidation" above.

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 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 if development cost 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 assets.

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

Other intangible assets

Other intangible assets that are acquired by the group are stated at cost less accumulated amortisation and impairment losses.

Subsequent expenditure

Subsequent expenditure on capitalised 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 charged to the income statement on a straight-line basis over the estimated useful lives of intangible assets unless such lives are indefinite. Goodwill and intangible assets with an indefinite useful life are not amortised but tested annually for impairment. The amortisation periods vary between 3 to 10 years.

INVENTORIES

Inventories are measured at the lower of cost and net realisable value taking account of market conditions and technology changes. Cost is determined on the first-in first-out and 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 held-for-resale are classified as held-for-sale if their carrying amount will be recovered principally through a sale transaction, not through continuing use. These assets may be a component of an entity, a disposal group or an individual non-current asset. Upon initial classification as held-for-sale, non-current assets and disposal groups are recognised at the lower of carrying amount and fair value less cost to sell. Any impairment losses arising are recognised in the income statement as capital items.

A discontinued operation is a component of the group's business that represents a separate major line of business or geographical area of operations or a subsidiary acquired exclusively with a view to resale. 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 income statement and cash flow statement are restated as if the operation has been discontinued from the start of the comparative 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 charged against income on a straight-line basis over the period of the lease.

PROPERTY, PLANT AND EQUIPMENT

Owned assets

Property, plant and equipment are stated 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.

Leased assets

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 fair value and the present value of the minimum lease payments at inception of the lease, and depreciated over the shorter of the estimated useful life of the asset or the lease term if there is no reasonable certainty that the group will obtain ownership at the end of the lease term.

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

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 additional future economic benefits embodied within the item will flow to the group and the cost of such item can be measured reliably. All other costs are recognised in the income statement as an expense when incurred.

Depreciation

Depreciation is charged to the income statement for each category of assets on a straight-line basis over their expected useful lives to estimated residual values. Land is not depreciated.

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

buildings	20 to 50 years
plant and equipment	3 to 20 years
furniture and fittings	5 to 20 years
motor vehicles	4 to 8 years
software and IT systems	2 to 8 years
leasehold improvements	over period of lease

The depreciation methods, useful lives and residual values, if not insignificant, are reassessed annually.

Gains and losses arising on disposal of property, plant and equipment are included as capital items in the income statement.

PROVISIONS

General

Provisions are recognised when the group has a present legal or constructive obligation as a result of past events, for which it is probable that an outflow of economic benefits will occur, 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

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

Restructuring

A provision for restructuring is recognised when the group has approved a detailed and formal restructuring plan and the restructuring either has commenced or has been announced publicly. No provision is made for future operating costs.

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 and deferred delivery shares granted to employees is recognised as an employee expense with a corresponding increase in equity. The fair value is measured at grant date and expensed over the period during which the employees are required to provide services in order to become unconditionally entitled to the equity instruments. The fair value of the instruments granted is measured using generally accepted valuation techniques, taking into account the terms and conditions upon which the instruments are granted. The amount recognised as an expense is adjusted to reflect the actual number of share options and deferred delivery shares that vest except where forfeiture is only due to share prices not achieving the threshold for vesting. This accounting policy has been applied to all equity instruments granted after 7 November 2002 that had not yet vested at 1 January 2005. The fair value of share-based payments was not recognised under the group's previous accounting policies.

Cash settled

Share-linked instruments have been granted to certain employees in the group. The fair value of the amount payable to the employee is recognised as an expense with a corresponding increase in liabilities. The fair value is initially 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 payment. The fair value of the instruments granted is measured using generally accepted valuation techniques, taking into account the terms and conditions upon which the instruments are granted. The liability is remeasured at each balance sheet date and at settlement date. Any changes in the fair value of the liability are recognised as employees' remuneration in the income statement.

Accounting policies *continued*

Group share-based payment transactions

Transactions in which a parent grants rights to its equity instruments directly to the employees of its subsidiaries are classified as equity settled in the financial statements of the subsidiary, provided the share-based payment (SBP) is classified as equity settled in the consolidated financial statements of the parent.

The subsidiary recognises the services acquired with the SBP as an expense and recognises a corresponding increase in equity for a capital contribution from the parent for those services acquired. The parent recognises in equity the equity-settled SBP 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 on 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 SBP as follows upon initial recognition:

- The subsidiary recognises a recharge liability and a corresponding adjustment against equity for the capital contribution recognised in respect of the SBP.
- 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. Where the recharge amount is greater than the initial capital contribution recognised by the subsidiary in respect of the SBP, the excess is recognised as a net capital distribution to the parent. The amount of the recharge in excess of the capital contribution recognised as an increase in the investment in subsidiary is recognised as dividend income by the parent.

Black economic empowerment transactions

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

REVENUE

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

Revenue 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 and there is no continuing management involvement in the goods.

Revenue from services rendered is recognised in profit or loss in proportion to the stage of completion of the transaction at reporting date.

Dividends and government grants are recognised when the group's right to receive the revenue is established.

Interest revenue is recognised on a time apportionment basis that takes into account the effective yield on the investment.

SHARE CAPITAL

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.

SEGMENTAL REPORTING

A segment is a distinguishable component of the group that is engaged in either providing related products or services (business segment), or in producing products or undertaking service activities within a particular economic environment (geographical segment), which is subject to risks and rewards that are different from those of other segments. The primary basis for reporting segment information is business segments and the secondary basis is by significant geographical region, which is based on the location of assets. The basis of segment reporting is representative of the internal structure used for management reporting. Segment results include revenue and expenses directly attributable to a segment whether from external transactions or from transactions with other group segments. Segment assets and liabilities comprise those operating assets and liabilities that are directly attributable to the segment or can be allocated to the segment on a reasonable basis.

Segment results include revenue and expenses directly attributable to a segment whether from external transactions or from transactions with other group segments.

Segment assets and liabilities comprise those operating assets and liabilities that are directly attributable to the segment or can be allocated to the segment on a reasonable basis.

TAXATION

Income tax expense comprises current and deferred tax. Income tax expense is recognised in the income statement except to the extent that it relates to items recognised directly in equity, in which case it is recognised in equity.

Current taxation

Current taxation 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 balance sheet date, and any adjustment of tax payable for previous years.

Deferred taxation

Deferred taxation is recognised using the balance sheet liability method, 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 affect neither accounting nor taxable profit, and differences relating to investments in subsidiaries and joint ventures to the extent 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 balance sheet date. The effect on deferred tax of any changes in tax rates is recognised in the income statement, except to the extent that it relates to items previously charged or credited directly to equity.

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 affect neither accounting nor taxable profit, and differences relating to investments in subsidiaries and joint ventures to the extent that they will not reverse in the foreseeable future.

Deferred tax assets are reduced to the extent that it is no longer probable that the related tax benefit will be realised.

Secondary taxation on companies

Secondary taxation on companies (STC) is recognised in the year dividends are declared, net of dividends received. A deferred taxation asset is recognised on unutilised STC credits when it is probable that such unused STC credits will be utilised in the future.

Earnings per share

The group presents basic and diluted earnings per share (EPS) data for its ordinary shares and participating preference shares. Basic EPS is calculated by dividing the profit or loss attributable to ordinary and participating preference shareholders of the company by the weighted average number of ordinary and participating preference shares outstanding during the period. Diluted EPS is determined by adjusting the profit or loss attributable to ordinary shareholders and the weighted average number of ordinary and participating preference shares outstanding for the effects of all dilutive potential ordinary and participating preference shares, which comprise share options granted to employees and BEE transactions that have not yet met the applicable accounting recognition criteria.

Balance sheets as at 29 February 2008

	Notes	GROUP 2008 R millions	GROUP 2007 R millions	COMPANY 2008 R millions	COMPANY 2007 R millions
ASSETS					
Non-current assets		796	685	1 190	1 174
Property, plant and equipment	1	299	260	—	—
Intangible assets	2	409	365	—	—
Investment in subsidiaries	3	—	—	1 190	1 174
Deferred taxation	11	88	60	—	—
Current assets		2 892	2 240	3	86
Inventories	4	364	400	—	—
Trade and other receivables	5	937	667	3	6
Cash and cash equivalents	6	1 591	1 173	—	80
Total assets		3 688	2 925	1 193	1 260
EQUITY AND LIABILITIES					
Total equity		2 027	1 883	776	906
Shareholders' equity	7	1 955	1 822	776	906
Minority shareholders' interest	8	72	61	—	—
Non-current liabilities		100	32	9	—
Interest-bearing loans	12	77	30	9	—
Deferred taxation	11	23	2	—	—
Current liabilities		1 561	1 010	408	354
Trade and other payables	13	1 452	971	1	6
Warranty provisions	14	22	20	—	—
Loans from subsidiaries	3	—	—	348	346
Bank overdraft	6	—	—	59	—
Taxation payable		87	19	—	2
Total equity and liabilities		3 688	2 925	1 193	1 260
Net asset value per share (cents)		2 026	1 863		

Income statements for the year ended 29 February 2008

		GROUP		COMPANY	
	Notes	2008 R millions	2007 R millions	2008 R millions	2007 R millions
Revenue	18	8 242	6 780	—	—
Operating costs		7 578	6 212	—	—
Material and services		6 604	5 469	—	—
Employees' remuneration		842	764	—	—
Depreciation and amortisation		96	89	—	—
Net change in inventories		36	(110)	—	—
Operating profit before impairment and capital items	19	664	568	—	—
Investment income	20	98	79	337	395
Finance costs	21	(21)	(6)	(70)	(45)
Goodwill impaired	2	(86)	—	—	—
Capital items	22	(1)	(7)	(88)	—
Profit before taxation		654	634	179	350
Taxation	23	(219)	(211)	—	(7)
Profit after taxation		435	423	179	343
Attributable to minority shareholders	8	26	22	—	—
Attributable to ordinary shareholders		409	401	179	343
		435	423	179	343
Basic earnings per share (cents)	24	421	410		
Diluted basic earnings per share (cents)	24	406	398		
Dividend per share – paid (cents)	25	235	302		

Details of the headline earnings, headline earnings per share and dividend per ordinary share are given in note 24 to the annual financial statements.

Statements of changes in equity for the year ended 29 February 2008

GROUP	Share capital and premium R millions	Treasury shares R millions	Foreign currency translation reserves R millions	Other reserves R millions
Balance at 1 March 2006	62	(257)	—	1
Recognised income and expense				
Share-based payments				
Foreign currency translation differences			5	
Attributable earnings				
Transfer between reserves				(1)
Transactions with shareholders				
Transaction with minorities				
Dividends				
Issue of share capital	2			
Balance at 28 February 2007	64	(257)	5	—
Recognised income and expense				
Share-based payments				
Foreign currency translation differences			66	
Attributable earnings				
Cash flow hedging reserve				2
Transactions with shareholders				
Transaction with minorities				
Dividends				
Treasury shares acquired		(35)		
Cancellation of treasury shares acquired	(67)			
Issue of share capital	6			
Balance at 29 February 2008	3	(292)	71	2

COMPANY
Balance at 1 March 2006
Recognised income and expense
Attributable earnings
Share-based payments
Transfer between reserves
Transactions with shareholders
Dividends
Issue of share capital
Balance at 28 February 2007
Recognised income and expense
Attributable earnings
Share-based payments
Transactions with shareholders
Dividends
Cancellation of treasury shares acquired
Issue of share capital
Balance at 29 February 2008

Transaction with minorities R millions	Share-based payments reserve R millions	Retained earnings R millions	Shareholders' equity R millions	Minority interest R millions	Total equity R millions
—	2	1 873	1 681	89	1 770
	7		7	—	7
			5	—	5
		401	401	22	423
		1	—	—	—
28			28	(47)	(19)
		(302)	(302)	(3)	(305)
			2	—	2
28	9	1 973	1 822	61	1 883
	7		7	—	7
			66	—	66
		409	409	26	435
			2	—	2
(20)			(20)	(12)	(32)
		(235)	(235)	(3)	(238)
			(35)	—	(35)
			(67)	—	(67)
			6	—	6
8	16	2 147	1 955	72	2 027

Share capital and premium R millions	Share-based payments reserve R millions	Other reserves R millions	Retained earnings R millions	Shareholders' equity R millions
62	2	1	816	881
		—	343	343
	7		—	7
		(1)	1	—
		—	(327)	(327)
2		—	—	2
64	9	—	833	906
		—	179	179
	7	—	—	7
		—	(255)	(255)
(67)				(67)
6		—	—	6
3	16	—	757	776

Cash flow statements for the year ended 29 February 2008

	Notes	GROUP 2008 R millions	GROUP 2007 R millions	COMPANY 2008 R millions	COMPANY 2007 R millions
Cash generated/(utilised) by operating activities		683	(211)	(80)	(4)
Cash generated/(utilised) by operations	26	1 009	345	(90)	(1)
Interest received		94	75	82	68
Dividends received		4	4	255	327
Interest paid		(21)	(6)	(70)	(45)
Taxation paid	27	(165)	(324)	(2)	(26)
Cash available from operating activities		921	94	175	323
Dividends paid					
– to shareholders	25	(235)	(302)	(255)	(327)
– to minority shareholders	8	(3)	(3)	—	—
Investing activities		(242)	(116)	(7)	(309)
Investment to maintain operations		2	(6)	—	—
Replacement of property, plant and equipment	1	(18)	(8)	—	—
Disposal of property, plant and equipment	28	20	2	—	—
Investment to expand operations		(244)	(110)	(7)	(309)
Additions to property, plant and equipment	1	(119)	(60)	—	—
Additions to intangible assets	2	(4)	(11)	—	—
Acquisition of subsidiaries and businesses	30	(56)	(26)	—	—
Transactions with minorities	30	(30)	(27)	—	—
Acquisition of intangible assets		—	14	—	—
Other investing activities	29	(35)	—	(7)	(309)
Financing activities		(23)	2	(52)	2
Share issues		6	2	6	2
Increase in long-term liabilities		46	—	9	—
Change in minority shareholders' loan		(8)	—	—	—
Cancellation of treasury shares acquired		(67)	—	(67)	—
Cash resources					
Net funds generated/(utilised)		418	(325)	(139)	(311)
Cash and cash equivalents					
– at the beginning of the year		1 173	1 498	80	391
– at the end of the year	6	1 591	1 173	(59)	80

Notes to the financial statements

GROUP

	Land and buildings R millions	Plant and machinery R millions	Computer equipment R millions	Other R millions	Total R millions
1. PROPERTY, PLANT AND EQUIPMENT					
Cost					
Balance at 1 March 2006	55	376	188	80	699
Translation effect	1	6	1	—	8
Additions at cost	4	31	22	11	68
Disposals	—	(73)	(10)	(6)	(89)
Balance at 28 February 2007	60	340	201	85	686
Additions at cost	7	78	52	—	137
Translation effect	2	7	1	—	10
Disposals	(7)	(54)	(73)	(15)	(149)
Balance at 29 February 2008	62	371	181	70	684
Depreciation and impairment losses					
Balance at 1 March 2006	17	221	148	34	420
Depreciation for the year	4	45	28	8	85
Impairment losses	—	5	—	—	5
Translation effect	—	2	—	—	2
Disposals	—	(73)	(8)	(5)	(86)
Balance at 28 February 2007	21	200	168	37	426
Depreciation for the year	4	47	25	10	86
Impairment losses	—	—	—	—	—
Translation effect	1	2	1	—	4
Disposals	(5)	(61)	(57)	(8)	(131)
Balance at 29 February 2008	21	188	137	39	385
Carrying amount at 29 February 2008	41	183	44	31	299
Carrying amount at 28 February 2007	39	140	33	48	260

Details of land and buildings are available, on request, for inspection at the registered office of the company.
For depreciation rates see accounting policies on page 77.

	2008 R millions	2007 R millions
Impairment losses		
Altech NamITech	—	5

The impairment loss relates to the closure of the cheque printing plant, export plant and the fulfilments division. The assets have been written off in total as they have no residual value.

Notes to the financial statements *continued*

	GROUP		
	Goodwill R millions	Patents and designs R millions	Total R millions
2. INTANGIBLE ASSETS			
Cost			
Balance at 1 March 2006	519	10	529
Additions at cost	2	11	13
Acquisitions	—	14	14
Translation differences	1	—	1
Balance at 28 February 2007	522	35	557
Additions at cost	—	4	4
Acquisitions	17	56	73
Translation differences	60	3	63
Balance at 29 February 2008	599	98	697
Amortisation and impairment losses			
Balance at 1 March 2006	187	1	188
Amortisation during the year	—	4	4
Balance at 28 February 2007	187	5	192
Amortisation during the year	—	10	10
Impairment during the year	86	—	86
Balance at 29 February 2008	273	15	288
Carrying amount at 29 February 2008	326	83	409
Carrying amount at 28 February 2007	335	30	365

Impairment tests are conducted on an annual basis.

Impairment losses

In view of the trading loss incurred by Altech NamITech, the directors concluded that the carrying value of goodwill relating to the company's cash-generating unit should be impaired by an amount of R86 million.

Impairment test for cash-generating units containing goodwill

The following units have significant carrying amounts of goodwill:

	GROUP	
	2008 R millions	2007 R millions
Altech NamITech (South Africa)	—	86
Altech NamITech West Africa	306	246
ComTech	18	—
Other units without significant goodwill	2	—
	326	332

2. INTANGIBLE ASSETS *(continued)*

Description of impairment tests

The carrying amount of goodwill is reviewed at each reporting date on the basis of profits expected to be generated by the cash-generating unit using the value-in-use methodology.

Management projections cover a three-year period.

Management has used discount rates between 20% to 15.8% (2007: 20%) for the purpose of determining the value-in-use.

The growth rate used beyond the three-year period is not greater than the long-term predicted inflation rate in the respective country.

Based on these projections, the value-in-use exceeds the carrying value of goodwill and the underlying assets at the year end. Therefore no further impairment is necessary.

A key assumption applied in the goodwill impairment test is the discount rate used for Altech NamITech West Africa of 15.8%. Assuming all the other inputs remain the same in the goodwill impairment test, an impairment of R4 million arises if the discount rate is changed by 2% to 17.8%.

	COMPANY	
	2008 R millions	2007 R millions
3. INTEREST IN SUBSIDIARIES		
3.1 Shares at cost less amounts written off	1 173	1 161
Share-based payments and other loans	17	13
	1 190	1 174
Loans from subsidiaries – these loans are interest-free and repayable on demand	(348)	(346)
Net interest in subsidiaries	842	828

Refer to Annexure 1 for details.

3.2 Black economic empowerment (BEE)

During the period under review, the company entered into new agreements with Pamodzi Investment Holdings (Pty) Limited (Pamodzi) as a result of the restructuring of the IT business units within the Altech group. The restructuring resulted in the sale of Altech Isis and Altech Card Solutions (ACS) businesses into Altech NamITech (Pty) Limited (ANSA). Previously, Pamodzi owned 25% of the issued share capital in ACS, Altech Isis and Altech NamITech Holdings (Pty) Limited. These shares were bought back by Altech for a consideration of R49 million and, simultaneously, Pamodzi acquired 25% of the issued share capital in ANSA for R19 million which represented the fair value of the business at that date. The difference of R30 million was paid to Pamodzi.

The company also entered into an agreement to dispose of 25.01% of its shareholding in Altech Alcom Matomo (Pty) Limited (AAM) to Platina Venture Holdings (Pty) Limited, which is controlled by various parties for R13 million. As the conditions relating to the sale of the shares to the BEE parties have not yet been met, the company has not recognised the sale of its investment in AAM and has therefore not recorded the related profit on sale as a transaction with minorities directly into equity. The sale of the investment will only be recognised once all the conditions related to the sale have been met.

	GROUP	
	2008 R millions	2007 R millions
4. INVENTORIES		
Raw materials	154	188
Work in progress	21	24
Design work in progress	13	21
Finished goods	45	30
Merchandise	100	112
Contracts in progress and other	31	25
	364	400
Inventories carried at cost	358	399
Inventories carried at net realisable value	6	1
	364	400

Notes to the financial statements *continued*

		GROUP		COMPANY	
		2008 R millions	2007 R millions	2008 R millions	2007 R millions
5. TRADE AND OTHER RECEIVABLES					
Trade receivables		813	593		
Less: Provision for impairment losses		(21)	(10)		
Derivative assets at fair value		10	3		
Other receivables		135	81	3	6
		937	667	3	6
Exposure to credit risk					
Gross trade receivables represents the maximum credit exposure.					
The maximum exposure to credit risk at the reporting date was:					
Gross trade receivables		813	593		
Mitigated by:					
Credit guarantee insurance		(32)	(34)		
Residual exposure		781	559		
	Average debtor terms	Gross 2008	Gross 2007		
The maximum exposure to credit risk for gross trade receivables at the reporting date by type of customer was:					
Parastatals/government	30	33	21		
Corporates	30	410	319		
SMMEs	30	174	127		
Individuals	30	196	126		
		813	593		
The Altech group has a relatively large diversity of customers and thus has a limited exposure to any one customer.					
The maximum exposure to credit risk for gross trade receivables at the reporting date by geographical region was:					
South Africa	30	586	428		
Rest of Africa	60	79	86		
Europe	40	28	28		
Rest of world	30	120	51		
		813	593		

Management sees the debtors days per geographic region as within expectations compared with the group's standard payment terms for that region.

Debtors terms differ in the Europe and Africa regions due to local economic and market conditions and the risks involved in trading in that geographical region.

The decrease in debtors days is due to improved credit control that has been enforced during the financial year in order to maximise cash flow and minimise associated credit risk.

Credit risk is minimised through an initial new client acceptance procedure whereby potential customers are individually assessed before an appropriate credit limit is allocated to the new client. Altech makes use of credit vetting agencies who maintain current credit data on most companies in South Africa.

5. TRADE AND OTHER RECEIVABLES *(continued)*

Impairment losses

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

	GROUP			
	Gross 2008	Impairment allowance 2008	Gross 2007	Impairment allowance 2007
Not past due	733	—	532	—
Past due 0 – 30 days	74	18	60	9
Past due 31 – 120 days	6	3	1	1
	813	21	593	10

Listings of overdue customer balances are reviewed monthly and reviewed against their credit terms/limits. Customers exceeding their credit terms/limits must settle their overdue balances before any further credit is extended.

Appropriate action is taken to recover long overdue debts.

	GROUP		COMPANY	
	2008 R millions	2007 R millions	2008 R millions	2007 R millions
The movement in the impairment allowance in respect of trade receivables during the year was as follows:				
Balance at the beginning of the year	10	14		
Impairment loss recognised/(released)	15	(4)		
Allowance utilised	(4)	—		
Balance as at the end of the year	21	10		
The following impairment losses were recognised:				
Financial difficulties/bankruptcy	32	19		
Absconded	19	9		
Dispute	1	—		
	52	28		
Currency risk				
A sensitivity analysis for foreign currencies can be seen in note 16.				
Derivative assets at fair value				
Derivative assets at fair value include:				
Forward exchange contracts used for hedging				
– cash flow hedge	2	—		
– fair value hedge	8	3		
	10	3		
The carrying amount of the following financial assets represents the maximum credit exposure. The maximum exposure to credit risk at the reporting date was:				
Derivative assets at fair value	10	3		
Prepayments	16	15		
Other receivables	119	66		
	145	84		
6. CASH AND CASH EQUIVALENTS				
Cash at bank and on deposit	1 591	1 173	—	80
Bank overdraft	—	—	(59)	—
	1 591	1 173	(59)	80

Included in cash and cash equivalents are amounts invested with a related party (refer to note 17.1.5).

Credit risk

With the exception of the amounts referred to above, the group limits its exposure to credit risk by only investing in liquid instruments and only with counterparties that have a credit rating of at least A1 from Standard and Poor's.

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

Notes to the financial statements *continued*

	GROUP AND COMPANY			
	2008 Number of shares	2007 Number of shares	2008 R millions	2007 R millions
7. SHAREHOLDERS' EQUITY				
Share capital and premium				
7.1 Authorised				
Ordinary shares of 0.5 cents each	1 041 820 600	1 041 820 600	5	5
7.2 Issued				
Ordinary shares				
In issue at the beginning of the year	105 868 163	105 747 740	1	1
Cancellation of treasury shares	(1 073 729)	—		
Issued in terms of share schemes	299 364	120 423	—	—
In issue at the end of the year	105 093 798	105 868 163	1	1
Less: Own shares acquired	(8 609 607)	(8 048 242)		
Net shares	96 484 191	97 819 921		
7.3 Share premium				
Balance at the beginning of the year			63	61
Share premium arising from issue of shares			6	2
Cancellation of treasury shares			(67)	—
Balance at the end of the year			2	63
7.4 Total issued share capital and premium			3	64

	Shares	Shares
7.5 Unissued		
Ordinary shares		
Shares reserved to meet the requirements of:		
Allied Technologies Limited Share Trust	6 840	133 565
– unexercised allocations of share options at various prices and expiry dates	6 840	133 565
Altech Group Share Incentive Trust	3 729 989	4 257 630
– unexercised allocations of share options at various prices and expiry dates	3 404 161	3 435 246
– available for future allocation	325 828	822 384
Shares under the control of the directors until the forthcoming annual general meeting	931 556 240	931 556 240
	935 293 069	935 947 435

	Share incentive trust	Share trust	Total share options
7. SHAREHOLDERS' EQUITY *(continued)*			
7.6 Employee share options – ordinary shares			
Number of options allocated at the beginning of the year	3 435 246	133 565	3 568 811
Number of conditional rights granted	496 556	—	496 556
Number of options lapsed/forfeited	(38 336)	(1 200)	(39 536)
Number of conditional rights lapsed/forfeited	(315 466)	—	(315 466)
Number of options exercised	(173 839)	(125 525)	(299 364)
Number of options allocated at the end of the year	3 404 161	6 840	3 411 001

7.7 Share-based payments

Share-based payments were valued by making use of the Black-Scholes model.

94 092 conditional rights were granted to directors during the year.

The market price of the ordinary share options exercised during the year ranged from 4 750 cents to 8 000 cents and the subscription prices ranged from 894 cents to 3 994 cents.

41 068 share options were exercised by directors during the year. For further details of the options held by directors, please see pages 62 and 63.

	GROUP		COMPANY	
	2008 R millions	2007 R millions	2008 R millions	2007 R millions
Reserves				
7.8 Non-distributable reserves				
Balance at year end	71	5	—	—
Capital redemption reserve fund	—	1	—	1
Transfer between reserves	—	(1)	—	(1)
Foreign currency translation reserve	71	5	—	—
7.9 Distributable reserves				
Accumulated profits	2 147	1 973	757	833
7.10 Share-based payments	16	9	16	9
7.11 Transaction with minorities	8	28	—	—
7.12 Other reserves	2	—	—	—
7.13 Total reserves	2 244	2 015	773	842
Own shares acquired	(292)	(257)	—	—
Total shareholders' equity	1 955	1 822	776	906

The accumulated distributable reserves, if declared as a dividend, would be subject to secondary tax on companies of R195 million at 10% (2007: R219 million at 12.5%).

Notes to the financial statements *continued*

7. SHAREHOLDERS' EQUITY *(continued)*

7.14 The Allied Technologies Limited Share Trust, Altech Group Share Incentive Trust and the Conditional Rights Scheme.

Details of rights outstanding at the end of the year under review:

	Options and deferred delivery shares outstanding at 29 February 2008			
Date granted	Exercise price per share	Allied Technologies Limited Share Trust	Altech Share Incentive Scheme	Conditional Rights Scheme
23 September 1998	R8.94	6 840		
The following options are subject to IFRS 2:				
11 December 2003	R30.00		10 000	
12 May 2004	R32.00		13 067	
31 August 2004	R32.25		239 836	
5 November 2004	R39.94		97 600	
15 December 2005	R50.99			1 913 460
24 November 2006	R57.75			645 567
10 May 2007	R66.00			36 364
20 February 2008	R49.00			448 267
		6 840	360 503	3 043 658

Terms of the schemes

Allied Technologies Limited Share Trust

The Allied Technologies Limited Share Trust is a seven- to 10-year scheme and is currently in run-off where the last of the options so granted are exercisable in September 2008. It has a vesting period of three years from initial date of grant before the options may be exercised.

Altech Share Incentive Scheme

The Altech Share Incentive Scheme is a six-year scheme. The vesting period is three years from initial date of grant before the options may be exercised in equal tranches over a three-year period.

The Conditional Rights Scheme

Under the Conditional Rights Scheme participants are granted rights to acquire shares subject to meeting future performance vesting conditions.

Vesting of conditional rights occurs in equal tranches over a three-year period commencing on the third anniversary of granting of the conditional rights subject to meeting the vesting conditions.

7. SHAREHOLDERS' EQUITY *(continued)*

7.15 Share-based payments

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

	Weighted average exercise price 2008	Number of options 2008	Weighted average exercise price 2007	Number of options 2007
Outstanding at the beginning of the period	50.39	3 312	48.07	2 649
Forfeited during the period	52.72	(352)	49.45	(120)
Exercised during the period	34.21	(53)	30.00	(10)
Granted during the period	50.28	497	57.75	793
Outstanding at the end of the period	50.39	3 404	50.39	3 312
Exercisable at the end of the period		100		—

The weighted average market price on exercised options was R71.40 (2007: R60.60).

Exercise prices on outstanding options at the end of the period ranged from R30.00 to R66.00 (2007: R30.00 to R57.75).

The weighted average remaining period to vesting on outstanding options at the end of the period was 23 months (2007: 34 months).

Fair value of share options and assumptions

Fair value at measurement date:

2008

Conditional rights

Fair value at grant date (rand)	10.12 to 12.04
Share price (rand)	49.00
Exercise price (rand)	49.00
Expected volatility (%)	25 to 26.3
Option life (years)	3 to 5
Dividend yield (%)	4.90
Risk-free interest rate (%)	9.38

2007

Conditional rights

Fair value at grant date (rand)	13.88 to 15.37
Share price (rand)	57.75
Exercise price (rand)	57.75
Expected volatility (%)	22.6 to 23.8
Option life (years)	4.5 to 5.5
Dividend yield (%)	3.62
Risk-free interest rate (%)	8.17

The expected volatility is based on the historic volatility over a similar period to the option life, adjusted for once-off events in the historic volatility and for any expected changes to future volatility due to publicly available information.

Share options granted in periods prior to the 2006 financial year had a service condition attached. The new conditional rights scheme implemented in the previous financial year includes both a services condition and a non-market performance condition. The non-market performance condition is not taken into account in the grant date fair value measurement of the service received. There are no other market conditions with any of the share option grants.

Notes to the financial statements *continued*

		GROUP	
		2008 R millions	2007 R millions
7.	SHAREHOLDERS' EQUITY *(continued)*		
7.15	Share-based payments *(continued)*		
	Employee expenses		
	Share options granted between 7 November 2002 and 28 February 2005	—	1
	Expense arising from conditional rights granted	8	6
	Expense arising from share appreciation rights granted	2	7
	Total expense recognised as employee cost	10	14
	Total carrying amount of cash-settled transaction liabilities	7	9
	The fair value of the share appreciation rights at grant date is determined using the Black-Scholes model. The fair value of the liability is remeasured at each balance sheet date and at settlement date. The model inputs at 29 February 2008 was as follows:		
	Share price	50.75	65.70
	Exercise price	32.25	32.25
	Term (years)	0.4 to 1.4	0.4 to 2.4
	Volatility (%)	31 to 44	11.9 to 23.1
	Dividend yield (%)	4.73	3.13
	Risk-free interest rate (%)	9.60	7.99
8.	MINORITY SHAREHOLDERS' INTEREST		
	Balance at the beginning of the year	61	89
	Attributable earnings	26	22
	Other transactions with minorities	(12)	(47)
	Dividends	(3)	(3)
	Balance at the end of the year	72	61
9.	BORROWING FACILITIES		
	In terms of the articles of association, the borrowing powers of the company are unlimited.		
	Unutilised banking facilities	1 080	1 080

10. RETIREMENT BENEFIT PLANS

Defined contribution plans

The majority of the group's employees are members of the Altron Group Pension Fund which is a defined contribution fund and is governed by the Pension Funds Act, 1956, as amended. The contribution rate of the employers is 10% (2007: 10%), calculated on the pensionable emoluments of members.

Additionally, the group provides retirement benefits for certain of its employees through the Altron Group Provident Fund. The fund is a defined contribution fund and is governed by the Pension Funds Act, 1956, as amended. Contributions to the fund comprise between 8% and 20% of pensionable emoluments. The group's contribution to these funds amounted to R125 million (2007: R124 million).

Multi-employer plans

Post-acquisition of subsidiaries, certain employees remained members of their previous funds. A number of these are defined benefit plans. These industry-managed retirement benefit schemes are dealt with as defined contribution plans as the group's obligations under the schemes are equivalent to those arising in a defined contribution plan. The group's contribution to these other funds amounted to R42 million (2007: R48 million).

Defined benefit plans

Members of the Altron Group Pension Fund who were members prior to 1 September 1996 are entitled to a minimum benefit equal to the previously provided defined benefit pension. Certain members who were members prior to 1 November 1999 are entitled to post-retirement medical assistance. Upon retirement, members of the Altron Group Pension Fund can purchase a defined benefit pension from the fund. The base pension and subsequent increases granted, based on weighted average investment returns on funds, are guaranteed by the pension fund. The benefit plan disclosed below is only in respect of members with minimum entitlement benefits, retirees with purchased defined benefit pensions and medical assistance. During the previous financial year, the post-retirement medical assistance portion of the defined benefit plans was settled by transfer of entitlements with an enhancement to the applicable members' defined contribution funds.

		2008 R millions	2007 R millions
	Defined benefit plans		
10.1	Value of obligations		
	Fair value of plan assets	2 228	2 084
	Present value of funded obligations	(2 101)	(1 983)
	Surplus at year end (including unrecognised actuarial gains)	127	101
	Unrecognised due to paragraph 58 limit	(127)	(101)
	Asset recognised on the balance sheet	—	—
10.2	Components of income statement expense		
	Current service cost	70	90
	Interest cost	154	93
	Settlement cost of medical assistance reserve	—	24
	Contributions to underlying defined contribution plan funding and expected return on plan assets (limited by paragraph 58)	(213)	(166)
	Income statement expense	11	41

Notes to the financial statements *continued*

		2008 R millions	2007 R millions
10.	RETIREMENT BENEFIT PLANS *(continued)*		
	Defined benefit plans *(continued)*		
10.3	Reconciliation of the net assets recognised on the balance sheet		
	Amount recognised at the beginning of the year	—	—
	Unrecognised due to paragraph 58 limit at the beginning of the year	101	538
	Net expense recognised in the income statement	(11)	(41)
	Contributions (net of contribution holiday)	11	41
	Current year movement on unrecognised return on plan assets due to paragraph 58 limit	26	(437)
	Net asset at the end of the year	127	101
	Unrecognised due to paragraph 58 limit at the end of the year	(127)	(101)
	Amount recognised at the end of the year	—	—
10.4	Reconciliation of fair value of plan assets		
	Assets at fair market value at the beginning of the year	2 084	1 809
	Expected return on assets	223	159
	Contributions (net of contribution holiday)	11	41
	Benefits paid	(67)	(50)
	Actuarial gain (including fund transfers and defined contribution plan contributions)	(23)	300
	Settlement cost – medical assistance	—	(175)
	Assets at fair market value at the end of the year	2 228	2 084
10.5	Reconciliation of defined benefit obligation		
	Defined benefit obligation at the beginning of the year	1 983	1 271
	Service cost	70	90
	Interest cost	154	93
	Actuarial loss	(39)	730
	Benefits paid	(67)	(50)
	Settlement cost – medical assistance	—	(151)
	Defined benefit obligation at the end of the year	2 101	1 983
10.6	Expected 2009 contributions		
	Service cost	76	
	Interest cost	176	
	Expected return on assets	(227)	
	Paragraph 58 limitations	—	
		25	

IAS 19 – Employee Benefits paragraph 58 only allows an asset to be recognised on the group's balance sheet to the extent that economic benefits are available to the group in the form of refunds or reductions in future contributions. The Pension Funds Act, 1956, as amended, precludes the group from accessing the asset in 10.1 above without specific consent from the trustees and regulators of the fund in the form of employer contribution holidays. Accordingly, the surplus has not been recognised on the group's balance sheet. The group was granted a contribution holiday on the defined contribution plan for the six months ended 31 October 2007 in lieu of the surpluses accumulated on the defined benefit plans. The contribution holiday was made available to all participating group employer companies.

		2008 R millions	2007 R millions
10.	**RETIREMENT BENEFIT PLANS** *(continued)*		
	Defined benefit plans *(continued)*		
10.7	**Principal actuarial assumptions**		
	Discount rate	8.50%	8.00%
	Inflation rate	5.25%	5.00%
	Salary increase rate	6.25%	6.00%
	Expected return on assets	10.50%	11.00%
	Pension increase allowance	5.25%	5.00%
	Actual return on the Altron Group Pension Fund	13.27%	29.40%
11.	**DEFERRED TAXATION**		
11.1	**Deferred taxation movement**		
	Balance at the beginning of the year	58	21
	Rate change	1	—
	Translation effect	2	—
	Arising on acquisition of subsidiaries	(10)	—
	Charge to the income statement	14	37
	Balance at the end of the year	65	58
11.2	**Deferred taxation balances**		
	Provision for taxation on temporary differences resulting from:		
	Property, plant and equipment	(3)	(19)
	Intangible assets	(17)	(2)
	Prepaid expenses	(4)	(4)
	Receipts in advance	4	4
	Accounts receivable	4	2
	Provisions	20	21
	Assessed loss utilised	—	2
	Other	6	12
	Estimated tax losses	55	42
	Net deferred taxation	65	58
	The above balance comprises:		
	Deferred tax assets	88	60
	Deferred tax liabilities	(23)	(2)
	Net position	65	58

Notes to the financial statements *continued*

	GROUP 2008 R millions	GROUP 2007 R millions	COMPANY 2008 R millions	COMPANY 2007 R millions
12. INTEREST-BEARING LOANS				
12.1 Minority shareholders' loans				
Altech NamITech West Africa Limited	—	6	—	—
Arrow Altech Holdings (Pty) Limited	22	24	—	—
Altech NamITech West Africa The loan was unsecured, bore interest at a rate equal to 2% (two per centum) per annum above the South African prime rate and had no fixed terms of repayment. The loan was repaid in the current year.				
Arrow Altech Holdings (Pty) Limited The loan is unsecured, bears interest at a 12-month commercial bank fixed deposit rate and has no fixed terms of repayment.				
12.2 Long-term loans				
The payments due to the shareholders of ComTech (Pty) Limited on acquisition of business.	9	—	9	—
Standard Chartered Bank	46	—	—	—
	77	30	9	—

The payments due to the shareholders of ComTech (Pty) Limited on acquisition of business, are unsecured, bear interest at 11.44% per annum and are payable within a two-year period.

Standard Chartered Bank

The loan is secured over the fixed and floating assets of Altech NamITech West Africa Limited, bears interest at a rate equal to the Nigerian prime overdraft rate and is repayable over 36 months quarterly in arrears. The loan is denominated in naira.

2008	6 months or less	6 – 12 months	1 – 2 years	2 – 5 years	Total
Maturity analysis (including interest payments)					
Arrow Altech Holdings (Pty) Limited	—	3	3	20	26
Payments due to the shareholders of ComTech (Pty) Limited	—	6	5	—	11
Standard Chartered Bank	—	—	42	9	51
	—	9	50	29	88

2007	6 months or less	6 – 12 months	1 – 2 years	2 – 5 years	Total
Maturity analysis (including interest payments)					
Arrow Altech Holdings (Pty) Limited	—	3	3	22	28
Altech NamITech West Africa Limited	—	7	—	—	7
	—	10	3	22	35

Interest rate risk

All external borrowings are on variable rate terms. The impact of any changes in the interest rate is not considered material and so no interest rate sensitivity analysis has been disclosed.

	GROUP 2008 R millions	GROUP 2007 R millions	COMPANY 2008 R millions	COMPANY 2007 R millions
13. TRADE AND OTHER PAYABLES				
Trade payables	901	515	1	6
Derivative liability at fair value	1	—	—	—
Payroll liabilities	32	30		
Short-term portion of long-term loans	36	—	—	—
Receipts in advance	31	53		
Other payables	451	373	—	—
	1 452	971	1	6

a. Trade payables

Management of liquidity risk

The group has negotiated favourable credit terms with suppliers, which enables the group to utilise its operating cash flow to full effect. The suppliers' age-analysis is reviewed by management on a regular basis to ensure that credit terms are adhered to and suppliers are paid when due. The group utilises multiple credit terms, most of which are less than 1 year.

Currency risk

Most amounts owed in foreign currency are covered by foreign exchange contracts (refer to note 16).

A sensitivity analysis for foreign currencies can be seen in note 16.

Interest rate risk

The group has no material exposure to interest risk as there are no suppliers that charge interest.

b. Receipts in advance

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

	6 months or less	6 – 12 months	Total
Estimate of when revenues are expected to be earned on these receipts	—	31	31

	GROUP 2008 R millions	GROUP 2007 R millions
c. Derivative liability at fair value		
Derivative liability at fair value includes:		
Forward exchange contracts used for hedging		
– Fair value hedge	1	—
	1	—

Notes to the financial statements *continued*

		GROUP	
		2008 R millions	2007 R millions
14.	**WARRANTY PROVISIONS**		
	Balance at the beginning of the year	20	7
	Provision raised during the year	21	15
	Provisions utilised during the year	(19)	(2)
	Balance at the end of the year	22	20
	The provisions are expected to be realised during the next 12 months.		
15.	**COMMITMENTS AND CONTINGENT LIABILITIES**		
15.1	**Capital expenditure**		
	Contracts for capital expenditure not provided for in the financial statements	—	—
	Capital expenditure authorised but not contracted for	5	—
		5	—
15.2	**Amounts outstanding under operating lease agreements**		
	Payable within one year		
	Property	50	32
	Plant, equipment and vehicles	28	24
		78	56
	Payable within two to five years		
	Property	125	101
	Plant, equipment and vehicles	5	6
		130	107
	Total	208	163

15.3 Contingent liabilities

In respect of the acquisition of ComTech (Pty) Limited (refer to note 31) on 1 January 2008, additional consideration of up to R40 million may be payable in cash if the acquired operation achieves certain profit targets. No additional payments, other than those included in long-term loans, are anticipated as probable at the date of these financial statements.

16. FINANCIAL INSTRUMENTS

Exposure to currency, interest rate and credit risk arises in the normal course of the group's business. Forward exchange contracts are used as a means of reducing exposure to fluctuations in foreign exchange rates.

16. FINANCIAL INSTRUMENTS *(continued)*

16.1 Currency risk

The group incurs currency risk as a result of transactions which are denominated in a currency other than the group entity's functional currency on purchases and sales.

The currencies, giving rise to currency risk, in which the group primarily deals are UK sterling, US dollars, euros and Japanese yen.

The group entities' hedge trade creditors and trade debtors are 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 risks. Transactions which create foreign currency cash flows are hedged with forward exchange contracts. No uncovered foreign exchange commitments exist at the balance sheet date. Speculative use of financial instruments or derivatives is not permitted and none has occurred during any of the periods presented.

The only forex risk the group is exposed to related to the Altech NamITech West Africa loan from Standard Chartered Bank, as this loan is dominated in naira.

If the naira strengthens by 20% against the rand, the effect on equity would be an increase of R20 million (2007: nil).

If the naira weakens by 20% against the rand, the effect on equity would be a decrease of R13 million (2007: nil).

The principal or contract amounts of foreign exchange contracts outstanding at balance sheet date were:

	GROUP	
	2008 R millions	2007 R millions
Foreign exchange contracts:		
– to pay	328	390
– to receive	364	363

The net liabilities are as follows:

Foreign currency in respect of exports	Thousands	ZAR contract value (000s)	ZAR fair value (000s)	Average rate
US dollars	44 067	328 544	345 595	7.84
Total		328 544	345 595	

Foreign currency in respect of imports	Thousands	ZAR contract value (000s)	ZAR fair value (000s)	Average rate
Euro	6 007	51 683	70 744	11.78
Japanese yen	5 104	324	384	0.08
Pound sterling	28	392	436	15.57
US dollars	44 168	311 536	346 388	7.84
Total		363 935	417 952	

16.2 Foreign currency commitments

The group has entered into certain forward exchange contracts which do not relate to specific items appearing on the balance sheet, but which were entered into to cover foreign commitments not yet due. The contracts will be utilised for purposes of inventory procurement and exports during 2008/2009.

16.3 Credit

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 against appropriate risk.

Ownership of goods only passes on receipt of payment. The maximum exposure to credit risk is represented by the carrying value of the relevant financial asset in the balance sheet.

Notes to the financial statements *continued*

16. FINANCIAL INSTRUMENTS *(continued)*

16.4 Liquidity risk

The group manages liquidity risk by maintaining adequate reserves, banking facilities, cash holdings and by continuously monitoring forecast and actual cash flows.

16.5 Fair values

The fair values of all financial instruments are substantially equal to the carrying amounts reflected in the balance sheet.

16.6 Interest rate risk

The group is exposed to interest rate risk due to cash put on call and loans from Standard Chartered Bank for its subsidiary Altech NamITech West Africa. If the rate was to improve by 2%, the effect on interest would be an increase of R27 million (2007: R27 million). If the rate was to deteriorate by 2%, the effect on interest would be a decrease of R27 million (2007: R27 million).

17. OTHER DISCLOSURES

17.1 Related-party transactions

During the year, the company and its subsidiaries, in the ordinary course of business, entered into various sale and purchase transactions with fellow subsidiaries. These transactions occurred under terms that are no more or less favourable than those arranged with third parties.

17.1.1 Subsidiaries

Details of income from and investments in subsidiaries are disclosed in note 20 and Annexure 1 respectively.

17.1.2 Directors and senior employees

Executive directors are defined as senior management. Details relating to directors' emoluments and shareholdings (including options) in the company are disclosed in the remuneration report and directors' report, respectively.

17.1.3 Shareholders

The principal shareholders of the company are detailed in the shareholders' analysis on page 50 of the annual report.

17.1.4 Management fee

The group paid a management fee of R20 million (2007: R17 million) to Allied Electronics Corporation Limited for certain shared services.

17.1.5 Cash and cash equivalents

Included in cash and cash equivalents are monies amounting to R754 million (2007: R556 million) held by Altron Finance (Pty) Limited, a treasury company and a wholly owned subsidiary of Allied Electronics Corporation Limited. Interest received from Altron Finance (Pty) Limited amounted to R69 million (2007: R57 million).

17.2 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**

  A deferred tax asset has been raised at year end on income tax losses and temporary differences in Altech NamITech South Africa operations based on current profit forecasts for the business.

- **Asset lives and residual values**

  The useful lives and residual values of property, plant, equipment and intangible assets are reassessed annually based on current utilisation and market conditions.

- **Impairment of assets**

  Goodwill is tested for impairment at least annually. Property, plant and equipment, as well as intangible assets, are considered for impairment when conditions indicate that impairment may be necessary. These conditions include economic conditions of the operating unit as well as the viability of the asset itself.

  The discounted cash flow method is used, taking into account future expected cash flows, market conditions and the expected useful lives of the assets (refer to note 2).

- **Post-employment benefit obligations**

  Post-retirement defined benefits are provided for certain existing and former employees (see note 10).

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

- **Valuation of financial instruments**

  In note 16 a detailed analysis is given of the foreign exchange exposure of the group and risks in relation to foreign exchange movements.

17. OTHER DISCLOSURES *(continued)*

17.3 Standards and interpretations in issue but not yet effective

A number of new standards, amendments to standards and interpretations are not yet effective for the year ended 29 February 2008 and have not been applied in preparing these financial statements.

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

The amendments to the standard are effective for the group for the year ending 28 February 2010. The amendments to IFRS 2 clarify that vesting conditions are service conditions and performance conditions only. Other features of a share-based payment agreement should be treated as non-vesting conditions and should be included in the grant date fair value of the share-based payment. It also specifies that cancellations by parties other than the entity should be accounted for in the same way as cancellations by the entity. This amendment is not expected to impact the group's results significantly.

IFRS 3 – Business Combinations

The amendments to the standard are effective for the group for the year ending 28 February 2011.

The principal amendments to IFRS 3 include:

- the requirement to expense all acquisition-related costs;
- recognition of fair value gains and losses in the income statement on interests in an acquiree at the time at which control is lost;
- recognition of all increases and decreases in ownership interests over an acquiree within equity while control is held;
- the option to recognise any non-controlling interest in the acquiree either at fair value or at the non-controlling interest's proportionate share of the net identifiable assets of the entity acquired;

IFRS 8 – Operating Segments

Such components (operating segments) would be identified on the basis of internal reports that the entity's chief operating decision-maker reviews regularly in allocating resources to segments and in assessing their performance. Operating segments would become reportable based on threshold tests relating to revenues, results and assets. The statement also requires more qualitative disclosures such as the types of products and services offered by each segment, geographical areas covered and major customers.

IAS 1 – Presentation of Financial Statements

The revised IAS 1 supersedes the 2003 version of IAS 1 and is effective for the group for the year ending 28 February 2010. The main change in the revised IAS 1 is the requirement to present all non-owner changes in equity in either:

- a single statement of comprehensive income which includes income statement line items; or
- a statement of comprehensive income which includes only non-owner equity changes. In addition, an income statement is also disclosed.

A statement of financial position, preferred term for "balance sheet", also has to be presented at the beginning of the comparative period when the entity restates the comparatives as a result of a change in accounting policy, the correction of an error, or the reclassification of items in the financial statements. The revised IAS 1 will not impact the results of the group but will impact the format of the income statement and statement of changes in equity.

IAS 23 – Borrowing costs

This revision is effective for the group for the year ending 28 February 2010. IAS 23 Revised eliminates the option of immediate recognition as an expense of borrowing costs directly attributable to the acquisition, construction or production of a qualifying asset.

The group's current policy is to capitalise borrowing costs attributable to the acquisition, construction or production of a qualifying asset and as such this revision is not anticipated to have a material effect on the group's results.

IAS 27 – Consolidated and Separate Financial Statements

The amendments to the standard are effective for the group for the year ending 28 February 2011.

The amendments to IAS 27 require changes in a parent's ownership interest in a subsidiary that does not result in a loss of control to be accounted for within equity as transactions with owners in their capacity as owners. At the time at which control is lost, a parent shall derecognise all assets, liabilities and non-controlling interest at their carrying amounts. Any retained interest in the former subsidiary is recognised at its fair value at the date control is lost. A gain or loss on the loss of control is recognised in profit or loss. The revised standard also requires an entity to attribute its share of total comprehensive income to the non-controlling interest even if this results in the non-controlling interest having a deficit balance.

The effect on the financial statements will be a function of the number and value of transactions that result in the loss of control over subsidiaries after the implementation of the new standard.

IAS 32 and IAS 1 amendments – Financial Instruments: Preparation and IAS 1 Presentation of Financial Statements – Puttable Financial Instruments and Obligations Arising on Liquidation

The amendments to the standards are effective for the group for the year ending 28 February 2010.

The amendment to IAS 32 requires the classification of certain puttable financial instruments and financial instruments that impose on the issuer an obligation to deliver a *pro rata* share of the entity only on liquidation as equity. The amendment sets out specific criteria that are to be met to present the instruments as equity together with related disclosure requirements. This amendment is not expected to have a significant impact on the group's results.

Notes to the financial statements *continued*

17. OTHER DISCLOSURES *(continued)*

17.3 Standards and interpretations in issue but not yet effective *(continued)*

IFRIC 12 – Service Concession Arrangements

The interpretation is effective for the year ending 28 February 2009.

Service concessions are contractual service arrangements whereby a government or other public sector entity grants contracts for the supply of public services such as roads, airports, prison, energy and water supply distribution facilities to private sector operators. This interpretation provides guidance on how service concession operators should apply existing IFRS to account for the obligations they undertake and the rights they receive in service concession arrangements. This standard is not applicable to the business of the group.

IFRIC 13 – Customer Loyalty Programmes

This interpretation is effective for the group for the year ending 28 February 2010.

The interpretation addresses the recognition and measurement of obligations to provide customers with free or discounted goods or services if and when they choose to redeem their loyalty award credits. The interpretation requires entities to allocate some of the proceeds of the initial sale to the award credits and recognise these proceeds as revenue only when the obligations have been fulfilled. They may fulfil their obligations by supplying awards themselves, or engaging and paying a third party to do so. This interpretation is not expected to impact the group's results significantly.

IFRIC 14 – IAS 19 – The Limit on a Defined Benefit Asset, Minimum Funding Requirements and their Interaction

This interpretation is effective for the group for the year ending 28 February 2009.

IFRIC 14 provides a clearer interpretation of the amount of a pension fund surplus that can be recognised as an asset. The availability of a refund of surplus or a reduction in future contributions (economic benefits) is determined based on the terms and conditions of the plan and any relevant statutory requirements.

Any changes in the defined benefit asset will be recognised immediately in profit or loss. The impact of this interpretation has not yet been assessed.

	GROUP		COMPANY	
	2008 R millions	2007 R millions	2008 R millions	2007 R millions
18. REVENUE				
Goods sold	3 944	3 039		
Services rendered	4 298	3 741		
	8 242	6 780		
19. OPERATING PROFIT				
Operating profit is stated after taking account of the following items:				
19.1 Auditors' remuneration				
Audit fees	5	5		
For other services	1	—		
	6	5		
19.2 Directors' emoluments				
Executive directors				
– salaries and bonuses	15	13		
– retirement, medical and other benefits	1	1		
	16	14		
Non-executive directors				
– fees	1	1		
Total directors' emoluments	17	15		
Less: Paid by subsidiaries	(17)	(15)		
Emoluments paid by the company	—	—		

	GROUP 2008 R millions	GROUP 2007 R millions	COMPANY 2008 R millions	COMPANY 2007 R millions
19. OPERATING PROFIT *(continued)*				
19.3 Fees payable				
Managerial – fellow subsidiary company	20	17		
– other	1	2		
Technical, consultancy and "know-how"	45	40		
	66	59		
19.4 Foreign exchange gains				
Realised	23	29		
Unrealised	11	35		
	34	64		
19.5 Foreign exchange losses				
Realised	9	41		
Unrealised	—	19		
	9	60		
19.6 Share-based payments				
Equity settled	8	7		
Cash settled	2	7		
	10	14		
19.7 Foreign exchange contracts – fair value adjustment	—	10		
19.8 Increase in warranty provisions	2	13		
19.9 Operating lease charges				
Property	58	49		
Plant, equipment and vehicles	4	3		
	62	52		
19.10 Research and development expenditure	120	105		
19.11 Loss on disposal of property, plant and equipment	(1)	(1)		
19.12 Amortisation of intangibles	10	4		
19.13 Impairment of property, plant and equipment	—	5		
20. INVESTMENT INCOME				
Income from subsidiaries			256	329
– dividends			255	327
– interest			1	2
Income from related party				
– interest	69	57	81	66
Income from other investments				
– dividends	4	4	—	—
– interest	25	18		—
Total	98	79	337	395

Notes to the financial statements *continued*

	GROUP		COMPANY	
	2008 R millions	2007 R millions	2008 R millions	2007 R millions
21. FINANCE COSTS				
Interest paid	(21)	(6)	(70)	(45)
22. CAPITAL ITEMS				
Loss on disposal of property, plant and equipment	(1)	(1)		
Impairment of property, plant and equipment	—	(5)	—	—
Discontinuing operations	—	(1)		
Impairment of investment in Altech NamITech South Africa	—	—	(88)	—
	(1)	(7)	(88)	—
23. TAXATION				
23.1 Taxation charge				
Current taxation	208	204	4	7
Deferred taxation	(13)	(37)	—	—
Adjustment to prior years				
– current taxation	—	6	(2)	
– deferred taxation	(1)			
– rate change	(1)		—	—
	193	173	2	7
Secondary tax on companies	26	38	(2)	—
	219	211	—	7
23.2 Reconciliation of rate of taxation	%	%		
South African normal tax rate	29.0	29.0		
Disallowable expenditure	4.5	0.8		
Non-taxable income	(5.7)	(3.3)		
Goodwill impaired	3.8	—		
Prior year adjustments	(2.1)	0.9		
	0.5	(1.6)		
Capital gains tax	—	—		
Secondary tax on companies	4.0	5.9		
Net increase	4.5	4.3		
Effective tax rate	33.5	33.3		
23.3 Tax losses				
The estimated tax losses available for set-off against future taxable income are as follows:				
Total available tax losses	196	147		
Deferred tax raised thereon	(196)	(143)		
Available tax losses	—	4		
Attributable to minority shareholders	—	(2)		
	—	2		

	GROUP		COMPANY	
	2008 R millions	2007 R millions	2008 R millions	2007 R millions
24. EARNINGS PER SHARE				
24.1 Reconciliation between earnings and headline earnings				
Attributable earnings	409	401		
Adjustments for:				
Impairment of goodwill	86	—		
Capital items – gross	1	7		
	496	408		
Tax effects of adjustments	—	(2)		
Minority shareholders' interest	—	(1)		
	496	405		
During the current year, the company adopted the new circular on headline earnings, which resulted in a change in the headline earnings as reported in 2007 from R409 million to R405 million as a result of closure costs no longer being a headline earnings adjustment in terms of the new circular.				
24.2 Earnings per share (cents)	421	410		
Fully diluted earnings per share (cents)	406	398		
24.3 Headline earnings per share (cents)	511	414		
Diluted headline earnings per share (cents)	494	406		
Dividend per share – declared (cents)	288	240		
Headline dividend cover (times)	2.2	1.4		
24.4 Reconciliation between earnings attributable to Altech equity holders and fully diluted headline earnings is as follows:				
Attributable earnings to Altech equity holders	409	401		
Additional earnings attributable to BEE minorities in a subsidiary	(4)	—		
Fully diluted earnings	405	401		
24.5 Reconciliation between headline earnings attributable to Altech equity holders and fully diluted headline earnings is as follows:				
Headline earnings	496	405		
Additional earnings attributable to BEE minorities in a subsidiary	(4)	—		
Fully diluted headline earnings	492	405		

Notes to the financial statements *continued*

	GROUP 2008 R millions	GROUP 2007 R millions	COMPANY 2008 R millions	COMPANY 2007 R millions
24. EARNINGS PER SHARE *(continued)*				
24.6 Reconciliation between number of shares used for earnings and headline earnings per share and diluted earnings and headline earnings per share	Number of shares 000's	Number of shares 000's		
Weighted average number of shares	97 040	97 763		
Dilutive options	2 641	2 985		
Number of shares to calculate dilution	99 681	100 748		
For diluted attributable earnings per share the weighted average number of ordinary shares is adjusted to assume conversion of not yet vested options under the share option schemes, net of shares held by the schemes for future releases. Basic headline earnings per share is calculated by dividing headline earnings by the weighted average number of ordinary shares in issue during the year. Diluted headline earnings per share is calculated by dividing diluted headline earnings by the adjusted weighted average number of shares in issue. Fully diluted earnings and headline earnings have been calculated on the basis that: – The recognition of the deferred sale of the 30% interest to Platina Venture Holdings (Pty) Limited in Altech Alcom Matomo based on the assumption that the purchase price will be settled in cash of R13 million.				
25. DIVIDENDS				
Ordinary dividend number 64 of 240 cents per share (2007: 209 cents per share)	235	204	255	221
Special dividend of 0 cents (2007: 100 cents per share)	—	98	—	106
	235	302	255	327
26. CASH GENERATED BY OPERATIONS				
Operating profit	664	568		
Adjustments for:				
Depreciation – property, plant and equipment	86	85		
Amortisation – intangibles	10	4		
Impairment – property, plant and equipment	—	5		
Loss on disposal of property, plant and equipment	1	1		
Movement in provisions	2	13		
Other movements	(2)	(4)	(88)	—
Cash generated before movements in working capital	761	672	(88)	—
(Decrease)/increase in inventories	44	(110)	—	—
(Decrease)/increase in accounts receivable	(261)	(122)	3	(1)
Increase/(decrease) in accounts payable	465	(95)	(5)	—
	1 009	345	(90)	(1)

	GROUP		COMPANY	
	2008 R millions	2007 R millions	2008 R millions	2007 R millions
27. TAXATION PAID				
Amounts unpaid at the beginning of the year	(19)	(94)	(2)	(21)
Amounts charged to the income statement	(234)	(248)	—	(7)
Translation effect	1	(1)	—	—
Amounts unpaid at the end of the year	87	19	—	2
	(165)	(324)	(2)	(26)
28. PROCEEDS ON DISPOSAL OF PROPERTY, PLANT AND EQUIPMENT				
Carrying amount of property, plant and equipment	21	3	—	—
Loss on disposal	(1)	(1)	—	—
	20	2	—	—
29. OTHER INVESTING ACTIVITIES				
Increase/(decrease) in amounts owing by subsidiaries	—	—	2	(285)
Movement in investments and loans	—	—	(12)	(24)
Shareholders' loan acquired			3	—
Own shares acquired	(35)	—	—	—
	(35)	—	(7)	(309)
30. ACQUISITIONS				
30.1 Subsidiary and business acquired				
Intangibles	(56)	(14)		
Inventories	(9)			
Accounts receivable	(9)	(7)		
Property, plant and equipment	(2)	—		
Deferred taxation	10			
Accounts payable	15	—		
Net bank	2	(4)		
Goodwill	(18)	—		
Fair value of net assets acquired	(67)	(25)		
Less: Amount owing on purchase price	9	—		
Overdraft acquired	2	—		
Transaction cost	—	(1)		
Cash outflow on acquisition	(56)	(26)		
30.2 Transaction with minorities				
Altech Alcom Matomo (Pty) Limited	—	(8)		
Altech Data (Pty) Limited	(28)	—		
Altech NamITech Holdings (Pty) Limited	(2)	(17)		
3CTV	—	(2)		
	(30)	(27)		

Notes to the financial statements *continued*

31. BUSINESS COMBINATIONS

Acquisition of ComTech (Proprietary) Limited (ComTech)

On 1 January 2008, the group acquired 100% of the interest in ComTech. The acquired company contributed revenue of R16 million and profit after taxation of R1 million for the period 1 January to 29 February 2008. If the acquisition had taken place on 1 March 2007, the acquired company would have contributed revenue of R90 million and a loss after taxation of R4 million for the period 1 March 2007 to 29 February 2008. This has been calculated using the group's accounting policies and after adjusting for amortisation charges, net of taxation, assuming that the fair value adjustments had taken place on 1 March 2007. Details of the net assets acquired and goodwill are as follows:

	R millions
Purchase price – cash consideration	44
– deferred payment	9
Total purchase price	53
Fair value of net assets acquired	(35)
Goodwill on acquisition	18

The goodwill represents the excess of the cost of the acquisition of ComTech over the anticipated future economic benefits to be derived from the assets.

Acquisition of the Altech Netstar franchise in Rustenburg

On 1 August 2007, the group acquired 100% of the Altech Netstar franchise in Rustenburg. The acquired business contributed revenue of R12.7 million and profit after taxation of R5.5 million for the period 1 August 2007 to 29 February 2008. If the acquisition had taken place on 1 March 2007, the acquired business would have contributed revenue of R25.5 million and profit after taxation of R0.9 million for the period 1 March 2007 to 29 February 2008. This has been calculated using the group's accounting policies and after adjusting for amortisation charges, net of taxation, assuming that the fair value adjustments had taken place on 1 March 2007. Details of the net assets acquired and goodwill are as follows:

	R millions
Purchase price – cash consideration	11
Fair value of net assets acquired	(11)
Goodwill on acquisition	—

Fair value of net assets acquired for business combinations

The assets and liabilities arising on acquisition are as follows:

	Fair values at date of acquisition R millions	Acquiree's carrying amount at date of acquisition R millions
Intangible assets	56	—
Inventories	9	9
Receivables	9	9
Property, plant and equipment	2	2
Deferred tax	(10)	3
Accounts payable	(15)	(15)
Overdrafts	(2)	(2)
Goodwill	18	—
Fair value of net assets acquired	67	6

Refer to note 30 for the cash outflow on acquisition of the interest in ComTech and franchise in Rustenburg.

32. POST-BALANCE SHEET EVENTS

32.1 Acquisition of 51% controlling interest in certain East African companies

The company has signed agreements with Sameer ICT Limited (Sameer) to acquire 51% of the issued share capital on 1 March 2008 of Kenya Data Networks Limited (KDN), Swift Global (Kenya) Limited (Swift) and Infocom Limited (Infocom). The purchase price of US$75 million, payable in cash, will be allocated as follows:

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

Of the total purchase price of US$75 million referred to above, an amount of US$10 million will be held in escrow (plus interest), to be released to the vendors of the shares concerned, against the achievement of an aggregated combined profit after taxation of at least US$11.7 million for the 12 months ending 31 December 2008. The escrow amount and interest thereon will be reduced proportionately to any shortfall on the warranted profit after taxation stated above.

In addition, the company and Sameer will inject new capital of US$20 million into the three companies acquired, of which 51% will be provided by the company and the remaining 49% will be provided by Sameer. Therefore, the company's maximum total cash outflow will amount to US$85.2 million, comprising the purchase price of US$75 million and the cash injection of US$10.2 million.

KDN is a full service data communications carrier and its portfolio of services include the following broad categories:

- Metro fibre.
- Trunk backhaul.
- Gateway.
- Metro wireless.

Swift is essentially an internet service provider in Kenya, utilising gateway and network capacity provided by KDN.

Infocom provides internet and IT services, including the design and implementation of virtual private networks.

The acquiree's combined balance sheet at the date of acquisition is as follows:

	R millions
Property, plant and equipment	261
Inventories	25
Accounts receivable	91
Accounts payable	(124)
Cash and cash equivalents	3
Total net assets	256

As the acquisition was effective post-year-end, the purchase price allocation will be done during the 2009 financial year.

32.2 Acquisition of Bloemfontein and Witbank Altech Netstar franchises

Altech concluded agreements to acquire 100% of the above franchises subsequent to year-end for R18.3 million. As the acquisitions were effected post-year-end, the purchase price allocation will be done during the 2009 financial year.

The acquiree's combined balance sheet is at the date of acquisition is as follows:

	R millions
Accounts receivable	1

Notes to the financial statements *continued*

33. CAPITAL MANAGEMENT

The Altech group'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 Altech board monitors both the demographic spread of the shareholders and the return on capital, which is defined as total shareholders equity, excluding minority interests. It also monitors and approves the level of dividends paid to shareholders.

The Altech group currently has interest-bearing debt of R77 million (2007: R30 million). The increase in the current year is mainly as a result of bank borrowings in Altech NamITech West Africa of R46 million, replacing intergroup funding during the year ended 29 February 2008. The Altech group is currently not in a net debt position as its cash and cash equivalents are greater than its borrowings.

The Altech group's target is to achieve a return on shareholders equity in excess of 20%. The return in 2008 was 25.4% (2007: 22.4%).

The Altech group utilises share options and/or conditional rights as a long term retention mechanism for senior executives and other key employees. The award of share options and/or conditional rights is linked to the headline earnings performance of the Altech group so that the interests of the existing shareholders and senior employees are aligned. The award of the share options and/or conditional rights is in accordance with a matrix that is approved by Altech's remuneration and nomination committee. Altech's share capital consists of 105 093 798 ordinary shares. Refer to note 7 for a quantitive summary of authorised and issued share capital.

The Altech group does not have a defined share buyback plan, but does from time to time purchase its own shares on the market. The timing of these purchases depends on market prices. Shares acquired are either held as treasury stock or would be cancelled on repurchase. The Altech group currently holds 8 609 607 treasury shares (see notes 7.2 and 7.13) and there are no restrictions on the rights of these shares. The Altech group has a general authority in place to acquire up to 20% of the company's 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. During the year under review the group cancelled 1 073 729 shares amounting to R67 million.

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

Annexure 1

Subsidiaries

	Issued capital	Effective holding		Shares at cost less amounts written off		Net indebtedness	
	R	2008 %	2007 %	2008 R millions	2007 R millions	2008 R millions	2007 R millions
Altech Alcom Radio Distributors (Pty) Limited	100	100.0	100.0	—	—	—	—
Alcom Systems (Pty) Limited	200 000	100.0	100.0	—	—	(13)	(13)
Altech Alcom Matomo (Pty) Limited	1 800	100.0	100.0	7	7	—	—
Altech Data (Pty) Limited	2 700	100.0	75.0	89	41	(62)	(68)
Altech Industries (Pty) Limited	43 002	100.0	100.0	10	10	(349)	(352)
Altech Management Services (Pty) Limited	100	100.0	100.0	—	—	(24)	—
Altech Stream (Pty) Limited	200	100.0	100.0	—	—	—	—
Arrow Altech Holdings (Pty) Limited	880 000	50.0	50.0	53	53	20	23
Altech Autopage Cellular (Pty) Limited	20 000	100.0	100.0	4	4	(154)	(154)
Autopage Holdings Limited	1 245 250	100.0	100.0	344	344	(40)	(40)
Altech Isis (Pty) Limited	100	100.0	100.0	—	—	—	—
ComTech (Pty) Limited		100.0	—	50	—	—	—
MediaVerge Solutions (Pty) Limited	20 000	100.0	100.0	—	—	—	—
Mobile Direct Telecom (SA) (Pty) Limited	100	100.0	100.0	—	—	—	—
Altech NamITech Holdings (Pty) Limited**	1 324 691	100.0	76.2	479	565	—	—
Altron One Nominees (Pty) Limited	3 600	100.0	100.0	—	—	292	257
Altech Netstar (Pty) Limited	1 000	100.0	100.0	6	6	—	—
Altech Netstar Fleet Management Services (Pty) Limited	4 000	100.0	100.0	—	—	—	—
Altech Supercall Cellular (Pty) Limited	100	100.0	100.0	—	—	—	—
Altech UEC Multi-media Limited	100 000 000	100.0	100.0	130	130	(2)	(2)
Altech UEC Technologies (Pty) Limited	1	100.0	100.0	—	—	15	15
Share-based payments and other loans				17	13	—	—
10 minor subsidiaries (2006: 13)		100.0	100.0	1	1	(31)	(12)
				1 190	1 174	(348)	(346)

Note

The above details are given in respect of interest in subsidiaries, where material. A full list of South African subsidiaries is available, on request, at the registered office of the company.

Annexure 2

Segment information – Income statement

	Consolidated		Telecommunications and wireless communications		
	2008 R millions	2007 R millions	2008 R millions	2007 R millions	
BUSINESS SEGMENTATION					
Revenue					
Goods sold	3 943	3 039	1 838	1 427	
Services rendered	4 299	3 741	4 100	3 545	
Intersegment revenue	—	—	12	4	
Total segment revenue	8 242	6 780	5 950	4 976	
Operating expenses	(7 482)	(6 117)	(5 426)	(4 521)	
Depreciation/impairment	(96)	(95)	(31)	(17)	
Operating profit	664	568	493	438	
Investment income	98	79	81	54	
Interest expense	(21)	(6)	—	(5)	
Income before goodwill impaired, capital items and taxation	741	641	574	487	
GEOGRAPHIC SEGMENTATION					
Revenue	8 242	6 780	5 950	4 976	
South Africa	7 129	6 084	5 891	4 935	
Rest of Africa	574	351	37	14	
Europe	72	129	—	—	
Rest of world	467	216	22	27	
Operating profit	664	568	493	438	
South Africa	602	496	493	438	
Rest of Africa	60	62	—	—	
Europe	—	—	—	—	
Rest of world	2	10	—	—	

	Multi-media and Electronics		Information Technology		Corporate and eliminations	
	2008 R millions	2007 R millions	2008 R millions	2007 R millions	2008 R millions	2007 R millions
	1 522	1 089	583	523	—	—
	51	72	148	124	—	—
	82	80	—	6	(94)	(90)
	1 655	1 241	731	653	(94)	(90)
	(1 512)	(1 105)	(632)	(577)	88	86
	(22)	(22)	(43)	(56)	—	—
	121	114	56	20	(6)	(4)
	10	6	2	4	5	15
	(11)	(4)	(22)	(12)	12	15
	120	116	36	12	11	26
	1 655	1 241	731	653	(94)	(90)
	917	826	415	413	(94)	(90)
	234	100	303	237	—	—
	72	129	—	—	—	—
	432	186	13	3	—	—
	121	114	56	20	(6)	(4)
	119	104	(4)	(42)	(6)	(4)
	—		60	62	—	—
	—		—	—	—	—
	2	10	—	—	—	—

Annexure 2

Segment information – Balance sheet

	Consolidated		Telecommunications and wireless communications	
	2008 R millions	2007 R millions	2008 R millions	2007 R millions
BUSINESS SEGMENTATION				
ASSETS				
Property, plant and equipment	299	260	53	35
Goodwill and intangible assets	409	365	78	21
Associates and other investments	—	—	—	—
Inventories	364	400	91	82
Trade and other receivables	937	667	456	313
Operating assets	2 009	1 692	678	451
Deferred tax assets	88	60		
Cash and cash equivalents	1 591	1 173		
Total assets per balance sheet	3 688	2 925		
LIABILITIES				
Minority shareholders' loans	22	30	—	—
Long-term liabilities	55	—	—	—
Trade and other payables	1 452	971	999	733
Provisions	22	20	1	—
Interest and non-interest-bearing liabilities	1 551	1 021	1 000	733
Taxation payable	87	19		
Deferred tax liabilities	23	2		
Total liabilities per balance sheet	1 661	1 042		
GEOGRAPHIC SEGMENTATION				
Operating assets	2 009	1 692	678	451
South Africa	1 794	1 538	678	451
Europe	13	—	—	—
Rest of world	202	154	—	—
Interest and non-interest-bearing liabilities	1 551	1 021	1 000	733
South Africa	1 380	988	1 000	733
Europe	—	—	—	—
Rest of world	171	33	—	—
Capital expenditure	137	68	36	20
South Africa	106	48	36	20
Europe	—	—	—	—
Rest of world	31	20	—	—

	Multi-media and Electronics		Information Technology		Corporate and eliminations	
	2008 R millions	2007 R millions	2008 R millions	2007 R millions	2008 R millions	2007 R millions
	85	56	154	160	7	9
	—	—	331	344	—	—
	—	—	—	—	—	—
	191	242	82	78	—	(2)
	284	189	174	135	23	30
	560	487	741	717	30	37
					88	60
					1 591	1 173
					1 709	1 270
	—	—	—	—	22	30
	—	—	45	—	10	—
	283	115	163	113	7	10
	14	15	7	5	—	—
	297	130	215	118	39	40
					87	19
					23	2
					149	61
	560	487	741	717	30	37
	552	476	534	574	30	37
	—	—	13	—	—	—
	8	11	194	143	—	—
	297	130	215	118	39	40
	215	123	126	92	39	40
	—	—	—	—	—	—
	82	7	89	26	—	—
	52	20	49	26	—	2
	50	20	20	6	—	2
	—	—	—	—	—	—
	2	—	29	20	—	—

Allied Technologies Limited

(Incorporated in the Republic of South Africa)
(Registration No 1946/020415/06) (Share code: ALT) (ISIN: ZAE000015251)
("Altech" or "the company")

PROXY FOR THE SIXTY-SECOND ANNUAL GENERAL MEETING – FOR USE BY CERTIFICATED ORDINARY SHAREHOLDERS AND DEMATERIALISED SHAREHOLDERS WITH OWN NAME REGISTRATION ONLY

Holders of dematerialised ordinary shares other than with "own name" registration must inform their CSDP or broker of their intention to attend the annual general meeting and request their CSDP to issue them with the necessary authorisation to attend the annual general meeting in person or provide their CSDP or broker with their voting instructions should they not wish to attend the annual general meeting in person but wish to be represented thereat.

I/We ______________________________
(PLEASE PRINT)
of address ______________________________

being the holder(s) of ______________ ordinary shares in the capital of the company do hereby appoint

1. ______________________________ or failing him/her,

2. ______________________________ or failing him/her,

the chairman of the annual general meeting as my/our proxy to act for me/us and on my/our behalf at the annual general meeting which will be held on Tuesday, 8 July 2008 at 16h00 at 79 Central Street, Houghton for the purpose of considering and, if deemed fit, passing, with or without modification, the resolutions to be proposed thereat and at any adjournment thereof, and to vote for and/or against the resolutions and/or abstain from voting in respect of the shares registered in my/our name/s, in accordance with the following instructions:

		NUMBER OF ORDINARY SHARES		
		For	Against	Abstain
1. Annual financial statements				
2. Re-election of directors	2.1 Dr WP Venter			
	2.2 PMO Curle			
	2.3 RE Venter			
	2.4 ZJ Sithole			
	2.5 M Sindane			
3. Remuneration of non-executive directors				
4. Reappointment of external auditors				
5. General repurchase of securities				
6. Unissued shares				
7. General issue of shares for cash				
8. Authorise directors to give effect to resolutions				

Signed at ______________ on ______________ 2008

Signature ______________________________

Assisted by me (where applicable) ______________________________

Notes

1. An ordinary shareholder may insert the name of a proxy or the names of two alternative proxies of the ordinary shareholder's choice in the space provided and any such proxy need not be a shareholder of the company. Should a proxy not be specified, this will be exercised by the chairman of the annual general meeting.
2. An ordinary shareholder is entitled to one vote on a show of hands and, on a poll, one vote in respect of each ordinary share held. An ordinary shareholder's instructions to the proxy must be indicated by inserting the relevant number of votes exercisable by the ordinary shareholder in the appropriate box(es). An ordinary shareholder or his/her proxy is not obliged to use all the votes exercisable by the ordinary shareholder, or to cast all those votes exercised in the same way, but the total of the votes cast and in respect whereof abstention is recorded may not exceed the total of the votes exercisable by the ordinary shareholder.
3. If any ordinary shareholder does not indicate on this instrument that his/her proxy is to vote in favour of or against any resolution or to abstain from voting, or give contradictory instructions, or should any further resolution(s) or any amendment(s) which may be properly put before the annual general meeting be proposed, the proxy shall be entitled to vote as he/she thinks fit.
4. Documentary evidence establishing the authority of a person signing the proxy form in a representative capacity must be attached to this form, unless previously recorded by the company or waived by the chairman of the annual general meeting.
5. This proxy form should be completed and returned to the company's transfer secretaries, Computershare Investor Services (Pty) Limited, 70 Marshall Street, Johannesburg, 2001 (PO Box 61051, Marshalltown, 2107), so as to reach them by not later than Monday, 7 July 2008 at 16h00.

ADDITIONAL FORMS OF PROXY ARE AVAILABLE FROM THE TRANSFER SECRETARIES ON REQUEST.