altron

Unaudited consolidated interim results

FOR THE SIX MONTHS ENDED 31 AUGUST 2015

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MESSAGE TO SHAREHOLDERS

ALLIED ELECTRONICS CORPORATION LIMITED

(Incorporated in the Republic of South Africa)
(Registration number 1947/024583/06)
Share code: AEL ISIN: ZAE000191342
Share code: AEN ISIN: ZAE000191359

CONDENSED CONSOLIDATED STATEMENT OF COMPREHENSIVE INCOME

R millions	% change	Six months ended 31 August 2015 (Unaudited)	Six months ended 31 August 2014 (Unaudited)	Year ended 28 February 2015 (Audited)*
CONTINUING OPERATIONS				
Revenue	(8)	**10 508**	11 426	21 732
Earnings before interest, tax, depreciation and amortisation (EBITDA)	(53)	**340**	730	1 449
Depreciation and amortisation		**(210)**	(211)	(435)
Operating profit before capital items	(75)	**130**	519	1 014
Capital items (Note 1)		**(197)**	(48)	(366)
Result from operating activities		**(67)**	471	648
Finance income		**88**	75	108
Finance expense		**(207)**	(203)	(353)
Share of profit of equity accounted investees, net of taxation		**7**	4	15
(Loss)/profit before taxation		**(179)**	347	418
Taxation		**(61)**	(112)	(208)
(Loss)/profit for the period from continuing operations		**(240)**	235	210
DISCONTINUED OPERATIONS				
Revenue		**2 784**	2 794	5 891
Earnings before interest, tax, depreciation and amortisation (EBITDA)		**(99)**	54	(66)
Depreciation and amortisation		**(55)**	(48)	(121)
Operating (loss)/profit before capital items		**(154)**	6	(187)
Capital items (Note 1)		**(166)**	–	(34)
Result from operating activities		**(320)**	6	(221)
Finance income		**7**	1	6
Finance expense		**(134)**	(53)	(159)
Loss before taxation		**(447)**	(46)	(374)
Taxation		**69**	12	104
Loss for the period from discontinued operations		**(378)**	(34)	(270)
(Loss)/profit for the period from total operations		**(618)**	201	(60)
Other comprehensive income				
Items that are or may be reclassified subsequently to profit or loss				
Foreign currency translation differences in respect of foreign operations		**46**	(4)	(10)
Realisation of foreign currency translation reserve on disposal		**–**	(2)	(3)
Effective portion of changes in the fair value of cash flow hedges		**3**	–	(3)
Other comprehensive income for the period, net of taxation		**49**	(6)	(16)
Total comprehensive income for the period		**(569)**	195	(76)
Net (loss)/profit attributable to:				
Non-controlling interests		**(108)**	12	(51)
Altron equity holders		**(510)**	189	(9)
Altron equity holders from continuing operations		**(161)**	217	241
Altron equity holders from discontinued operations		**(349)**	(28)	(250)
Net (loss)/profit for the period		**(618)**	201	(60)
Total comprehensive income attributable to:				
Non-controlling interest		**(110)**	12	(51)
Altron equity holders		**(459)**	178	(30)
Altron equity holders from continuing operations		**(110)**	206	220
Altron equity holders from discontinued operations		**(349)**	(28)	(250)
Total comprehensive income for the period		**(569)**	190	(81)
Basic (loss)/earnings per share from continuing operations (cents)		**(48)**	66	72
Diluted basic (loss)/earnings per share from continuing operations (cents)		**(47)**	65	72
Basic loss per share from discontinued operations (cents)		**(104)**	(9)	(75)
Diluted basic loss per share from discontinued operations (cents)		**(102)**	(8)	(74)
Basic (loss)/earnings per share from total operations (cents)		**(151)**	58	(3)
Diluted basic (loss)/earnings per share from total operations (cents)		**(149)**	57	(3)

** The audited results have been represented for the effect of the discontinued operations as required by IFRS 5. This representation has not been audited.*

NOTES

	% change	Six months ended 31 August 2015 (Unaudited)	Six months ended 31 August 2014 (Unaudited)	Year ended 28 February 2015 (Audited)*
Headline (loss)/earnings per share (cents)	(189)	**(64)**	72	94
Normalised headline (loss)/earnings per share (cents)	(130)	**(21)**	72	100
Diluted headline (loss)/earnings per share (cents)	(189)	**(64)**	71	93
Normalised diluted headline (loss)/earnings per share (cents)	(130)	**(21)**	71	99

BASIS OF PREPARATION

The condensed consolidated unaudited interim financial results have been prepared in accordance with the International Financial Reporting Standard (IAS) 34 – Interim Financial Reporting, the SAICA Financial Reporting Guides as issued by the Accounting Practices Committee and Financial Pronouncements as issued by the Financial Reporting Standards Council and the requirements of the Companies Act of South Africa. The accounting policies applied in the preparation of these interim results are in terms of International Financial Reporting Standards and are consistent with those used in the annual financial statements for the year ended 28 February 2015. This report was compiled under the supervision of Mr Alex Smith CA, Chief Financial Officer. The condensed consolidated interim financial results have not been audited or reviewed by the company's auditor, KPMG Inc.

R millions	Six months ended 31 August 2015 (Unaudited)	Six months ended 31 August 2014 (Unaudited)	Year ended 28 February 2015 (Audited)*
1. CAPITAL ITEMS			
CONTINUING OPERATIONS			
Net gain on disposal of property, plant and equipment	**1**	54	–
Impairment of property, plant and equipment	**–**	(17)	(17)
Impairment of goodwill	**(152)**	(65)	(343)
Impairment of intangible assets	**(50)**	(25)	(67)
Profit on disposal of subsidiary and businesses	**4**	5	61
	(197)	(48)	(366)
DISCONTINUED OPERATIONS			
Impairment of property, plant and equipment	**(65)**	–	(1)
Impairment of intangible assets	**(32)**	–	(33)
Impairment of goodwill	**(69)**	–	–
	(166)	–	(34)
Total	**(363)**	(48)	(400)

EVENTS AND CIRCUMSTANCES LEADING TO THE RECOGNITION OF SIGNIFICANT IMPAIRMENT LOSSES

Goodwill

The total goodwill impairment resulted from external market conditions putting sustained pressure on operating results and a corresponding decline in management's expectations of forecast future cash flows due to the lower than anticipated activity levels without an envisaged material improvement in the short to medium term.

NOTES (continued)

The carrying amount of the Powertech Systems Integrators, Powertech Transformers, Alliance Business Solutions and Isis France cash-generating units were determined to be higher than their recoverable amounts, based on value in use.

Impairment losses of R100 million, R69 million, R49 million and R3 million respectively were recognised and allocated to goodwill. The impairments are included in the Powertech System Integrators, Powertech Transformers, Bytes Universal Systems and Other Bytes operating segments respectively.

Intangible assets

R15 million of development costs capitalised were impaired due to insufficient forecast contributory cash flows from the underlying products to support the carrying values of these intangible assets.

During the period intangible assets amounting to R44 million were fully impaired, related to the closure of the Altech Node and intangible assets amounting to R22 million were impaired in the ISIS France cash-generating unit.

Property, plant and equipment

Impairment tests were conducted on the carrying values of property, plant and equipment in the Powertech Transformers operation and based on the fair value less cost to sell, R65 million was impaired.

	Six months ended 31 August 2015 (Unaudited)	Six months ended 31 August 2014 (Unaudited)	Year ended 28 February 2015 (Audited)*
2. RECONCILIATION BETWEEN ATTRIBUTABLE EARNINGS AND HEADLINE EARNINGS			
Attributable to Altron equity holders	**(510)**	189	(9)
Capital items – gross	**363**	48	400
Tax effect of capital items	**(34)**	7	(9)
Non-controlling interest in capital items	**(36)**	(7)	(70)
Headline earnings	**(217)**	237	312
3. RECONCILIATION BETWEEN HEADLINE EARNINGS AND NORMALISED HEADLINE EARNINGS			
Normalised headline earnings have been presented to demonstrate the impact of material, once-off costs, as well as certain restructuring costs on the headline earnings of the group. The presentation of normalised headline earnings is not an IFRS requirement.			
Headline earnings are reconciled to normalised headline earnings as follows:			
Headline earnings	**(217)**	237	312
Restructuring costs	**34**	–	33
Multimedia Stock Obsolescence Provision	**108**	–	–
Closure costs	**49**	–	–
Tax effect of adjustments	**(18)**	–	(8)
Non-controlling interest in adjustments	**(28)**	–	(5)
Normalised headline earnings	**(72)**	237	332

4. ACQUISITION OF SUBSIDIARIES AND BUSINESS

Acquisition of Health-Soft

On 1 March 2015, Med-E-Mass, part of the Altron TMT group of companies, acquired the assets of Health-Soft, a leading provider of ground-breaking technology services to the South African healthcare industry, for a purchase price not exceeding R10 million.

Acquisition of Pinpoint Communications

Effective 1 March 2015, Altech Netstar acquired the shares of Pinpoint Communications Pty Ltd.

The maximum purchase price is Australian Dollars 8.3 million, payable in cash. The purchase price is payable as follows:
- first tranche: Australian Dollars 3,2 million (paid in March 2015)
- second tranche: Australian Dollars 1,4 million (payable April 2016)
- third tranche: Australian Dollars 2,0 million (payable April 2017)
- fourth tranche: Australian Dollars 1,7 million (payable April 2017)

The second and third tranches will be paid in terms of an earn-out mechanism over two years based on after-tax profit targets for the financial years ending February 2016 and 2017 being achieved. The fourth tranche will be payable based on stretch after-tax profit targets being achieved.

Pinpoint allows Altech Netstar to gain access to new fleet and asset management markets in Australia.

Acquisition of Inter-Active Technologies

Effective 3 March 2015, the Competition Tribunal approved the acquisition by Bytes People Solutions, a division of Bytes Technology Group, of the assets of Inter-Active Technologies for a nominal consideration. Inter-Active Technologies is a specialist customer interaction management business and provides further scale to the existing business outsourcing division of Altron TMT.

The acquired businesses contributed revenue of R125 million and a net profit after tax of R5 million to the group.

R millions	Recognised values	Fair value adjustments	**Carrying amount**
The acquired balances at the effective date were as follows:			
Non-current assets	12	27	**39**
Current assets	36	–	**36**
Non-current liabilities	(17)	(6)	**(23)**
Current liabilities	(49)	–	**(49)**
Total net assets on acquisition	(18)	21	**3**
Goodwill on acquisition			**79**
Total consideration			**82**
Cash and cash equivalents in subsidiary acquired			**(8)**
Less: Amounts due to vendors			**(45)**
Net cash outflow on acquisition			**29**

NOTES (continued)

5. DISCONTINUED OPERATIONS

During the previous financial year, the decision was taken to dispose of the majority of the Altech Autopage operation and, as a result, this business was classified as a discontinued operation. On 23 September 2015 the group announced the sale of the subscriber bases, subject to regulatory approval and various other conditions precedent. The decision to dispose of these subscriber bases has been based on, among others, the impact of the ongoing mobile termination rate reductions, as well as continued industry and consumer deflationary pressures. The Altech Autopage business was classified as held-for-sale and as a discontinued operation in the prior year and is included in the Altech Autopage operating segment.

During the reporting period a decision was taken to sell Powertech Transformers and the operation was subsequently classified as held-for-sale and as a discontinued operation. As at the reporting date Powertech Transformers was not yet sold, however, the requirements for classification as held-for-sale were met. In the light of challenging market conditions the board felt the business would be better placed within a global industry player to benefit from less dependency on the South African market and exposure to global best practices. The operation is expected to be disposed of through a sale of shares in the next 12 months. The operation is included in the Powertech Transformers' operating segment.

On 31 August 2015 the decision was taken to close the Altech Node operation and it was classified as a discontinued operation. As at the reporting date the Altech Node operation to be closed meets the criteria under IFRS 5 of a discontinued operation. Unfavourable market conditions, such as the current economic environment creating pressure on the consumer, together with increased competition in the video-on-demand (VOD) environment resulted in insufficient subscribers for the business to be viable. The operation is included in the Altech Node operating segment.

Net assets of businesses held-for-sale:

	R millions
Property, plant and equipment	216
Intangible assets including goodwill	144
Non-current receivables and other assets	886
Non-current assets	1 246
Inventories	380
Trade and other receivables, including derivatives	539
Taxation receivable	33
Cash and cash equivalents	28
Current assets	980
Assets classified as held-for-sale	**2 226**
Loans	33
Non-current liabilities	33
Loans	7
Trade and other payables, including derivatives	704
Provisions	42
Current liabilities	753
Liabilities classified as held-for-sale	**786**

	Six months ended 31 Aug 2015 (Unaudited) R millions	Six months ended 31 Aug 2014 (Unaudited) R millions	Year ended 28 Feb 2015 (Audited) R millions
Cash flows utilised in discontinued operations:			
Net cash generated from operating activities	**158**	81	198
Net cash utilised in investing activities	**(258)**	(173)	(544)
Net cash generated from financing activities	**6**	34	180
Net cash flow for the year	**(94)**	(58)	(166)

Re-presented comparative information

The Altech Node and Powertech Transformers operations have been classified as discontinued operations in the current period. The comparative consolidated statement of comprehensive income has been re-presented. This re-presentation has not been audited.

6. RELATED PARTY TRANSACTIONS

The group entered into various sale and purchase transactions with related parties in the ordinary course of business, on an arm's length basis.

The nature of related party transactions is consistent with those reported previously.

7. FINANCIAL INSTRUMENTS' FAIR VALUE

The group measures a preference share investment, its derivative foreign exchange contracts used for hedging and contingent purchase considerations at fair value.

The preference share investment and contingent purchase considerations are disclosed as Level 3 financial assets in terms of the fair value hierarchy with fair valuation inputs which are not based on observable market data (unobservable inputs). A discounted cash flow valuation model is used to determine fair value.

The derivative foreign exchange contracts used for hedging are disclosed as Level 2 financial instruments in terms of the fair value hierarchy with fair valuation inputs (other than quoted prices) that are observable either directly (ie as prices) or indirectly (ie derived from prices).

A market comparison technique is used to determine fair value.

There were no transfers between Levels 1, 2 or 3 of the fair value hierarchy for the period ended 31 August 2015.

CONDENSED CONSOLIDATED BALANCE SHEET

R millions	31 August 2015 (Unaudited)	31 August 2014 (Unaudited)	28 February 2015 (Audited)*
ASSETS			
Non-current assets	**4 072**	5 449	4 496
Property, plant and equipment	**1 621**	1 939	1 888
Intangible assets including goodwill	**1 083**	1 707	1 405
Equity accounted investments	**223**	210	229
Other investments	**194**	216	183
Rental finance advances	**95**	66	93
Non-current receivables and other assets	**416**	1 014	303
Defined benefit asset	**178**	180	190
Deferred taxation	**262**	117	205
Current assets	**10 475**	9 369	10 686
Inventories	**2 659**	3 182	2 920
Trade and other receivables, including derivatives	**4 381**	5 127	5 222
Assets classified as held-for-sale	**2 226**	–	1 149
Taxation receivable	**33**	37	54
Cash and cash equivalents	**1 176**	1 023	1 341
Total assets	**14 547**	14 818	15 182
EQUITY AND LIABILITIES			
Total equity	**3 110**	4 023	3 762
Non-current liabilities	**2 806**	3 125	3 260
Loans	**2 752**	2 985	3 191
Provisions	**21**	6	29
Deferred taxation	**33**	134	40
Current liabilities	**8 631**	7 670	8 160
Loans	**863**	1 128	634
Bank overdraft	**1 397**	536	1 050
Trade and other payables, including derivatives	**5 376**	5 802	5 638
Provisions	**22**	72	51
Liabilities classified as held-for-sale	**786**	-	608
Taxation payable	**187**	132	179
Total equity and liabilities	**14 547**	14 818	15 182
Net asset value per share (cents)	**919**	1 141	1 080

SUMMARISED SEGMENTAL REPORT

SEGMENT ANALYSIS

The segment information has been prepared in accordance with IFRS 8: Operating Segments which defines the requirements for the disclosure of financial information of an entity's operating segments.

The standard requires segmentation based on the group's internal organisation and reporting of revenue and EBITDA based upon internal accounting presentation.

The segment revenue and earnings before interest, tax, depreciation and amortisation (EBITDA) generated by each of the group's reportable segments are summarised as follows:

R millions	Revenue **6 months to 31 Aug 2015**	Revenue 6 months to 31 Aug 2014	Revenue 12 months to 28 Feb 2015	EBITDA **6 months to 31 Aug 2015**	EBITDA 6 months to 31 Aug 2014	EBITDA 12 months to 28 Feb 2015
Altech Autopage Group*	**2 810**	2 712	5 650	**32**	90	137
Altech Multimedia Group	**418**	1 187	1 821	**(158)**	101	61
Altech Netstar Group	**576**	569	1 121	**140**	156	310
Systems Integration Group	**733**	900	1 680	**30**	46	134
Altech Radio Holdings Group	**519**	349	726	**36**	25	66
Altech Node*	**1**	–	19	**(75)**	(18)	(114)
Other Altech Segments	**163**	142	138	**(45)**	15	(22)
Altech Group	**5 220**	5 859	11 155	**(40)**	415	572
Bytes Technology Group UK Software	**1 644**	1 358	2 644	**74**	66	106
Bytes Document Solutions Group	**1 037**	1 131	2 212	**38**	45	115
Bytes Managed Solutions	**681**	792	1 520	**45**	59	136
Bytes Secure Transaction Solutions	**371**	339	695	**78**	64	157
Bytes Universal Systems	**334**	458	856	**23**	57	107
Other Bytes Segments	**337**	175	399	**27**	(4)	(7)
Bytes Group	**4 404**	4 253	8 326	**285**	287	614
Inter-segment revenue	**(63)**	(77)	(125)			
Altron TMT	**9 561**	10 035	19 356	**245**	702	1 186
Powertech Cables Group	**2 119**	2 622	5 117	**27**	74	202
Powertech Transformers Group*	**553**	638	1 330	**(45)**	(7)	(66)
Powertech Battery Group	**493**	458	899	**41**	39	76
Powertech System integrators	**391**	422	820	**(10)**	(3)	3
Other Powertech Segments	**199**	55	122	**2**	(1)	5
Powertech Group	**3 755**	4 195	8 288	**15**	102	220
Corporate and financial services	**2**	2	4	**(19)**	(20)	(23)
Inter-segment revenue	**(26)**	(12)	(25)			
Altron Group	**13 292**	14 220	27 623	**241**	784	1 383

** The majority of these segments formed the discontinued operations.*

Segment normalised EBITDA can be reconciled to group operating profit before capital items as follows:

R millions	**Six months to 31 Aug 2015**	Six months to 31 Aug 2014	12 months to 28 Feb 2015
Segment EBITDA	**241**	784	1 383
Reconciling items:			
Depreciation	**(186)**	(184)	(377)
Amortisation	**(79)**	(75)	(179)
Group operating profit before capital items	**(24)**	525	827

CONDENSED CONSOLIDATED STATEMENT OF CASH FLOWS

R millions	Six months ended 31 August 2015 (Unaudited)	Six months ended 31 August 2014 (Unaudited)	Year ended 28 February 2015 (Audited)*
CONTINUING OPERATIONS			
Cash flows from operating activities	**284**	278	1 169
Cash generated by operations	**528**	997	1 703
Changes in working capital	**169**	(176)	330
Net finance expense	**(246)**	(178)	(335)
Taxation paid	**(59)**	(89)	(253)
Cash available from operating activities	**392**	554	1 445
Dividends paid, including to non-controlling interests	**(108)**	(276)	(276)
Cash flows utilised in investing activities	**(637)**	(437)	(1 018)
Cash flows (utilised in)/from financing activities	**(139)**	945	453
Net (decrease)/increase in cash and cash equivalents	**(492)**	786	604
Net cash and cash equivalents at the beginning of the period	**291**	(314)	(314)
Cash and cash equivalents at the beginning of the period	**291**	(366)	(366)
Cash previously classified as held-for-sale	**–**	52	52
Effect of exchange rate fluctuations on cash held	**8**	15	1
Net cash and cash equivalents	**(193)**	487	291
Cash classified as held-for-sale	**(28)**	–	–
Net cash and cash equivalents at the end of the period	**(221)**	487	291

OPERATIONAL CONTRIBUTION FROM TOTAL OPERATIONS

R millions	% change	Six months ended 31 August 2015 (Unaudited)	%	Six months ended 31 August 2014 (Unaudited)	%	Year ended 28 February 2015 (Audited)*	%
REVENUE							
Altron TMT	(5)	**9 561**	72	10 035	71	19 356	70
Powertech	(10)	**3 755**	28	4 195	29	8 288	30
Corporate and eliminations		**(24)**		(10)		(21)	
Altron	(7)	**13 292**	100	14 220	100	27 623	100
NORMALISED EBITDA**							
Altron TMT	(38)	**435**	101	702	90	1 197	84
Powertech	(85)	**15**	3	102	13	243	18
Corporate and eliminations		**(18)**	(4)	(20)	(3)	(23)	(2)
Altron	(45)	**432**	100	784	100	1 417	100
NORMALISED HEADLINE EARNINGS***							
Altron TMT		**77**		313	132	468	141
Powertech		**(112)**		(16)	(7)	4	1
Corporate and eliminations		**(37)**		(60)	(25)	(140)	(42)
Altron	(130)	**(72)**		237	100	332	100

** *Normalised EBITDA is stated for total operations before capital items and material once-off costs, as well as certain restructuring costs.*

*** *Normalised headline earnings is stated for total operations and before material once-off costs, as well as certain restructuring costs.*

SUPPLEMENTARY INFORMATION (TOTAL OPERATIONS)

R millions	31 August 2015 (Unaudited)	31 August 2014 (Unaudited)	28 February 2015 (Audited)*
Depreciation	**186**	184	377
Amortisation	**79**	75	179
Net foreign exchange losses	**(5)**	(28)	(64)
Cash flow movements			
Capital expenditure (including intangibles)	**241**	237	650
Net additions to contract fulfilment costs	**241**	24	148
Additions to contract fulfilment costs	**321**	224	486
Net expensing of contract fulfilment costs during the year	**(79)**	(188)	(327)
Terminations of contract fulfilment costs	**(1)**	(12)	(11)
Capital commitments	**70**	76	71
Lease commitments	**897**	877	927
Payable within the next 12 months:	**242**	223	244
Payable thereafter	**655**	654	683
Weighted average number of shares (millions)	**337**	328	333
Diluted average number of shares (millions)	**341**	333	337
Shares in issue at end of period (millions)	**337**	336	337
Ratios			
EBITDA margin (%)	**1,8**	5,5	5,0
Normalised EBITDA margin (%)	**1,8**	5,5	5,1
ROCE (%)	**(0,7)****	12,9**	10,9
ROE (%)	**(15,7)****	13,4**	9,3
ROA (%)	**(0,4)****	8,1**	6,4
RONA (%)	**(0,4)****	12,2**	9,9
Current ratio	**1,2:1**	1,2:1	1,3:1
Acid test ratio	**0,9:1**	0,8:1	1:1

*** Annualised.*

DEFINITIONS:

Contract fulfilment costs

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

CONDENSED CONSOLIDATED STATEMENT OF CHANGES IN EQUITY

	Attributable to Altron equity holders						
R millions	**Share capital and premium**	**Treasury shares**	**Reserves**	**Retained earnings**	**Total**	**Non-controlling interests**	**Total equity**
Balance at 28 February 2014 (audited)	2 427	(299)	(1 852)	3 980	**4 256**	258	**4 514**
Total comprehensive income for the period							
Profit for the period	–	–	–	189	**189**	12	**201**
Other comprehensive income							
Foreign currency translation differences in respect of foreign operations	–	–	(4)	–	**(4)**	–	**(4)**
Realisation of foreign currency translation reserve on disposal	–	–	(2)	–	**(2)**	–	**(2)**
Total other comprehensive income	–	–	(6)	–	**(6)**	–	**(6)**
Total comprehensive income for the period	–	–	(6)	189	**183**	12	**195**
Transactions with owners, recorded directly in equity							
Contributions by and distributions to owners							
Dividends to equity holders	–	–	–	(263)	**(263)**	(13)	**(276)**
Share-based payment transactions	–	–	22	–	**22**	–	**22**
Issue of share capital	3	–	–	–	**3**	–	**3**
Total contributions by and distributions to owners	3	–	22	(263)	**(238)**	(13)	**(251)**
Changes in ownership interests in subsidiaries							
Introduction of non-controlling interest	–	–	(261)	–	**(261)**	284	**23**
Buy-back of non-controlling interest	291	–	(393)	–	**(102)**	(356)	**(458)**
Total changes in ownership interests in subsidiaries	291	–	(654)	–	**(363)**	(72)	**(435)**
Total transactions with owners	294	–	(632)	(263)	**(601)**	(85)	**(686)**
Balance at 31 August 2014 (unaudited)	**2 721**	**(299)**	**(2 490)**	**3 906**	**3 838**	**185**	**4 023**
Total comprehensive income for the period							
Loss for the period	–	–	–	(198)	**(198)**	(63)	**(261)**
Other comprehensive income							
Foreign currency translation differences in respect of foreign operations	–	–	(6)	–	**(6)**	–	**(6)**
Realisation of foreign currency translation reserve on disposal	–	–	(1)	–	**(1)**	–	**(1)**
Effective portion of changes in the fair value of cash flow hedges	–	–	(3)	–	**(3)**	–	**(3)**
Total other comprehensive income	–	–	(10)	–	**(10)**	–	**(10)**
Total comprehensive income for the period	–	–	(10)	(198)	**(208)**	(63)	**(271)**
Transactions with owners, recorded directly in equity							
Contributions by and distributions to owners							
Issue of share capital	14	–	(17)	–	**(3)**	–	**(3)**
Share-based payment transactions	–	–	12	–	**12**	1	**13**
Total contributions by and distributions to owners	14	–	(5)	–	**9**	1	**10**
Total transactions with owners	14	–	(5)	–	**9**	1	**10**
Balance at 28 February 2015 (audited)	**2 735**	**(299)**	**(2 505)**	**3 708**	**3 639**	**123**	**3 762**

CONDENSED CONSOLIDATED STATEMENT OF CHANGES IN EQUITY (continued)

R millions	Attributable to Altron equity holders						
	Share capital and premium	Treasury shares	Reserves	Retained earnings	Total	Non-controlling interests	Total equity
Total comprehensive income for the period							
Loss for the period	–	–	–	(510)	**(510)**	(108)	**(618)**
Other comprehensive income							
Foreign currency translation differences in respect of foreign operations	–	–	48	–	**48**	(2)	**46**
Effective portion of changes in the fair value of cash flow hedges	–	–	3	–	**3**	–	**3**
Total other comprehensive income	–	–	51	–	**51**	(2)	**49**
Total comprehensive income for the period	–	–	51	(510)	**(459)**	(110)	**(569)**
Transactions with owners, recorded directly in equity							
Contributions by and distributions to owners							
Dividends to equity holders	–	–	–	(108)	**(108)**	–	**(108)**
Share-based payment transactions	–	–	24	–	**24**	1	**25**
Total contributions by and distributions to owners	–	–	24	(108)	**(84)**	1	**(83)**
Total transactions with owners	–	–	24	(108)	**(84)**	1	**(83)**
Balance at 31 August 2015 (unaudited)	**2 735**	**(299)**	**(2 430)**	**3 090**	**3 096**	**14**	**3 110**

MESSAGE TO SHAREHOLDERS

The Altron financial results for the six-month period ended 31 August 2015 are once again reported in an integrated manner reflecting those issues that are applicable and which materially affect or contribute to the sustainable development of Altron in terms of its financial and non-financial performance.

During this period, Altron continued to experience adverse effects from four areas of the business, namely: Powertech Transformers which saw a further decline in orders from Eskom; Altech Multimedia, which was negatively affected by the delay in African Digital Terrestrial Television Migration (DTT); operating losses in the Altech Node business; and, Altech Autopage which operated in a difficult and challenging market while the sale of its subscribers was being finalised. The IT businesses, however, continued to perform well on a comparable basis. The recent announcements regarding the signing of the Altech Autopage sale agreements with three mobile network operators and the closure of the Altech Node business, address two of these areas, while work continues on the remaining areas of concern.

From a total operations perspective, Altron's revenue for the period decreased by 7% to R13.3 billion and earnings before interest, tax, depreciation and amortisation (EBITDA) by 69% to R241 million. Basic earnings per share (EPS) reduced to a loss of 151 cents versus the profit of 58 cents reported in the prior corresponding period. Headline earnings per share (HEPS) declined to a loss of 64 cents from the profit of 72 cents posted in the prior corresponding period.

FINANCIAL OVERVIEW

INCOME

During the period under review, decisions were taken to dispose of Powertech Transformers and to close the Altech Node business. Both of these businesses, as well as the Altech Autopage GSM subscriber bases, were consequently classified as discontinued operations. In certain cases reference is made to normalised results which exclude various restructuring costs and significant once-off costs incurred in each period.

Continuing operations

Revenue decreased by 8% to R10.5 billion from R11.4 billion in the prior year, while EBITDA declined by 53% from R730 million to R340 million. The EBITDA margin was 3.2% compared to the prior year's 6.4%.

Capital items have increased significantly from the prior year primarily due to R152 million of goodwill impairments and R50 million of impairments of intangible assets. This resulted in a loss of R67 million from operating activities, significantly lower than last year's profit of R471 million. Net finance costs have decreased from R128 million to R119 million as average borrowings have decreased due to stringent control of working capital levels.

The effective tax rate is very high in this period due to tax charges incurred in the profit-making business units, while we are unable to recognise deferred tax assets in a number of loss-making operations due to the uncertainty around recoverability given the current outlook. Furthermore, several deferred tax assets had to be reversed during the current reporting period.

These factors resulted in a loss from continuing operations for the period of R240 million compared to a profit of R235 million in the previous corresponding period.

Discontinued operations

The results of the discontinued operations, namely Altech Autopage, Altech Node and Powertech Transformers showed a significant decline from the previous corresponding period with EBITDA dropping from a profit of R54 million to a loss of R99 million. This reflects the significant challenges each of these operations faced during the current reporting period.

The substantial capital items are related to the closure of the Altech Node business and the impairment of goodwill as well as property, plant and equipment at Powertech Transformers caused by the lack of orders in that business. Net finance costs have also increased significantly, primarily due to a significant increase in the factoring costs associated with the Altech Autopage handset receivables.

These factors resulted in a loss from discontinued operations of R378 million compared to a loss of R34 million in the previous corresponding period.

MESSAGE TO SHAREHOLDERS (continued)

CASH MANAGEMENT

Total operations

Cash generated by operations of R528 million was 47% down on the prior year, while R169 million was released from working capital, which represented a significant improvement on the R176 million absorption in the prior corresponding period. The significant increase in the net finance expense was more than offset by reduced tax payments as well as a significantly lower dividend. These factors resulted in cash flows from operating activities being broadly in line with the previous period.

Investing activities increased to R637 million. Capital expenditure relating to property, plant and equipment as well as intangible assets amounted to R241 million, which was in line with the prior period. However, the investment in contract fulfilment costs increased to R321 million as we continued to focus on preserving our subscriber base at Altech Autopage, and to a lesser extent, Altech Netstar.

Cash flows utilised in financing activities of R139 million represents the repayment of some of the group's debt.

Given the current cash flow position of the group, the focus remains on reducing the amount of debt on the balance sheet. To this end, the proceeds from the disposal of the Altech Autopage subscribers, as well as other potential disposals, will be used to reduce the group's debt.

SUBSIDIARY REVIEW

SUBSIDIARY INCOME AND GROWTH

The following commentary is provided on a total operations basis.

Altron TMT

On a consolidated total operations level, Altron TMT (telecommunications, multi-media and IT businesses) revenue declined by 5% to R9.6 billion while EBITDA declined by 65% from R702 million to R245 million compared to the prior corresponding period. Headline earnings declined to a loss of R68 million for the period under review.

Telecommunications

Despite Altech Autopage's core subscriber base and ARPUs remaining stable, profitability declined as a result of continued industry and consumer deflationary pressures. All contracts in respect of the disposal of the post-paid subscribers have been concluded with the mobile network operators. The sale and regulatory approvals are expected to be complete by year-end.

Altech Netstar reported a marginal increase in revenue but posted a 10% decline in EBITDA. The company saw some pressure in the stolen vehicle recovery side of the business with increased churn and bad debt expense as consumers came under pressure. However, fleet management continues to see favourable growth as a result of several contract wins. A number of small acquisitions were concluded during the second half of the previous year and should enhance the results going forward.

Bytes Systems Integration saw a decline in both revenue and EBITDA. Although the international side of the business performed well off the back of successful projects in Africa, the local business declined with the non-recurrence of some large sales during the prior period.

Altech Radio Holdings performed exceptionally well, growing revenue and EBITDA by almost 50%, as a result of the Gauteng Broadband Network project which is running on schedule with the scope being enhanced in the process. There are some encouraging and significant projects in the pipeline.

Altron has made the decision to close the Altech Node business and cease services to subscribers with effect from 31 October 2015. Although the technology will remain within the group, no further operational costs, including the cost of content will continue from that date. All of the closure costs have been provided for in these interim results.

Multimedia

Altech Multimedia was significantly impacted by reduced order intake in its core set-top box business in Africa as a result of delays in the roll-out of various African DTT programmes. Although demand in South Africa remains at reasonable levels, the reduction in orders from Africa and the loss of the Samsung TV assembly contract resulted in under recoveries in the factory. This has also resulted in a significant inventory obsolescence provision in the current reporting period. Action has been taken to right size this business with the headcount reducing by approximately 60% and consolidation of the international operations in order to reduce the monthly operating losses.

Technology (IT)

Bytes UK again performed well. While the results were enhanced by the depreciation of the Rand, the local currency results exceeded expectations as the business expanded its higher margin operations.

The core Xerox business of Bytes Document Solutions showed a good recovery as the benefits of some new business wins in the last financial year started to feed into the operating results. The Nor Paper business has also improved following some restructuring and cost cutting during the prior year.

Bytes Managed Solutions performed well despite a reduction in revenue and EBITDA, which was expected given the total technology refresh that occurred in the prior period at one of its major customers. The business was, however, affected by foreign exchange losses and the disposal of the retail ATM business in August 2014.

Bytes Secure Transaction Solutions performed well, though it saw a decline in revenue as a result of reduced sales of POS terminals by Altech Card Solutions, but strong performances from the healthcare businesses and Altech NuPay resulted in a pleasing increase in EBITDA.

Bytes Universal Systems saw an expected reduction in revenue and EBITDA primarily as a result of a large public sector contract which came to an end during the prior financial year.

Revenue doubled at Bytes People Solutions and EBITDA also increased substantially as its acquisition of Inter-Active Technologies, a call centre business, bears fruit.

Altron Power

Altron Power's revenue reduced from R4.2 billion in the previous period to R3.8 billion, while EBITDA declined by 85% to R15 million. Headline earnings for Altron Power declined from a loss of R16 million in the prior period to a loss of R112 million.

Powertech Cables achieved excellent growth at its international operations in Spain and Portugal but its local operations struggled as a result of a decline in demand from Eskom, margin pressure and reduced demand from wholesalers as well as a slump in the copper price which affected inventory values.

At Powertech Transformers, an absence of orders from Eskom for large power transformers led to an unfavourable product mix and a significant under recovery at the Pretoria-West factory which is in the process of being significantly downscaled. Recognition by Treasury of transformers as a Designated Product is essential to assist future prospects for this business, provided Eskom returns to more usual buying patterns. Altron is in the process of disposing of this business and as a result has categorised it as a discontinued operation.

Powertech Batteries performed satisfactorily given that margins were under pressure due to an increasing Rand lead price as well as ongoing competition from imports despite the weak Rand and an increase in import duties.

Powertech System Integrators' performance was disappointing although a number of initiatives are currently underway in Africa. Powertech Quadpro, the turnkey substation business, is waiting for the approval of a number of new projects in Africa, with its business in South Africa having slowed significantly.

HUMAN CAPITAL

Altron has been rated as a Level 2 Broad-Based Black Economic Empowerment contributor for the 2015/2016 financial year. This can be attributed to a well-executed strategic intent to transcend from a compliance driven process to a more transformative process.

Training of Altron group employees remains a priority and is managed through the Bill Venter Academy.

SUSTAINABILITY

Altron's sustainable business strategy remains the driving force in terms of achieving its targets and objectives. The four key value drivers for sustainable development are Financial Capital, Human Capital, Products and Services and External Relationships.

MESSAGE TO SHAREHOLDERS (continued)

CORPORATE GOVERNANCE

The Altron group continues to embrace and implement the recommendations of the King Report on Governance for South Africa, 2009, as well as the King Code of Governance Principles for South Africa, 2009.

OUTLOOK

Altron's board has identified certain material assets, particularly in the group's manufacturing operations, where equity partnerships with global industry players, outright disposal or closure is being considered. This, along with the steps already taken, will reduce or eliminate many of the entities that are currently detracting from the solid performance of the core IT assets.

The proceeds from the sale of the aforementioned assets as well as the Altech Autopage subscribers will be applied towards reducing the group's borrowings which were raised predominantly during the acquisition of the minority shareholders' shares in Altech, and the exit from Altech East Africa.

Furthermore, particular emphasis is being placed on the need to significantly reduce head office costs. In this regard, the group's three head offices will be consolidated into one by year-end and its shared services initiative will be expanded.

For the remainder of the year conditions are expected to remain challenging, as some of the macro-economic factors that impacted the group remain in place, namely low economic growth, unfavourable manufacturing conditions and limited orders from Eskom. Furthermore, the benefits of the various restructuring initiatives, which are well advanced, are only likely to manifest themselves in the following financial year.

On behalf of the board

Dr Bill Venter
Non-Executive Chairman

Robert Venter
Chief Executive

Alex Smith
Chief Financial Officer

6 October 2015

COMPANY INFORMATION

BOARD OF DIRECTORS

INDEPENDENT NON-EXECUTIVE

Mr NJ Adami
Mr GG Gelink
Mr MJ Leeming
Ms SN Mabaso-Koyana
Dr PM Maduna
Ms DNM Mokhobo
Mr JRD Modise
Mr RS Ntuli
Mr SN Susman

NON-EXECUTIVE

Dr WP Venter *(Chairman)*
Mr MC Berzack

EXECUTIVE

Mr RE Venter *(Chief Executive)*
Mr RJ Abraham
Mr AMR Smith*
** British*

SECRETARIES

Altron Management Services Proprietary Limited – Mr AG Johnston (Group Company Secretary)

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