Abridged audited consolidated financial statements for the year ended 28 February 2009

ALTRON

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ALLIED ELECTRONICS CORPORATION LIMITED
(Registration number: 1947/024583/06)
(Incorporated in the Republic of South Africa)
Share code: ATN ISIN: ZAE000029658
Share code: ATNP ISIN: ZAE000029666

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Abridged income statement

R millions	% change	2009 (Audited)	2008 (Audited)
Revenue	16	**24 768**	21 431
Operating profit before capital items	(7)	**1 799**	1 937
Capital items (Note 1)		**(21)**	(90)
Result from operating activities		**1 778**	1 847
Finance income		**184**	182
Finance expense		**(292)**	(89)
Share of profit from associates		**3**	4
Profit before taxation		**1 673**	1 944
Taxation		**(524)**	(625)
Profit for the year	(13)	**1 149**	1 319
Attributable to minority interest		**314**	300
Attributable to Altron equity holders		**835**	1 019
Basic earnings per share (cents)	(25)	**266**	357
Diluted basic earnings per share (cents)	(20)	**248**	310
Dividends per share paid (cents)		**156**	118
Dividends per share declared (cents)		**119**	156

Notes

Basis of preparation

The abridged consolidated financial statements have been prepared in accordance with the recognition and 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 2009 and the presentation and disclosure requirements of IAS 34, Interim Financial Reporting and in compliance with the Listings Requirements of the JSE Limited.

The accounting policies followed are consistent with those used in the prior year.

Auditor's report

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

R millions	% change	2009 (Audited)	2008 (Audited)
Headline earnings per share (cents)	(27)	**275**	375
Diluted headline earnings per share (cents)	(21)	**257**	327
Adjusted headline earnings per share (cents)	(24)	**295**	387
Adjusted diluted headline earnings per share (cents)	(18)	**277**	339
1. Capital items			
Net gain on disposal of property, plant and equipment		**23**	2
Impairment of property, plant and equipment		**(12)**	–
Impairment of goodwill		**(90)**	(86)
Goodwill adjustment on reversal of at acquisition tax losses		**–**	2
Net gain/(loss) on disposal of businesses and investments		**58**	(1)
Foreign currency translation reserve released on disposal		**–**	(7)
		(21)	(90)
2. Reconciliation between earnings and headline earnings			
Attributable to Altron equity holders		**835**	1 019
Capital items – gross		**21**	90
Tax effect of capital items		**8**	–
Deferred tax assets reversed on at acquisition tax losses		**–**	2
Minority interest in capital items		**(3)**	(39)
Headline earnings		**861**	1 072

Notes continued

R millions		2009 (Audited)	2008 (Audited)
3.	***Reconciliation between attributable earnings and diluted earnings***		
	Attributable to Altron equity holders	**835**	1 019
	Dilutive earnings attributable to BBBEE minorities in subsidiaries	**(44)**	(118)
	Dilutive earnings attributable to dilutive options at subsidiary level	**(17)**	(14)
	Minority interest in adjustments	**8**	7
	Diluted earnings	**782**	894
4.	***Reconciliation between headline earnings and diluted headline earnings***		
	Headline earnings	**861**	1 072
	Dilutive earnings attributable to BBBEE minorities in subsidiaries	**(41)**	(118)
	Minority interest in adjustments	**8**	8
	Dilutive earnings attributable to dilutive options at subsidiary level	**(17)**	(17)
	Diluted headline earnings	**811**	945
5.	***Reconciliation between headline earnings and adjusted headline earnings***		
	Adjusted headline earnings have been presented to demonstrate the impact of some once off events and accounting charges on the headline earnings of the group. Headline earnings are reconciled to adjusted headline earnings as follows:		
	Headline earnings	**861**	1 072
	Amortisation of intangibles arising on business combinations	**104**	40
	IFRS 2 charge on BBBEE transactions	**–**	3
	Costs associated with proposed purchase of minorities in subsidiaries	**–**	13
	Tax effect of adjustments	**(29)**	(14)
	Minority interest in adjustments	**(12)**	(8)
	Adjusted headline earnings	**924**	1 106
6.	***Reconciliation between diluted headline earnings and adjusted diluted headline earnings***		
	Diluted headline earnings	**811**	945
	Amortisation of intangibles arising on business combinations	**104**	40
	IFRS 2 charge on BBBEE transactions	**–**	3
	Costs associated with proposed purchase of minorities in subsidiaries	**–**	13
	Tax effect of adjustments	**(29)**	(14)
	Minority interest in adjustments	**(12)**	(8)
	Adjusted diluted headline earnings	**874**	979

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

- *Kagiso Strategic Investments (Pty) Limited exercised its full option on 22% of the shares in Bytes Technology Group South Africa (Pty) Limited adjusted for the dilutive effect of the option price at the Bytes Technology SA level for the four months prior to the exercise of the said option, effective 1 July 2008.*
- *The recognition of the deferred sale of a 30% interest in Aberdare Cables to the Izingwe Consortium based on the assumption that the outstanding purchase price will be settled in cash for R106 million (comprising the empowerment funding obligation net of excess cash deposits of R6 million), adjusted for the dilutive effect of the option price at the Aberdare level and after taking into account the 10% investment in the Izingwe Consortium by Power Technologies (Pty) Limited.*
- *The recognition of the deferred sale of a 30% interest to Platina Venture Holdings (Pty) Limited in Alcom Matomo based on the assumption that the internally financed purchase price will be settled in cash of R13 million, adjusted for the dilutive effect of the option at the Alcom Matomo level.*
- *The earnings effect of dilutive options at Allied Technologies Limited level.*

Notes continued

7. Acquisitions of subsidiaries

Bytes Group

During the period the Bytes Group acquired a number of operations, namely Planflow – 1 March 2008, Intelleca – 1 April 2008 and NOR Paper – 1 July 2008 for an aggregate consideration of R301 million, of which R49 million is deferred.

In the year to 28 February 2009 these acquisitions contributed R329 million to revenue and R15 million to the consolidated profit after tax. If the acquisitions had occurred on 1 March 2008, group revenue and net profit after tax before allocations would have increased by a further R117 million and R16 million respectively.

	Recognised values	Fair value adjustments	Carrying amount
Non-current assets	13	85	98
Current assets	149	–	149
Non-current liabilities	(1)	(26)	(27)
Current liabilities	(57)	–	(57)
Net identifiable assets and liabilities	104	59	163
Goodwill arising on acquisition			138
Total consideration			301
Less cash and cash equivalents in subsidiaries acquired			(5)
Less deferred purchase consideration			(49)
Cash outflow from the group on acquisitions			247

Powertech Group

On 1 April 2008 the Powertech Group acquired the remaining 50% of Powertech Transformers (Pty) Limited that it had not previously owned for a consideration of R320 million.

In the year to 28 February 2009 the acquisition of the remaining 50% contributed R814 million to revenue and R44 million to the consolidated profit after tax. If the acquisition had occurred on 1 March 2008, group revenue and net profit after tax before allocations would have increased by a further R54 million and R4 million respectively.

	Recognised values	Fair value adjustments	Carrying amount
Non-current assets	110	166	276
Current assets	891	15	906
Non-current liabilities	(2)	(51)	(53)
Current liabilities	(562)	–	(562)
Net identifiable assets and liabilities	437	130	567
Attributable to minorities	(42)	(23)	(65)
Net identifiable assets and liabilities	395	107	502
Goodwill arising on acquisition			69
Total consideration			571
Less fair value of existing joint venture interest applied to business combination			(251)
Less cash and cash equivalents in subsidiaries acquired			(71)
Cash outflow from the group on acquisition			249

Altech Group

On 1 March 2008, the Altech Group acquired from Sameer ICT Limited (Sameer) 51% of the issued share capital of Kenya Data Networks Limited (KDN), Swift Global (Kenya) Limited (Swift) and Infocom Limited (Infocom). The purchase price of US$75 million was 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 has been held in escrow, 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 ended 28 February 2009. The warranted profits were achieved.

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

The goodwill arising is attributable to the market dominance of the businesses in their regions and the human capital acquired.

Notes continued

7. Acquisitions of subsidiaries *(continued)*

Altech Group *(continued)*

On 1 March 2008 and 31 March 2008 the group acquired 100% of the Altech Netstar franchises in Witbank and Bloemfontein respectively.

	Recognised values	Fair value adjustments	Carrying amount
Non-current assets	317	159	476
Current assets (including capital subscription proceeds)	268	–	268
Non-current liabilities	(190)	(42)	(232)
Current liabilities	(132)	–	(132)
Net identifiable assets and liabilities	263	117	380
Attributable to minorities	(129)	(49)	(177)
Net identifiable assets and liabilities	134	68	203
Goodwill arising on acquisition			499
Total consideration			702
Less deferred purchase consideration			(82)
Consideration paid in cash			620
Less amount paid for subscription shares and received by subsidiary companies			(82)
Less cash and cash equivalents in subsidiaries acquired			(3)
Cash outflow from the group on acquisitions			535

In the year to 28 February 2009 these acquisitions contributed R449 million to revenue and R101 million to the consolidated profit after tax. If the Bloemfontein acquisition had occurred on 1 March 2008, group revenue and net profit after tax before allocations would have increased by a further R1 million and R0.2 million respectively. These amounts have been calculated using the group's accounting policies and by adjusting the results of the subsidiaries to reflect amortisation on the fair value adjustments to intangible assets from 1 March 2008, together with consequential tax effects.

8. Post balance sheet acquisitions

Acquisition of 100% interest in Fleetcall (Pty) Limited (Fleetcall)

Altech has signed agreements to acquire 100% of the issued share capital of Fleetcall on 1 March 2009.

The maximum purchase price is R75 million which is payable as follows in cash:

- *First tranche: R40 million*
- *Second tranche: R35 million payable on achievement of warranted profits.*

Fleetcall is the only trunked two-way radio operator in South Africa.

Acquisition of 100% interest in Lateral Technology Concepts (Pty) Limited (Technology Concepts)

Altech has signed agreements to acquire 100% of the issued share capital of Technology Concepts on 1 April 2009.

The maximum purchase price is R45 million which is payable as follows in cash:

- *Initial payment of R7.5 million*
- *The remaining maximum amount of R37.5 million to be paid in terms of an earn-out mechanism over two years based on after tax profit targets for the years ending February 2010 and February 2011 being achieved.*

Technology Concepts is an established internet technology services business and corporate internet service provider. This acquisition enhances Altech Autopage Cellular's ability to provide data services to its voice cellular subscribers, recognising the developing convergence of voice and data in the telecoms arena and the increasing demand for bundled services.

The purchase price allocations for each of these acquisitions will be performed during the 2010 financial year, which will identify any recognisable intangible assets and determine the quantum of any goodwill.

The acquirees' balance sheets for both acquisitions at the date of the acquisitions are as follows:

	Carrying amount
Non-current assets	11
Current assets	14
Non-current liabilities	–
Current liabilities	(10)
Net identifiable assets and liabilities	15

Abridged balance sheet

R millions	2009 (Audited)	2008 (Audited)
Assets		
Non-current assets	**5 239**	3 362
Property, plant and equipment	**2 221**	1 264
Intangible assets, including goodwill	**2 437**	1 502
Associates	**11**	20
Other investments	**267**	294
Rental finance advances	**73**	86
Deferred taxation	**230**	196
Current assets	**8 342**	7 617
Inventories	**2 364**	2 130
Trade and other receivables	**3 763**	3 371
Assets classified as held-for-sale	**107**	–
Cash and cash equivalents	**2 108**	2 116
Total assets	**13 581**	10 979
Equity and liabilities		
Total equity	**6 300**	5 346
Non-current liabilities	**1 346**	1 047
Loans	**1 056**	784
Empowerment funding obligation	**101**	156
Provisions	**25**	24
Deferred taxation	**164**	83
Current liabilities	**5 935**	4 586
Loans	**404**	213
Empowerment funding obligation	**11**	16
Bank overdraft	**928**	33
Trade and other payables	**4 138**	3 903
Provisions	**160**	81
Liabilities classified as held-for-sale	**28**	–
Taxation payable	**266**	340
Total equity and liabilities	**13 581**	10 979
Net asset value per share (cents)	**1 550**	1 431

Abridged statement of changes in equity

R millions	Attributable to Altron equity holders						
	Share capital and premium	Treasury shares	Reserves	Retained earnings	**Total**	Minority interest	**Total equity**
Balance at 28 February 2007 (Audited)	835	(299)	46	2 946	**3 528**	1 218	**4 746**
Recognised income and expense							
Profit for the year	–	–	–	1 019	**1 019**	300	**1 319**
Foreign currency translation differences	–	–	106	–	**106**	27	**133**
Release of translation differences on disposal	–	–	4	–	**4**	3	**7**
Cash flow hedging reserve	–	–	(1)	–	**(1)**	–	**(1)**
Fair value adjustments on available-for-sale investments	–	–	8	–	**8**	–	**8**
Transactions with shareholders							
Issue of share capital	1 375	–	–	–	**1 375**	–	**1 375**
Dividends	–	–	–	(331)	**(331)**	(164)	**(495)**
Share-based payments	–	–	23	–	**23**	5	**28**
Change in shareholding of subsidiaries	–	–	(1 262)	–	**(1 262)**	(512)	**(1 774)**
Balance at 29 February 2008 (Audited)	**2 210**	**(299)**	**(1 076)**	**3 634**	**4 469**	**877**	**5 346**
Recognised income and expense							
Profit for the year	**–**	**–**	**–**	**835**	**835**	**314**	**1 149**
Foreign currency translation differences	**–**	**–**	**33**	**–**	**33**	**5**	**38**
Fair value adjustment of joint venture on step acquisition	**–**	**–**	**54**	**–**	**54**	**–**	**54**
Statutory reserves of foreign subsidiaries	**–**	**–**	**59**	**(59)**	**–**	**–**	**–**
Cash flow hedging reserve	**–**	**–**	**(14)**	**–**	**(14)**	**(1)**	**(15)**
Fair value adjustments on available-for-sale investments	**–**	**–**	**(18)**	**–**	**(18)**	**–**	**(18)**
Transactions with shareholders							
Issue of share capital	**18**	**–**	**–**	**–**	**18**	**1**	**19**
Dividends	**–**	**–**	**–**	**(490)**	**(490)**	**(155)**	**(645)**
Share-based payments	**–**	**–**	**14**	**–**	**14**	**3**	**17**
Subscription by minority shareholders on acquisition of subsidiary	**–**	**–**	**–**	**–**	**–**	**79**	**79**
Minority interest on acquisition of subsidiaries	**–**	**–**	**–**	**–**	**–**	**142**	**142**
Net subscription for 22% minority in Bytes SA	**–**	**–**	**–**	**–**	**–**	**155**	**155**
Change in shareholding of subsidiaries	**–**	**–**	**(28)**	**–**	**(28)**	**7**	**(21)**
Balance at 28 February 2009 (Audited)	**2 228**	**(299)**	**(976)**	**3 920**	**4 873**	**1 427**	**6 300**

Abridged cash flow statement

R millions	2009 (Audited)	2008 (Audited)
Cash flows from operating activities	**646**	1 304
Cash generated by operations	**2 278**	2 224
Net finance (expense)/income	**(89)**	116
Changes in working capital	**(232)**	(4)
Taxation paid	**(666)**	(537)
Cash available from operating activities	**1 291**	1 799
Dividends paid, including to minority shareholders	**(645)**	(495)
Cash flows applied in investing activities	**(1 904)**	(1 532)
Cash flows from financing activities	**345**	704
Net (decrease)/increase in cash and cash equivalents	**(913)**	476
Net cash and cash equivalents at the beginning of the year	**2 083**	1 589
Translation differences on foreign cash	**10**	18
Net cash and cash equivalents at the end of the year	**1 180**	2 083

Segmental analysis

R millions	% change	2009 (Audited)	%	2008 (Audited)	%
Revenue					
Telecommunications	10	**8 205**	**33**	7 462	35
Power electronics and multimedia	22	**9 920**	**40**	8 159	38
Information technology	15	**6 796**	**27**	5 917	27
Corporate, financial services and eliminations		**(153)**	**–**	(107)	–
	16	**24 768**	**100**	21 431	100
Operating profit*					
Telecommunications	32	**847**	**47**	641	33
Power electronics and multimedia	(42)	**516**	**29**	887	46
Information technology	5	**438**	**24**	418	22
Corporate, financial services and eliminations		**(2)**	**–**	(9)	(1)
	(7)	**1 799**	**100**	1 937	100

** Operating profit is stated before capital items and after amortisation of intangibles arising on business combinations.*

Operational contribution

R millions			% change	**2009 (Audited)**	**%**	2008 (Audited)	%
Revenue							
Altech			11	**9 164**	**37**	8 242	38
Bytes			16	**6 038**	**24**	5 186	24
Powertech			20	**9 593**	**39**	8 016	38
Corporate, financial services and eliminations				**(27)**	**–**	(13)	–
			16	**24 768**	**100**	21 431	100
Operating profit*							
Altech			32	**874**	**49**	664	34
Bytes			(4)	**351**	**19**	365	19
Powertech			(38)	**570**	**32**	914	47
Corporate, financial services and eliminations				**4**	**–**	(6)	–
			(7)	**1 799**	**100**	1 937	100
Attributable headline earnings	**% held at 28 February 2009**	% held at 29 February 2008					
Altech	**62.0**	62.0	19	**342**	**40**	288	27
Bytes	**100.0**	100.0	22	**207**	**24**	170	16
Powertech	**100.0**	100.0	(54)	**266**	**31**	577	54
Corporate, financial services and eliminations	**100.0**	100.0		**46**	**5**	37	3
			(20)	**861**	**100**	1 072	100

** Operating profit is stated before capital items and after amortisation of intangibles arising on business combinations.*

Supplementary information

R millions	2009 (Audited)	2008 (Audited)
Borrowings	**1 572**	1 169
– interest bearing	**1 434**	983
– non-interest bearing	**26**	14
– BBBEE funding obligation	**112**	172
Depreciation	**298**	232
Amortisation	**140**	40
Net foreign exchange gains	**53**	64
Capital expenditure	**1 008**	479
Contingent liabilities	**–**	–
Capital commitments	**515**	111
Lease commitments	**609**	625
Payable within the next 12 months:	**171**	171
– property	**123**	117
– plant, equipment and vehicles	**48**	54
Payable thereafter:	**438**	454
– property	**380**	428
– plant, equipment and vehicles	**58**	26
Unlisted investments (including Associates)		
– Carrying amount	**278**	314
– Directors' valuation	**279**	317
Weighted average number of shares (millions)	**314**	286
– Ordinary shares	**102**	95
– Participating preference shares	**212**	191
Diluted average number of shares (millions)	**316**	289
Shares in issue at end of period (millions)	**314**	312
– Ordinary shares	**102**	102
– Participating preference shares	**212**	210
Ratios		
EBITA	**1 939**	1 977
EBITDA	**2 237**	2 209
EBITDA margin (%)	**9.0**	10.3
ROCE (%)	**22.9**	29.7
ROE (%)	**18.3**	24.7
ROA (%)	**16.6**	23.2
RONA (%)	**23.0**	30.3
Borrowings ratio (%)	**25.0**	21.9
Current ratio	**1.4:1**	1.7:1
Acid test ratio	**1:1**	1.2:1

Message to shareholders

The Altron financial results for the year ended 28 February 2009 closely reflect the board's expected financial performance as outlined in the trading statement issued in February this year.

Despite challenging market conditions, revenue increased by 16% to R24.8 billion on the back of strong sales from all three of our subsidiary companies – Altech, Bytes and Powertech. However, primarily as a result of the downturn in the building and construction industry and the unprecedented decrease in the copper price during the latter part of the year under review, margins and volumes in our energy cables business within Powertech were impacted resulting in the group's EBITDA increasing by 1% from R2.21 billion in the prior year to R2.24 billion. After taking into account the additional shares in issue resulting from the purchase of the Bytes minorities in January 2008 and finance charges relating to recent acquisitions, Altron reported an 18% reduction in adjusted diluted headline earnings per share. The adjustment to earnings excludes the effect of the amortisation of intangibles arising out of recent acquisitions, since management considers this to be the measure most representative of the group's operational performance. The group maintained its dividend cover at 2.5 times based on adjusted headline earnings per share, declaring a dividend of 119 cents per share.

Business environment

The recent global credit environment has negatively impacted the economic situation resulting in a significant decline of stock market valuations and commodity prices, worldwide recessionary conditions, and a global liquidity crisis.

The fall in commodity prices has negatively affected mining companies' spend, primarily through the deferral of projects, while the global recession has led to tougher operating conditions in the Iberian and UK markets which we serve. At the same time, the financial crisis affected local financial institutions' spend on IT related products which resulted in large projects being either deferred or cancelled.

Local economic conditions were characterised by high inflation and interest rates which impacted on market sentiment and consumer confidence. The result of the interest rate cycle is reflected in declining property prices, a significantly lower level of residential building plans being passed and a consequent slow-down in the building and construction industry. The easing of interest rates in recent months is encouraging, but is likely to have a positive impact on market conditions only in the latter part of the current financial year.

Financial overview

The Altron group's results for the year ended 28 February 2009 reflected an increase in revenue of 16% from R21.4 billion in the prior year to R24.8 billion. EBITDA increased by only 1% from R2.21 billion to R2.24 billion with the EBITDA margin declining from 10.3% in the prior year to 9.0%. This decline was predominantly due to the challenges faced by the energy cables business within Powertech, which resulted in Powertech's EBITDA margin declining from 12.8% to a disappointing 7.7%. The remainder of the Powertech operations produced satisfactory results showing growth on the prior year. Bytes also experienced a drop in EBITDA margin, as its local operations faced margin pressure. Bytes generates a substantial portion of its revenue from the financial and retail sectors, both of which are pressurising its suppliers, thereby reducing margins in a very competitive space. However, Altech significantly enhanced its EBITDA margins from 9.2% to 11.6% as a result of the high profitability in the newly acquired East African operations, as well as good margin performances from its larger operations, namely Altech Netstar and Altech Autopage Cellular.

The group's investment in working capital increased by R232 million, primarily as a result of the higher activity levels. Our overall net working capital days moved out from 17 to 21 days. Our cash position improved strongly in the second half to R1.2 billion, although this is some R913 million down on last year as a result of the R1.9 billion invested into the future growth of the group through acquisitions and capital expenditure. Group balance sheet ratios declined as a result of the lower profitability of the group, with return on equity at 18.3% and return on capital employed at 22.9%.

Subsidiary review

Altech delivered a strong set of results for the financial year ended 28 February 2009, with adjusted headline earnings per share growing by 15% to 592 cents per share. Revenue increased by 11% to R9.2 billion from R8.2 billion in the prior year. Operating profit improved by 32% to R874 million with a significantly improved operating margin of 9.5%. Net asset value per share increased by 15% from 2 026 cents to 2 328 cents while return on shareholders' equity remained strong at 24%. A dividend of 323 cents per share was declared, representing an increase of 12%.

Annuity revenue increased to 79% of the total revenue in 2009 and foreign and export revenue increased by 56% from R1 billion in 2008 to R1.6 billion. Altech concluded the year with a strong balance sheet reflecting net cash of R911 million, notwithstanding substantial acquisition and investing activity totalling in excess of R1 billion.

Commentary continued

Altech Autopage Cellular produced higher than expected margin levels and good revenue growth. Although consumer demand is still evident at Altech Autopage Cellular, it is showing signs of maturation and focus has been directed towards the growth of the data side of the business where subscribers have increased to 74,000 out of a total base that now exceeds one million subscribers.

Altech Netstar Fleet Management and ComTech are performing well ahead of expectations both in terms of revenue growth and profitability. Although Altech Netstar Stolen Vehicle Recovery (SVR) has been impacted by the dramatic decline in new car sales and the potential credit risk of its consumer customer base, the SVR business is performing satisfactorily under tough conditions and showed growth on the prior year.

Altech UEC experienced revenue growth, however margins came under pressure, predominantly due to a change in the mix towards lower margin products. Significant progress has been made in penetrating new markets, particularly India.

Focus on the further development of broadband technologies and the adoption thereof by consumers, will open up new opportunities for Altech. Broadband opportunities are being reviewed by Altech to enhance its convergence efforts. The investment by Altech Stream East Africa in the Sameer ICT businesses in East Africa is performing above expectations with good profit margins enhancing Altech's overall profitability and offering a number of exciting opportunities for future growth. Among others, Altech is looking at investment opportunities in international undersea bandwidth cables that will service the East Coast of Africa and will substantially reduce the cost of international connectivity of businesses in this region.

Bytes' results came under pressure, particularly due to the impact of the international financial crisis on its financial services and retail customers. Although revenue grew by 16% to R6 billion, EBITDA showed growth of only 3% to R427 million reflecting the current pricing environment in the IT market. Adjusted diluted headline earnings were in line with those reported last year, however, at headline earnings and attributable profit level the contribution from Bytes SA to Altron has reduced following the exercise of Kagiso's option to acquire a further 22% equity interest in that business with effect from 1 July 2008.

Bytes Document Solutions (BDS) performed particularly well over the past year reflecting not only increased machine placements, but also the improving level of added value document services which now constitutes the major part of its business. The acquisition of NOR Paper, which has produced excellent results, augurs well for the coming year.

Despite the impact of delayed projects in the financial sector on a number of Bytes' local businesses, Bytes Managed Services, Outsource Services and Health Services all delivered good results. The pressure was most acutely felt in the Systems Integration and Specialised Solutions divisions. The newly acquired Intelleca business had a difficult year due to similar factors, producing a break-even performance which occasioned a R50 million impairment of the goodwill in this business. As the economy improves, we anticipate that this investment will meet expectations.

In the UK, the Bytes software business performed exceptionally well, despite the tough economic conditions in that market. The Xerox businesses in the UK under performed due to both the deterioration of the UK economy and internal management issues which have now been rectified. It has also been negatively impacted by the credit crisis, which has limited many of their customers' ability to finance hardware. We are currently consolidating the back office functions of the various Xerox businesses to optimise cost efficiency.

Powertech produced disappointing results, predominantly due to the challenges experienced by its major contributor, Aberdare Cables. While most of the remaining Powertech businesses continued to perform well, the impact on Aberdare Cables of the significant slow down in the building and construction industry as a whole, coupled with the sudden fall in copper prices during the second half led to a significant drop in EBITDA at Powertech. Revenue grew strongly by 20% to R9.6 billion from R8 billion in the prior year. However, EBITDA declined by 28% from R1 029 million to R738 million. EBITDA margins reduced to 7.7% from the 12.8% achieved last year, partly as a result of once-off non-recurring charges relating to inventory write downs due to the dramatic fall in copper prices, and restructuring costs.

Although Aberdare Cables experienced a strong first half of the year, the fall in demand that we anticipated in our interim outlook statement was more severe than expected. In effect, Aberdare Cables' energy cables business was struck by a confluence of three negative factors. Firstly, there was a significant contraction in the building and construction industry, which comprises approximately 50% of Aberdare Cables' revenue. Secondly, there was a destocking of the electrical wholesaler distribution channel, which further restricted demand. Thirdly, the unprecedented fall in the copper price from around $9,000 per ton to $3,000 per ton compounded the first two factors as well as leading to inventory write downs on our stock holdings. Each of these factors negatively impacted gross margins, but the business also suffered from lower production volumes, resulting in factory under recoveries, negatively impacting the operating margins. This resulted in Aberdare Cables taking drastic action in order to right size the business for the new demand environment. These

Commentary continued

included a reduction in production time, extended shut downs over holiday periods and rationalisation of the operations. Our focus over the last six months has been on reducing working capital and controlling costs and we believe that we are now well positioned to take advantage of an upturn in demand and business opportunities as they arise.

Powertech Transformers and Desta Power Matla performed above expectations. Government's focus on infrastructure spend to create GDP growth and employment as well as deliver on election promises, continues to create an environment conducive to demand for Powertech products. This is expected to remain robust in the medium term. The knock-on effect of job creation should contribute to consumer demand, though this will be tempered by the current economic environment.

Powertech Batteries experienced an exceptional year with good revenue growth and enhanced profitability following recent capital expenditure. It continues to benefit from the expanded pool of vehicles created by the previous years' increased car sales. Battery Technologies has established a presence in both Nigeria and Tanzania and has signed a framework agreement with a major telecoms operator for standby power solutions across Africa.

Powertech IST continues to perform broadly in line with expectations, with over-performance in the Industrial, Data and Energy divisions being offset by a disappointing performance from the Telecoms division. This has resulted in a R40 million goodwill impairment in respect of the IST Telecoms division although if the goodwill impairment assessment had been done at an IST group level, there would have been no impairment required. Powertech Industrial Group improved its performance and benefitted from a large standby power project recently completed for a major mining industry customer.

Corporate activity

The following significant transactions and corporate developments have taken place:

During the year under review:

- The acquisition by Altech of a 51% controlling interest in certain digital network operations of the Sameer ICT group in Kenya for a maximum consideration of US$75 million, effective 1 March 2008;
- The acquisition by Powertech of the 50% equity interest it did not already own in ABB Powertech Transformers from ABB for R320 million, effective 1 April 2008;
- The disposal by Powertech of Yelland Control to Omron Europe B.V. for R75 million, effective 1 April 2008;
- The acquisition by Bytes of Intelleca for up to R120 million, effective 1 April 2008;
- The acquisition by Bytes of NOR Paper for up to R164 million, effective 1 July 2008; and
- The sale to Kagiso of a further 22% equity interest in Bytes SA for an amount of R198 million, effective 1 July 2008.

Post year end:

- The acquisition by Altech of Fleetcall, effective 1 March 2009 for R40 million which could increase to a maximum of R75 million depending on the achievement of future profit targets;
- The disposal by Altech of Altech NamITech's South African operations to Gemalto for approximately R79 million, with an effective date of 1 April 2009; and
- The acquisition by Altech of Technology Concepts for an amount of R7.5 million which could increase to a maximum of R45 million subject to certain earn outs being achieved.

Outlook

The challenging economic environment is expected to continue over the short to medium term as market confidence remains weak and uncertainty continues. These times call for a period of consolidation, focus on cash flow generation, strict working capital management as well as internal cost efficiencies. Various opportunities for growth in East Africa, coupled with continued demand for infrastructure, and our strong base of annuity income is expected to drive an improved performance in the year ahead. Conditions for the first half of the new financial year will be challenging, especially given the high base of the comparative period in the prior year. However, the board is confident that the Altron group is well positioned to take advantage of any improvement in the current economic environment given the remedial actions that have been put in place.

Acknowledgements

The board would like to express its appreciation to all of its customers, staff, business partners, shareholders and other stakeholders for their support during an extremely difficult period and for their continued belief in the future sustainability of the group and its strong underlying businesses.

Commentary continued

Directorate

Shareholders are referred to the SENS announcement published by Altron on 4 November 2008 advising that Ms Dawn Mokhobo and Mr Norman Adami had been appointed as independent non-executive directors to the board of the company, with effect from 3 November 2008.

Dividend

The following dividends are hereby declared for the year ended 28 February 2009:
- ordinary dividend No. 61 of 119 cents per share (2008: 156 cents)
- participating preference dividend No. 15 of 119 cents per share (2008: 156 cents).

The above dividends are payable as follows:

Last day of trading to qualify for and participate in the dividend (*cum* dividend)	Friday, 26 June 2009
Trading *ex* dividend commences	Monday, 29 June 2009
Record date	Friday, 3 July 2009
Dividend payment date (electronic and certificated)	Monday, 6 July 2009

Dividend cheques in payment of these dividends to certificated shareholders will be posted to shareholders on or about Monday, 6 July 2009. Electronic payment to certificated shareholders will be undertaken simultaneously.

Shareholders who have dematerialised their share certificates will have their accounts at their central securities depository participant or broker credited on Monday, 6 July 2009.

In the case of certificated shareholders, notice of any change of address of shareholders must reach the transfer secretaries, Computershare Investor Services (Pty) Limited, on or before Friday, 26 June 2009. Share certificates may not be dematerialised or rematerialised from Monday, 29 June 2009 to Friday, 3 July 2009, both days inclusive.

Annual General Meeting

Altron's 63rd annual general meeting will be held in the Altron Boardroom, 5 Winchester Road, Parktown, Johannesburg on Tuesday, 14 July 2009 at 09:30. Further details on the company's annual general meeting will be contained in Altron's annual report to be posted to shareholders on or about 31 May 2009.

On behalf of the board

Dr Bill Venter *Chairman*	Robert Venter *Chief Executive*	Alex Smith *Chief Financial Officer*

4 May 2009

Board of directors

Independent non-executive: Mr NJ Adami, Mr MJ Leeming, Dr PM Maduna, Ms BJM Masekela, Ms DNM Mokhobo, Mr JRD Modise, Mr PL Wilmot

Non-executive: Dr WP Venter (Chairman), Mr MC Berzack

Executive: Mr RE Venter (Chief Executive), Mr N Claussen, Mr PMO Curle*, Mr PD Redshaw*, Dr HA Serebro, Mr AMR Smith*, Mr CG Venter   * British

Secretaries: Altron Management Services (Pty) Limited – AG Johnston (Group Company Secretary)

Sponsor: Investec Bank

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IT Services for the Enterprise

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The preliminary financial results
are also available on the internet at
www.altron.com