

Allied Electronics Corporation Limited

(Incorporated in the Republic of South Africa)
(Registration number 1947/024583/06)

Share Code: ATN ISIN: ZAE000029658
Share Code: ATNP ISIN: ZAE000029666

Abridged audited consolidated financial statements for the year ended 28 February 2007

Abridged income statements

R millions

	% Change	2007 (Audited)	2006 (Audited)
Revenue	23%	17,126	13,913
Operating profit before capital items	47%	1,528	1,040
Capital items (Note 1)		(38)	(54)
Result from operating activities		1,490	986
Financial income		132	112
Financial costs		(56)	(53)
Share of profit from associates		4	32
Profit before taxation		1,570	1,077
Taxation		(481)	(326)
Profit for the year	45%	1,089	751
Attributable to minority shareholders		284	257
Attributable to Altron equity holders		805	494
Basic earnings per share (cents)	63%	287	176
Diluted basic earnings per share (cents)	51%	250	166
Dividends per share paid (cents)		78	63
Dividends per share declared (cents)	51%	118	78

Abridged balance sheets

R millions

	2007 (Audited)	2006 (Audited)
Assets		
<i>Non-current assets</i>	2,311	2,114
Property, plant and equipment	954	905
Intangible assets	844	773
Associates	15	14
Other investments	239	214
Rental finance advances	77	90
Deferred taxation	182	118
<i>Current assets</i>	6,139	5,423
Inventories	2,013	1,295
Trade and other receivable	2,494	1,976
Assets classified as held-for-sale	19	-
Cash and cash equivalents	1,613	2,152
<i>Total assets</i>	8,450	7,537
Equity and liabilities		
<i>Total equity</i>	4,746	4,034
<i>Non-current liabilities</i>	389	343
Loans	149	124
Empowerment funding obligation	172	173
Provisions	38	25
Deferred taxation	30	21
<i>Current liabilities</i>	3,315	3,160
Loans	65	238
Bank overdraft	24	-
Trade and other payables	2,940	2,680
Provisions	66	55
Liabilities classified as held-for-sale	15	-
Taxation payable	205	187
<i>Total equity and liabilities</i>	8,450	7,537
Net asset value per share (cents)	1,261	1,040

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Abridged statements of changes in equity							R millions
	Attributable to Altron equity holders					Minority interest	Total equity
	Share capital and premium	Treasury shares	Reserves	Retained earnings	Total		
Balance at 28 February 2005 (Audited)	806	(222)	56	2,039	2,679	964	3,643
Recognised income and expense							
Profit for the year	-	-	-	494	494	257	751
Foreign currency translation differences	-	-	(3)	-	(3)	(1)	(4)
Release of translation surpluses	-	-	(9)	-	(9)	-	(9)
Cash flow hedging reserve	-	-	(3)	-	(3)	(1)	(4)
Fair value adjustments	-	-	8	-	8	-	8
Transactions with shareholders							
Issue of share capital	21	-	-	-	21	-	21
Dividends	-	-	-	(176)	(176)	(106)	(282)
Share-based payments	-	-	2	-	2	-	2
Change in shareholding of subsidiaries	-	-	(82)	-	(82)	-	(82)
Disposal of subsidiary	-	-	-	-	-	(10)	(10)
Balance at 28 February 2006 (Audited)	827	(222)	(31)	2,357	2,931	1,103	4,034
Recognised income and expense							
Profit for the year	-	-	-	805	805	284	1,089
Foreign currency translation differences	-	-	56	-	56	15	71
Cash flow hedging reserve	-	-	3	-	3	2	5
Fair value adjustments	-	-	1	-	1	1	2
Transactions with shareholders							
Issue of share capital	8	-	-	-	8	-	8
Dividends	-	-	-	(216)	(216)	(173)	(389)
Share-based payments	-	-	18	-	18	5	23
Change in shareholding of subsidiaries	-	-	(1)	-	(1)	(19)	(20)
Purchase of own shares	-	(77)	-	-	(77)	-	(77)
Balance at 28 February 2007 (Audited)	835	(299)	46	2,946	3,528	1,218	4,746

Abridged cash flow statements

R millions

	2007 (Audited)	2006 (Audited)
Cash flows from operating activities	10	819
Cash generated by operations	1,797	1,198
Net investment income	131	39
Changes in working capital	(998)	214
Taxation paid	(531)	(350)
Cash available from operating activities	399	1,101
Dividends paid, including to minority shareholders	(389)	(282)
Cash flows applied to investing activities	(467)	(62)
Cash flows applied to financing activities	(120)	(122)
Net (decrease)/increase in cash and cash equivalents	(577)	635
Cash and cash equivalents - beginning of year	2,152	1,520
Translation differences on foreign cash	14	(3)
Cash and cash equivalents - end of year	1,589	2,152

Notes

R millions

Basis of preparation

The abridged consolidated financial statements have been prepared in accordance with the measurement criteria of International Financial Reporting Standards (IFRS) and its interpretations adopted by the International Accounting Standards Board (IASB) in issue and effective at 28 February 2007, the presentation as well as the disclosure requirements of IAS34, Interim Financial Reporting and in compliance with the listing requirements of the JSE Limited.

The accounting policies followed are consistent with those adopted in the prior year except as follows:

Circular 9/2006 – Transactions giving rise to Adjustments to Revenue/Purchases

The Group previously reflected discounts received from suppliers as other income and discounts granted as operating expenses. In terms of circular 09/2006 issued by the South African Institute of Chartered Accountants, the Group now accounts for discounts received from suppliers as part of cost of sales and discounts granted as a reduction of revenue. In order to present the year to 28 February 2006 on a consistent basis the following restatements have been made:

		Year ended 28 Feb 2006	
Decrease in revenue		56	
Decrease in materials and services		56	
		2007	2006
		(Audited)	(Audited)
Headline earnings per share (cents)	51%	286	189
Diluted headline earnings per share (cents)	42%	250	176
1. Capital items			
Net gain on disposal of property, plant and equipment		33	7
Impairment losses		(61)	(100)
Goodwill adjustment on utilisation of at acquisition tax losses		(19)	(38)
Net gain on disposal and closure of businesses		9	65
Profit on disposal of investments		-	3
Foreign currency translation reserve realised		-	9
		(38)	(54)
2. Reconciliation between earnings and headline earnings			
Attributable to Altron equity holders		805	494
Capital items - gross		38	54
Tax effect of capital items		(5)	9
Minority interest in capital items		(36)	(28)
Headline earnings		802	529
3. Reconciliation between attributable earnings and diluted earnings			
Attributable to Altron equity holders		805	494
Additional earnings attributable to BEE minorities in subsidiaries		(87)	(21)
Minority interest in adjustments		11	10
Dilution in earnings of subsidiary dilutive options		(12)	(14)
Diluted earnings		717	469
4. Reconciliation between headline earnings and diluted headline earnings			
Headline earnings		802	529
Additional earnings attributable to BEE minorities in subsidiaries		(82)	(29)
Minority interest in adjustments		13	13
Dilution in earnings of subsidiary dilutive options		(15)	(15)
Diluted headline earnings		718	498

Notes (cont)

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

- Kagiso Strategic Investments (Pty) Ltd exercised its full option on 22% of the shares in Bytes Technology Group South Africa (Pty) Ltd adjusted for the dilutive effect of the option price at BTG SA level.
- The recognition of the deferred sale of a 30% interest to the Izingwe Consortium in Aberdare Cables based on the assumption that the purchase price will be settled in cash of R165 million, adjusted for the dilutive effect of the option price at the Powertech level.
- The effective option was antidilutive in the prior year and so caused no dilution in that period.
- The dilution in earnings of subsidiary dilutive options.

The calculations for the comparative period have been restated to achieve consistency, the effects of which are insignificant.

5. Disposals

During the second half of the year the directors of Bytes took a decision to dispose of the Bytes' shareholding in Bytes IT Solutions Limited ("Plato"). This operation is consequently classified as held for sale as at 28 February 2007 and the net assets have been valued at R4 million which is the lower of the carrying amount of the net assets and the fair value less costs to sell. Accordingly the carrying value of the net tangible assets held-for-sale has been impaired by R6 million and the remaining goodwill of R50 million has being fully impaired.

6. Acquisitions of subsidiaries and joint ventures

The Bytes group acquired the entire shareholding of two Xerox dealers in the UK, Xclusive Solutions and Vantage Business Systems, for an aggregate cash consideration of R65 million. As well as local operations Zenith Systems, TMS 2000 and Silverminute for R15 million.

Altech acquired Mobimaster ,a French telecommunications billing systems provider for R25 million.

The acquisitions contributed R 250 million to group revenue and R 22 million to profit for the year.

Subsidiaries	Recognised values	Fair value adjustments	Carrying amount
Non-current assets	7	30	37
Current assets	48	-	48
Non-current liabilities	-	(5)	(5)
Current liabilities	(46)	-	(46)
Net identifiable assets and liabilities	9	25	34
Goodwill on acquisition			71
Total consideration			105

Joint venture - CBI Electric Aberdare ATC Telecom Cables (Proprietary) Limited

	Recognised values	Fair value adjustments	Carrying amount
Non-current assets	58	4	62
Current assets	7		7
Non-current liabilities	-	(15)	(15)
Net identifiable assets and liabilities	65	(11)	54
Goodwill on acquisition			15
Total consideration			69
Non-current asset disposals			(22)
Gain on disposal of assets			(32)
Amount owing			(15)
Net consideration			-

7. Auditors' report

KPMG Inc's unmodified auditors' report included in the consolidated annual financial statements and on the abridged consolidated financial statements contained in this abridged report are available for inspection at the company's registered office.

Business segmental analysis

R millions

	% Change	2007 (Audited)	%	2006 (Audited)	%
Revenue:					
Telecommunications	10%	5,932	35%	5,387	39%
Power electronics & multimedia	51%	6,574	38%	4,346	31%
Information technology	11%	4,741	28%	4,270	31%
Corporate, financial services and eliminations		(121)	(1%)	(90)	(1%)
	23%	17,126	100%	13,913	100%
Operating profit *					
Telecommunications	20%	539	35%	449	43%
Power electronics & multimedia	136%	651	43%	276	27%
Information technology	9%	350	23%	321	31%
Corporate and financial services		(12)	(1%)	(6)	(1%)
	47%	1,528	100%	1,040	100%

* Operating profit is stated before capital items

Operational contribution

R millions

	% Change	2007 (Audited)	%	2006 (Audited)	%	
Revenue:						
Altech	12%	6,780	39%	6,041	43%	
Bytes	18%	4,088	24%	3,470	25%	
Powertech	43%	6,289	37%	4,411	32%	
Corporate, financial services and eliminations		(31)	0%	(9)	0%	
	23%	17,126	100%	13,913	100%	
Operating profit *						
Altech	18%	573	38%	485	47%	
Bytes	15%	325	21%	282	27%	
Powertech	128%	638	42%	280	27%	
Corporate and financial services		(8)	(1%)	(7)	(1%)	
	47%	1,528	100%	1,040	100%	
Headline earnings:						
	% held at 2007					
Altech	57.6%	10%	236	29%	214	41%
Bytes	57.7%	13%	125	16%	111	21%
Powertech	100.0%	144%	415	52%	170	32%
Corporate and financial services	100.0%		26	3%	34	6%
	52%	802	100%	529	100%	

* Operating profit is stated before capital items

Supplementary information		R millions
	2007 (Audited)	2006 (Audited)
Borrowings	386	535
- interest bearing	182	328
- non interest bearing	32	34
- BEE funding obligation	172	173
Depreciation	216	202
Amortisation	19	11
Net foreign exchange gains	65	16
Capital expenditure	240	315
Contingent liabilities	6	27
Capital commitments	61	70
Lease commitments	590	484
Payable within the next 12 months:	131	117
- property	96	84
- plant, equipment and vehicles	35	33
Payable thereafter:	459	367
- property	437	348
- plant, equipment and vehicles	22	19
Unlisted investments (including Associates)		
- Carrying amount	254	228
- Directors' valuation	264	237
Weighted average number of shares (millions)	280	280
Ordinary shares	94	94
Participating preference shares	186	186
Diluted average number of shares (millions)	287	283
Shares in issue at end of period (millions)	280	282
- ordinary shares	94	94
- participating preference shares	186	188
Ratios		
EBITDA	1,763	1,253
Operating margin	8.9%	7.5%
ROCE	29.8%	22.8%
ROE	23.2%	18.2%
ROA	23.9%	20.6%
RONA	30.5%	23.8%
Borrowings ratio	8.1%	13.3%
Current ratio	1.9:1	1.7:1
Acid test ratio	1.2:1	1.3:1