

H1 FY19

INTERIM RESULTS

FOR THE SIX MONTHS ENDED 31 AUGUST 2018



H1 FY19

INTERIM RESULTS

FOR THE SIX MONTHS ENDED 31 AUGUST 2018



NOTES



ALTRON

Agenda

<p>1 Delivering growth Mteto Nyati Chief Executive</p>	<p>2 Financial results Mteto Nyati Chief Executive</p>	<p>3 Operational overview Andrew Holden Chief Operations Officer</p>	<p>4 Strategy and outlook Mteto Nyati Chief Executive</p>
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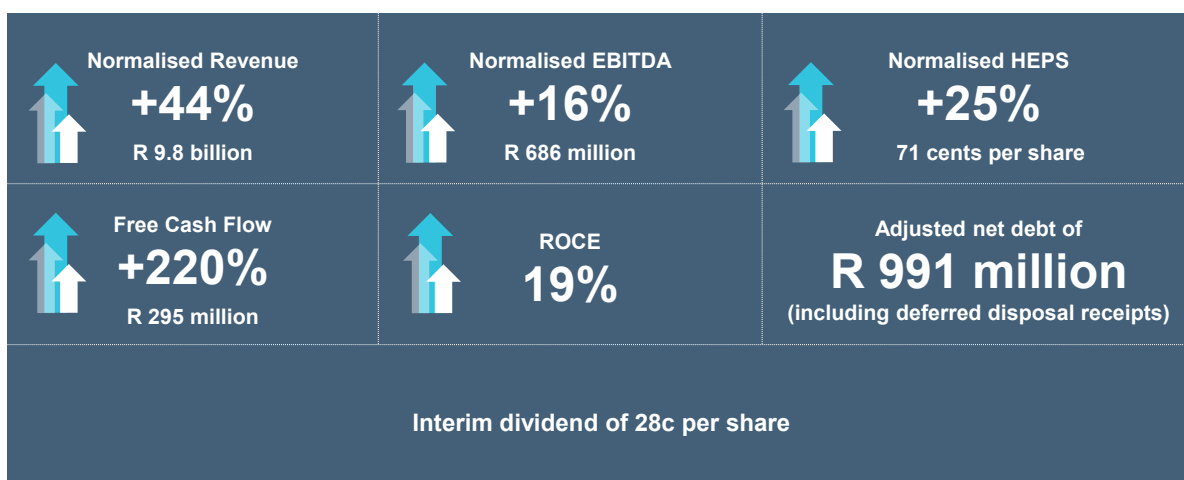
OVERVIEW – A SOLID PERFORMANCE

Mteto Nyati
Chief Executive



NOTES

Results Highlights







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NOTES

Delivering Innovation That Matters

ALTRON







	Healthcare Management 64 of 81 primary health clinics use Altron e-health record system		Safety and Security Vehicle on mines fitted with collision avoidance system with a 360 view in-vehicle display
	Financial Inclusion Pioneered the technology to help 40 000 lenders become compliant with the National Credit Regulator		Skills Development 48 IT graduates certified in end-user computing in Kwa-Mashu

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Key Achievements

ALTRON

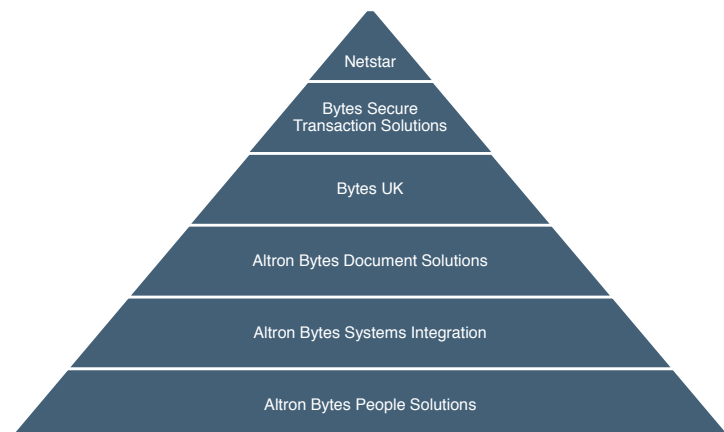
		
Successfully Integrated two acquisitions	70% of our operations have net promoter scores above industry average	Powertech Transformers and Altech UEC disposals completed
		
Number one Microsoft licencing partner in the UK	57% of our revenue offshore 35% of our EBITDA offshore	Strong Covenant ratio

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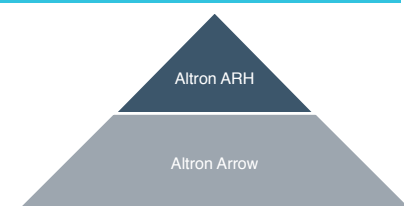
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H1 Performance Overview

Solid Performing Operations



Underperforming Operations



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Disposal of Non-core Assets

Discontinued operations	Status	Realised		Deferred	Expected date of receipt
Powertech Batteries	Sale concluded	R227 million	●	R107 million	Quarterly receipts of ±R6.5m per quarter
Aberdare (17.5% put option)	Sale concluded	R928 million	●	R94 million	June 2019
PTSI	Sale concluded	R20 million	●		
Swanib Cables	Sale concluded	R56 million	●		
Crabtree	Sale concluded	R39 million	●		
Switchgear/Quadpro	Sale concluded	R10 million	●		
Powertech Transformers	Sale concluded	R100 million	●	R189 million	R39m in October 2018; R50m in July 2019; R100m in Feb 2021
Altech Multimedia/UEC	Sale concluded	R25 million	●	R7 million	September 2019
CBI Telecoms	Sale terminated, new process initiated		●		

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FINANCIAL RESULTS

Mteto Nyati
Chief Executive



NOTES

Summarised Income Statement

Continuing operations

6 months ended 31 August R'million	Statutory H1 FY19	Once-off costs ¹	Normalised H1 FY19	Statutory H1 FY18	Once-off costs ¹	Normalised H1 FY18	% change (normalised)
Revenue	9 779		9 779	6 792		6 792	44
Operating profit before capital items	421	9	430	334	49	383	12
EBITDA	677	9	686	544	49	593	16
EBITDA margin (%)	6.9		7.0	8.0		8.7	
Net finance expenses	(90)		(90)	(88)		(88)	
Capital items	16		16	(16)		(16)	
Taxation	(78)	(3)	(81)	(60)	(13)	(73)	
Net profit after tax	269	6	275	170	36	206	34
HEPS (cents)	70		71	47		57	25
EPS (cents)	73		74	44		54	37
ROCE (%) ²	18.5		18.9	14.9		16.0	
GBP / ZAR average exchange rate	17.26			16.83			

Please note that the group's results were previously presented on a constant currency basis (prior period GBP values translated at current period exchange rate). This has not been done for the current period.

1 – once-off costs include retrenchment and restructuring costs;

2 – ROCE is calculated as follows: (Operating income from continuing operations) x 2 / (Total Equity+ Borrowings)

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EBITDA Margin Reconciliation

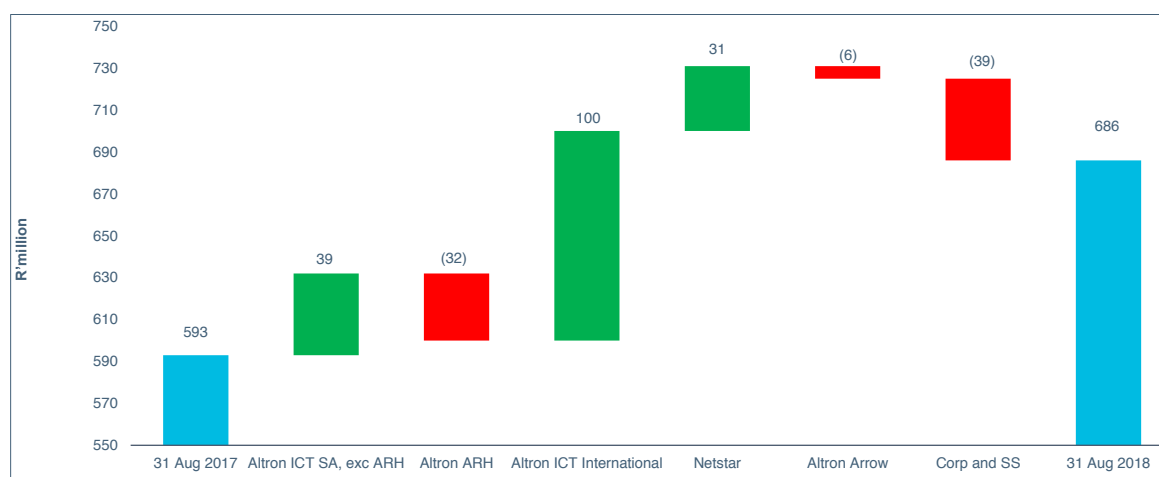
R'm	Revenue	EBITDA	Margin	Prior Year	Comments
Normalised	9 779	686	7.0%	8.7%	
Phoenix acquisition	(1 527)	(62)			Client mix in public sector
National Health Service contract ("NHS") in Bytes UK	(518)	(3)			Lower margin due to deliberate strategic intention to secure future business from NHS...
Altron ARH	(496)	-			
Brand refresh		22			
Adjusted	7 238	643	8.9%	8.7%	

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Normalised EBITDA

Continuing operations



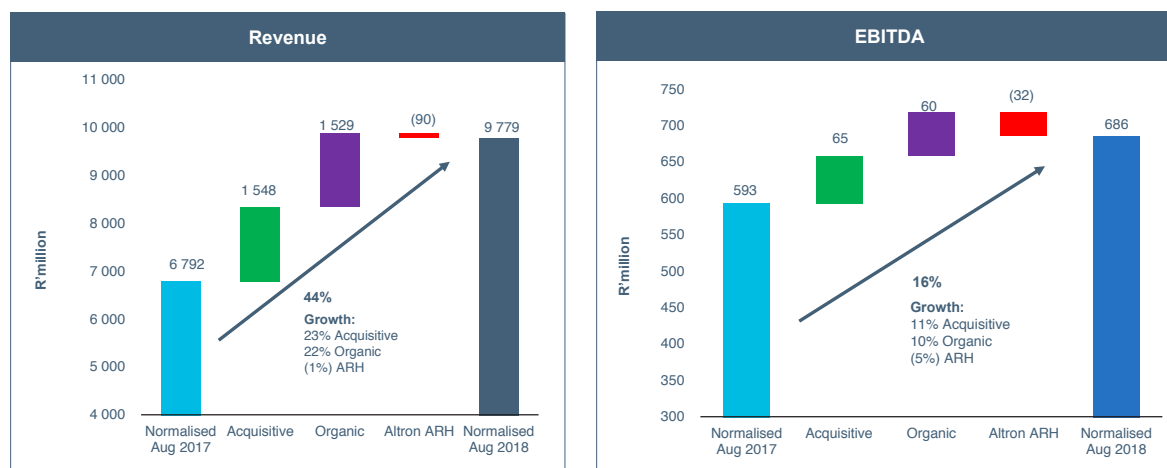
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Organic vs Acquisitive

ALTRON

Continuing operations

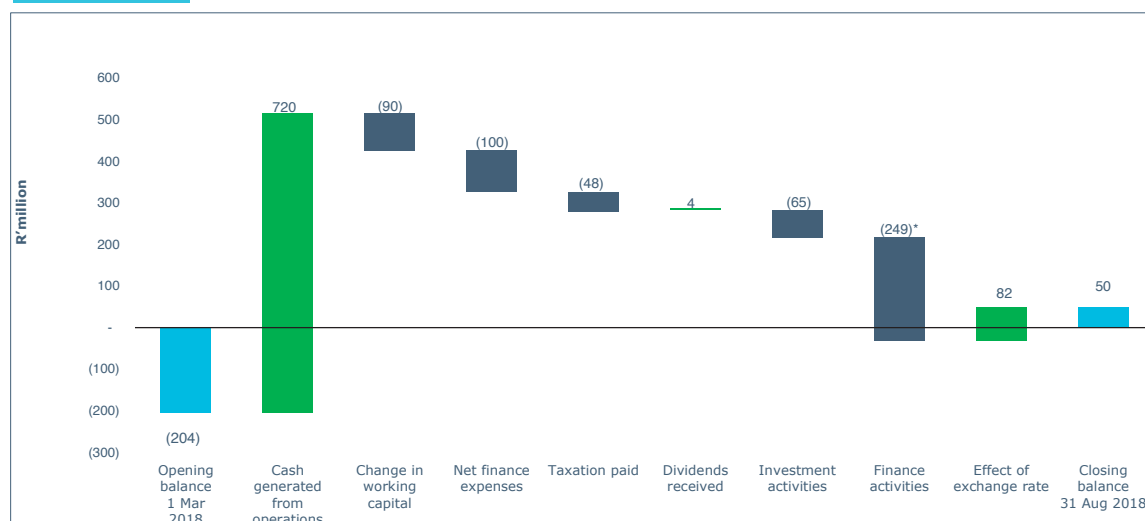


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Cash Flow Bridge

ALTRON



Unutilised facilities – R980m overnight facilities available to the South African cash pool plus £20m undrawn HSBC UK facility

* Repayment of long term debt to lenders

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NOTES

Group Cash Flow Statement

ALTRON

Condensed consolidated statement of cash flows

	Six months ended 31.08.18 (Unaudited)	Six months ended 31.08.17 (Unaudited)	R millions Year ended 28.02.18 (Audited)
Cash flows from operating activities	486	15	582
Cash generated by operations	720	598	1 234
Interest received	77	86	178
Interest paid	(177)	(214)	(417)
Dividends received from equity accounted investees and other investments	4	1	32
Changes in working capital	(90)	(363)	(298)
Taxation paid	(48)	(90)	(141)
Cash available from operating activities	486	18	588
Dividends paid, including to non-controlling interests	-	(3)	(6)
Cash flows utilised in investing activities	(65)	(296)	(971)
Cash flows (utilised in) / from financing activities	(249)	73	(160)
Net increase / (decrease) in cash and cash equivalents	172	(208)	(549)
Net cash and cash equivalents at the beginning of the period	(204)	329	329
Cash and cash equivalents at the beginning of the period	(204)	417	417
Cash previously classified as held-for-sale	-	(88)	(88)
Effect of exchange rate fluctuations on cash held	82	20	16
Bank overdraft classified as held-for-sale	-	123	-
Net cash and cash equivalents at the end of the period	50	264	(204)

Unutilised facilities – R980m overnight facilities available to the South African cash pool plus £20m undrawn HSBC UK facility

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Summarised Balance Sheet

ALTRON

As at 31 August R'million	H1 FY19	H1 FY18	% Change	Commentary
Total non-current assets	3 787	3 187	19	Acquisition of Phoenix
Current assets	4 658	3 541	32	Debtors ARH and acquisitions
Assets held-for-sale	274	1 013	(73)	Powertech & Altech Multimedia disposals
Cash balance	1 237	1 072	15	
Total assets	9 956	8 813	13	
Equity holders of Altron	3 264	2 760	18	
Non-controlling interests	(202)	(237)	(14)	
Long term loans	1 128	1 633	(31)	Movement includes repayment of debt / reclassification to short term loans
Other non-current liabilities	64	61	5	
Short term loans	354	323	10	Long term debt reclassified to short term
Other current liabilities	3 965	2 726	45	Acquisition of Phoenix
Liabilities held-for-sale	196	739	(73)	Powertech & Altech Multimedia disposals
Bank overdraft	1 187	808	47	
Total equity and liabilities	9 956	8 813	13	
Net debt	1 432	1 834	-	
NAV per share (cents)	880	744	18	Shares in issue, net of treasury shares – 371m (2018: 371m)

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Adjusted Net Debt Reconciliation

ALTRON

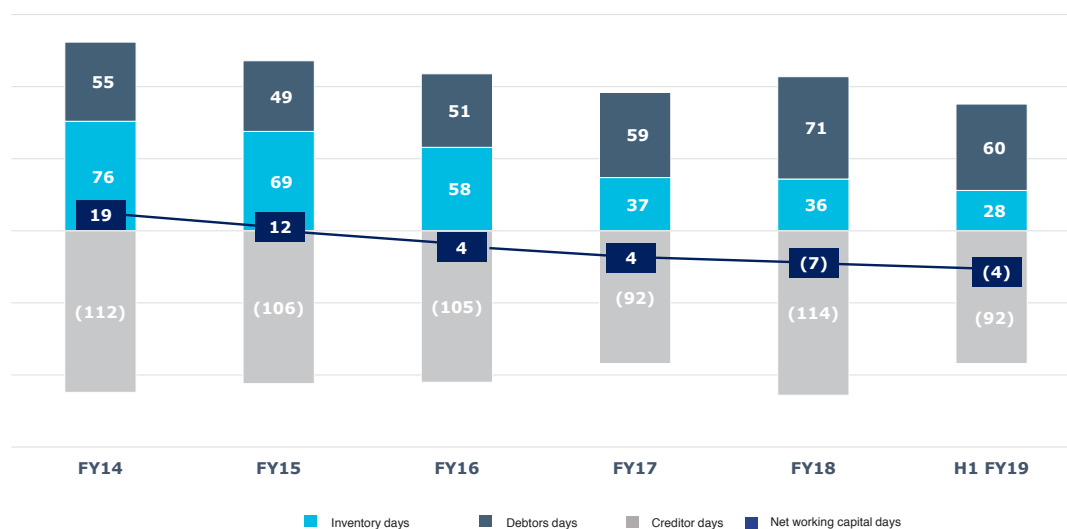
R'million		H1 FY19	H1 FY18	FY18
Net debt as reported		1 432	1 834	1 940
Less: Net asset value of disposal group		(78)	(274)	(249)
Less: Net debt in disposal group		-	(142)	-
Less: Deferred disposal receipts		(363)	(269)	(201)
Adjusted net debt (including deferred disposal receipts)		991	1 149	1 490
Covenant ratios (using R1,432m for covenant purposes)	Covenant			
Net debt : Attributable EBITDA	< 2.5x	1.04x	1.6x	1.6x
Attributable EBITDA interest cover	> 3.5x	7.05x	4.1x	5.4x

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Working Capital

ALTRON



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Dividends

ALTRON

The Group has resumed paying dividends since the year ended 29 February 2016


Dividend policy considerations:


- Maintaining sufficient headroom in facilities
- Well within debt covenants
- 2.5 times dividend cover on continuing operations going forward

The board has declared an interim dividend of 28 cents per share for the reporting period

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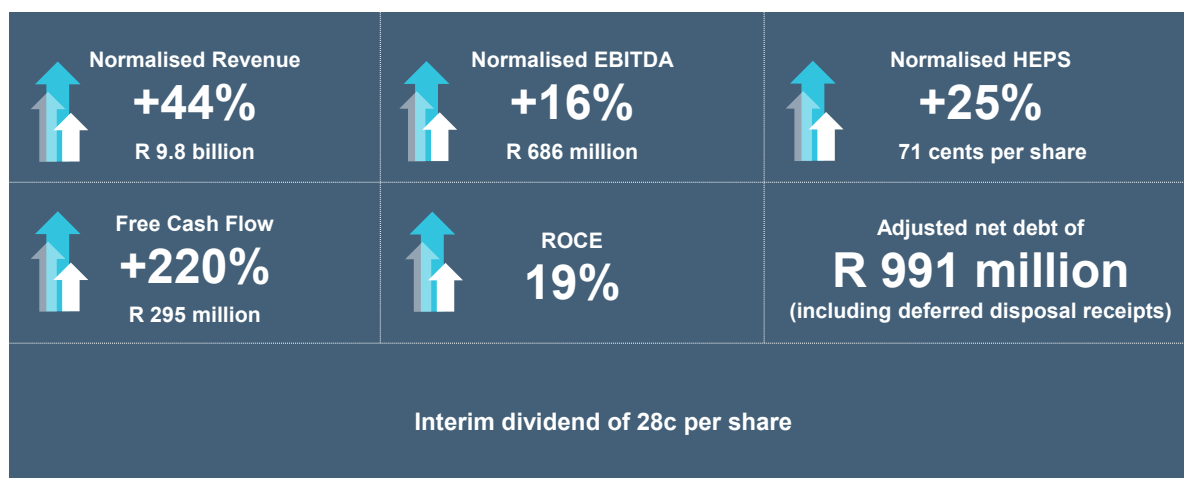
OPERATIONAL OVERVIEW

Andrew Holden
Chief Operations Officer

NOTES

Results Highlights

ALTRON

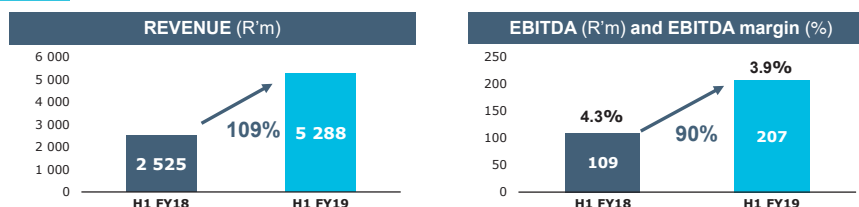


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NOTES

Bytes Technology Group UK (with Phoenix) - normalised

ALTRON



Interims at a glance

- Performance positively impacted by the acquisition of Phoenix.
- Bytes Software Services secured a five year £150 million contract with UK's National Health Service.
- Overall good performance by the UK operations
- In GBP terms, revenue and EBITDA growth of 104% and 84% respectively. Organic growth of 45% on revenue and 29% on EBITDA.

Strategy

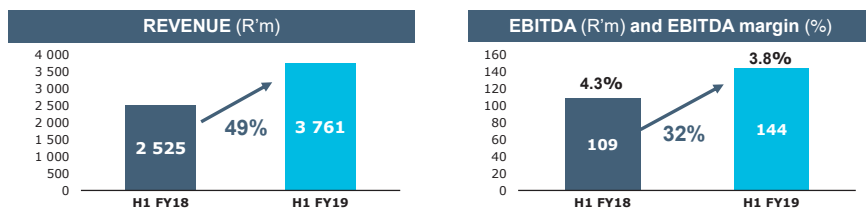
- Focus on the cloud and cloud migration
- Cross selling into 5 000 accounts within the UK
- Acquire strategic businesses
- Use SA IP to promote additional appropriate solution sets into our UK customers



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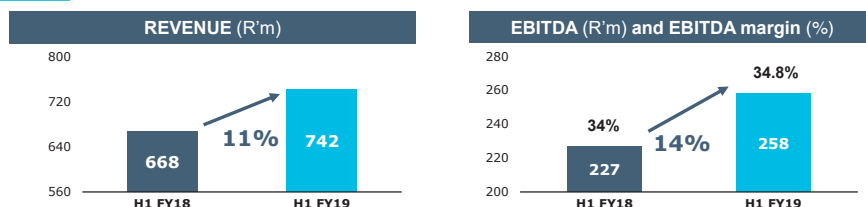
Bytes Technology Group UK (without Phoenix) – *normalized* ALTRON



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NOTES

Netstar (with EYZ2C*) – *normalized* ALTRON



Interims at a glance

- Continued improvements in the performance
- Improved subscriber growth, particularly in stolen vehicle recovery, with churn and retentions under close control
- Australian acquisition performing in line with expectations
- 9% Australian market share following EYZ2C acquisition in July 2017

Strategy

- Focus on growing market share in telematics and fleet management
- Geographic expansion
- Alternative routes to market – direct sales to vehicle manufactures and insurers



180%
growth in net
connections



ISO 9001:2015
certification



Insurance Telematics
fast report device



**Jamming
resistant
solution**



**Car park
jamming
solution**

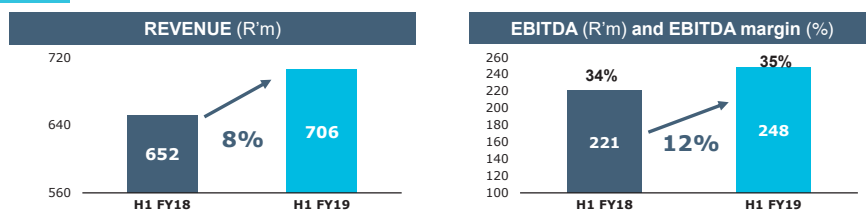
*EYZ2C was acquired in July 2017 and is included for 2 months in the prior period.

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NOTES

Netstar (without EZY2C) - normalised

ALTRON

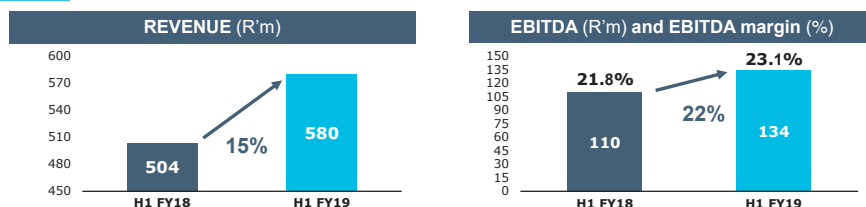


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NOTES

Altron Bytes Secure Transaction Solutions - normalised

ALTRON



Interims at a glance

- Good revenue and EBITDA growth due to new contracts secured
- HealthTech companies continue to deliver to expectation
- Solid growth from FinTech with exceptional growth in the NuPay environment

Strategy

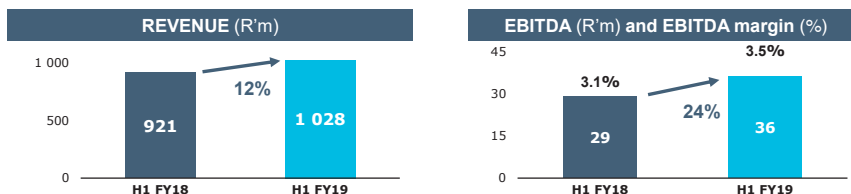
- HealthTech – continues to grow eco systems and platforms to deliver higher value services to health care professionals as well as public health sector
- FinTech – evolve new product offerings into the unbanked environment – significant growth opportunity
- CyberTech – Built a technology centre to provide security for customer networks



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NOTES

Altron Bytes Systems Integration - *normalised*




Interims at a glance

- Strong EBITDA results, benefitting from integration gains.
- Increase in EBITDA margin


Strategy

- Refining the operating model through streamlining of the business
- Altron's engine room to drive IoT, Security, Big Data and Cloud Solutions
- Improving EBITDA margin by:
 - focusing on high growth areas
 - reducing overhead costs


30 000
service desk calls managed per month


ISO 9001
certified


Gold Partner

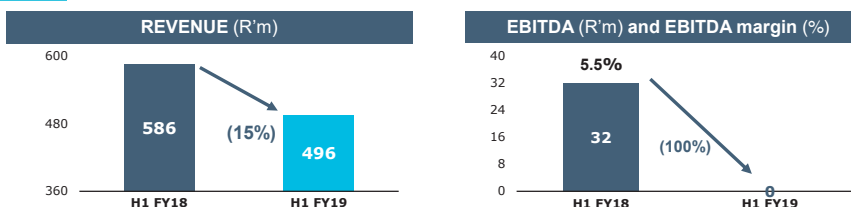

named Best Partner in a Networking Project


Partnership
with Lumidigm

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NOTES

Altron ARH - *normalised*



Interims at a glance


- Delays in public sector contracts
- City of Tshwane broadband project delays due to legal action and other public projects delays due to protracted processes

Strategy

- To win and deliver on current opportunities presented by broadband
- To evolve into the preferred safe city solution provider for the smart city evolution
- Start building similar competencies in selected markets within rest of Africa


1460 sites
Gauteng Broadband Network


130 business
partners in SA


Double
Huawei certified


71 708
incidents managed 24/7 at the National Network Operations Centre

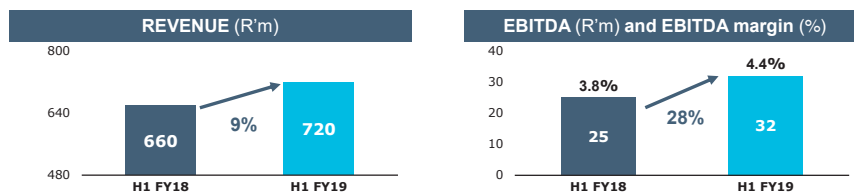

largest distributor of two-way radios

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NOTES

Altron Bytes Document Solutions - *normalised*

ALTRON



Interims at a glance

- Improved margins in the production systems division
- Good equipment revenue

Strategy

- Focus our attention on only three growth areas:
 - Managed print services
 - A4 print environment
 - High-end production environment
- Continue our growth strategy into Rest-of-Africa
- Collaborative cross-selling of other Altron products and services into BDS's +4 500 customers



50%
market share
high-end printers



Largest Xerox distributor in the world



4 665
active customers



Stockholding
188 locations
788 items
526 147 units



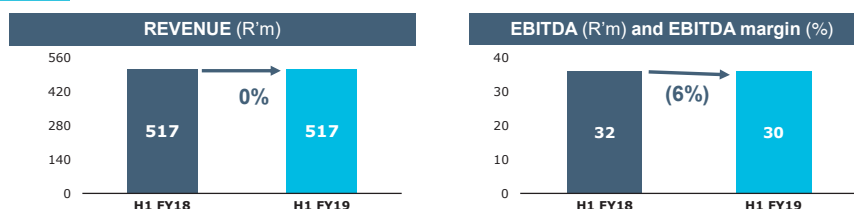
ISO 9001
certified

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NOTES

Altron Bytes Managed Solutions - *normalised*

ALTRON



Interims at a glance

- Revenue and EBITDA in line with prior year

Strategy

- Convert the traditional retail sector with new technologies such as self-service checkout
- Expand managed services to incorporate the Internet-of-Things (IoT)
- Currently launching cloud-based retail solutions for the hospitality and restaurant sector



259 949
retail devices



14
African countries



+13 500
ATMs serviced
per month



3 million
DELL devices

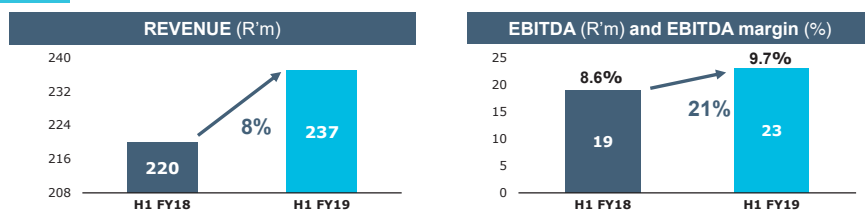


+40 000
service calls per month

30

NOTES

Altron Bytes People Solutions - *normalised*



Interims at a glance

- Improved EBITDA due to the call centre business
- New MD appointed
- Focused on outbound sales campaigns

Strategy

- Broadening skills development offering beyond ICT sector training
- Drive efficiencies in BPO environment by focusing on enabling technologies – robotic processes and multi-channels



+100 000
student days
delivered annually



+12 000
People received
workplace experience



+2.4 million
calls managed monthly



+1 650 people with
disabilities gained workplace
experience

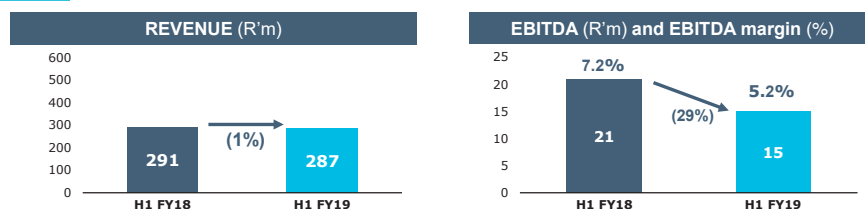


1.1 million
sales calls
dialled monthly

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NOTES

Altron Arrow – *normalized*



Interims at a glance

- Reduction in EBITDA following lower gross margin levels and overall market pricing pressures, together with exchange rate fluctuations and supply chain delays.

Strategy

- Busy with key new lines of business
- Strong order book on hand and sizeable new business opportunities
- Drive eCommerce business



No1
electronic component
distributor



27%+
market share



customers across electronic
industry sectors



Joint Venture
Partner with high
growth **\$27bn**
Arrow Electronics



Blue chip
IoT
connectivity

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04

STRATEGY & OUTLOOK

Mteto Nyati
Chief Executive



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Altron Group - Outlook

ALTRON

- Expect double digit EBITDA growth.
- Fully integrate Altron Karabina
- Strong Cloud and Data Analytics capabilities
- Operationalise Huawei and Altron internet of things partnership
- Establish presence in India through Netstar
- Finalise debt refinance with our lenders

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NOTES

ALTRON

THANK YOU

NOTES

**ALLIED ELECTRONICS
CORPORATION LIMITED**

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



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HIGH LEVEL OVERVIEW

During the past financial half year, Altron delivered substantially on executing its One Altron strategy anchored in four strategic pillars, namely improve revenue growth, improve profitability, transform the customer experience and employee excellence.

Key Results Highlights on a normalised (adjusted for restructuring costs during the period) basis:

- Revenue from continuing operations increased by 44% to R9.8 billion
- EBITDA from continuing operations increased by 16% to R686 million
- HEPS from continuing operations increased by 25% to 71 cents
- Adjusted net debt reduced to R991 million
- Free cash flow increased by 220% to R295 million
- Interim dividend declared of 28 cents per share

The Altron group ("the Group") has made considerable progress in expanding its operations in various jurisdictions, successfully integrating three acquisitions. 57% of the Group's revenue is generated offshore, with Altron being the number one Microsoft licensing partner in the UK. 70% of the Group's operations have net promoter scores above industry average. During the period, the company has further lowered debt levels and completed the divestment of non-core assets.

The Group has again delivered on the stated goal of consistent double-digit growth at an EBITDA level despite the ongoing difficult local South African economy.

As announced through SENS on 29 September 2018, the Group completed the acquisition of the iS Partners group, including its primary subsidiaries Karabina Solutions and Zetta Business Solutions. iS Partners group adds to Altron's existing Microsoft business offerings and will be integrated into the Group in building a cloud and data analytics business of scale.

An element of the Group's strategy was the disposal of the remaining non-core assets. This has now been materially concluded. Powertech Transformers was disposed of with effect from 31 July 2018. As communicated to shareholders on SENS on 25 September 2018, agreement has been reached to dispose of Altech UEC/Multimedia, the Group's last non-core control asset. The final conditions precedent to this transaction, including Competition Commission approval, are expected to be concluded by the end of November 2018.

As previously communicated at the Group's last results announcement, the Board has approved a resumption in dividends payment to shareholders at 2.5 times cover ratio. This is a result of the Group's much improved performance over the last 18 months, which has resulted in strengthening of the management and leadership team, driving top line growth, improved profitability, better working capital management, selective bolt-on acquisitions in strategic areas, as well as a much-improved balance sheet and cash generation for the Group, and has resulted in the first dividend paid to shareholders since the financial year-ended February 2016.

2018 UNAUDITED CONSOLIDATED INTERIM RESULTS FOR THE SIX MONTHS ENDED 31 AUGUST 2018 AND INTERIM DIVIDEND ANNOUNCEMENT

Allied Electronics Corporation Limited

(Registration number 1947/024583/06)

(Incorporated in the Republic of South Africa)

Share code: AEL ISIN: ZAE000191342

("Altron" or "the company")

FINANCIAL OVERVIEW

Due to the inclusion of non-core operations in the total results for the first six months, the continuing operations' results provide stakeholders with an accurate measure of the core sustainable earnings of Altron.

Continuing operations

Revenue for the continuing operations grew by 44% to R9.8 billion, while EBITDA increased by 16% to R686 million on a normalised basis. Organic EBITDA growth for the period was 10%, (excluding Altron ARH ("ARH") 5% negative growth – see further comments below) supported by acquisitive growth of 11%. The normalised EBITDA margin decreased to 7% compared to the prior period's 8.7%. The lower increase in EBITDA compared to revenue increase, as well as the lower EBITDA margin for the current period, are both largely due to some deliberate actions in the UK business. The Phoenix Software acquisition in the UK in September 2017, which has more than doubled the profitability of our UK operations, is a high volume but lower margin business due to its public sector focus. We are also pleased to report that the borrowings relating to the purchase price for Phoenix Software were fully paid off. Bytes UK also made a strategic decision to win the National Health Service ("NHS") contract at initially much lower margins in return for future strategic trade-offs. Another less significant contributor to the current period's lower margin were some delays experienced in some of the public sector contracts for ARH. The latter's order book for the second half of the year is satisfactory.

Normalised headline earnings increased by 26% from R210 million to R264 million while normalised headline earnings per share grew by 25% to 71 cents against the prior period of 57 cents.

Discontinued operations

The results of the discontinued operations continued to show a significant improvement from the previous financial half year. EBITDA improved to a profit of R65 million compared to a prior period loss of R9 million. The main improvement came out of the Powertech Transformers and Altech UEC/Multimedia businesses that delivered a strong EBITDA turnaround.

CASH MANAGEMENT

The overall net debt of R1.4 billion (R991 million when adjusted for disposal of group assets and deferred receipts balances) showed a meaningful improvement on 28 February 2018 year-end position of R1.9 billion due to increased cash generated from operations (R720 million compared to R598 million for the prior period), as well as better working capital management. This resulted in a 220% increase in free cash flow to R295 million, which enabled the Group to allocate R249 million towards repaying its long-term loans during the period.

BUSINESS UNITS REVIEW

Bytes UK had another strong half year, growing revenue by 109% and EBITDA by 90% to R207 million. The performance of the business was positively impacted by the acquisition of Phoenix Software in the second half of the previous financial year, which added scale to Bytes UK, making it a significant player in the UK software market. Bytes UK further secured a five-year £150 million contract with the NHS. The cross-selling of Altron's South African CyberTech offering in the UK market is gaining traction.

Altron Bytes Secure Transaction Solutions ("BSTS") continued to perform well, growing revenue by 15% and EBITDA by 22% to R134 million, driven by profit margins of 23% and a number of new contracts secured during the period. BSTS maintains its status as a key growth focus for the Group. All components of this business performed well, with the NuPay division again being the outstanding performer. The HealthTech side of the business continues to grow its ecosystems and platforms to deliver higher value services to health care professionals as well as the public health sector. FinTech is advancing its new product offerings into the unbanked environment, which presents a significant growth opportunity for this division. The CyberTech division is seeing gains from the completion of its technology centre to provide security for customer networks.

ARH experienced a challenging first half of the financial year, with a number of delays in public sector contracts. Despite this, the business continues to win and deliver on current broadband network opportunities, such as the

Phase 2 Gauteng broadband network contract, valued at R2.8 billion over three years, building on its momentum of evolving into the preferred safe city solution provider for the smart city evolution.

Altron Bytes Document Solutions ("BDS") has seen revenue improve by 9% to R720 million and EBITDA increase by 28% compared to the prior period, supported by improved margins in the production systems division. Strategically, the business remains focused on selected growth areas, including managed print services and the high-end production environment. BDS' growth strategy into the rest of Africa remains on course, with the business driving cross-selling of Altron's other offerings into its extensive base of more than 4 500 customers.

Altron Bytes Managed Solutions ("BMS") reported revenue and EBITDA largely in line with the prior year. The performance of this business is being improved through a conversion of the traditional retail sector with new technologies such as self-service checkouts and an expansion of managed services to incorporate Internet of Things ("IoT") solutions. Further improvement in the performance of BMS will be driven by the ongoing diversification of its offerings, such as the current launch of cloud-based retail solutions for the hospitality and restaurant sectors.

Altron Bytes Systems Integration ("BSI") produced strong EBITDA results through margin increase and benefitting from some integration gains. EBITDA increased by 24% and revenue by 12% against the prior year. Management is taking additional steps to improve EBITDA margin by, *inter alia*, focusing the business on high-growth areas and reducing overhead costs. BSI continues to refine its operating model through the streamlining of the business and driving the Group's initiatives into IoT, Security, Big Data and Cloud solutions.

Altron Bytes People Solutions ("BPS") grew revenue by 8%, with EBITDA improving by 21% against the prior year, the latter as a result of efficiencies in the call centre business and a focus on outbound sales campaigns. The business also saw the appointment of a new managing director, Mr Igshaan Soules, during the reporting period. The business is set to grow through a broadening of skills development offerings beyond ICT sector training, and driving efficiencies in the Business Process Outsourcing environment by focusing on enabling technologies, including robotic processes and multi-channels.

Under new leadership, Netstar is driving customer centricity and cost reductions, backed by strong revenue and EBITDA growth at an organic level. The business in total reported an 11% increase in revenue and a 14% improvement in EBITDA against the prior year. Netstar improved the growth in its subscriber base, particularly in stolen vehicle recovery, with churn and retentions under close control. Its most recent Australian acquisition, EYZ2C, is performing well ahead of prior year, with Altron's total market share in Australia now at 9%.

Altron Arrow's revenue was largely in line with the prior year, while EBITDA declined by 29%. The reduction in EBITDA was primarily as a result of lower gross margin levels and overall market pricing pressures, together with exchange rate fluctuations and supply chain delays. In challenging economic conditions, the business maintained its leading component distributor position in this market. Altron Arrow continues to work on key new lines of business, including driving its eCommerce solutions. It is well placed to deliver in the second half of the financial year through a strong order book on hand and sizeable new business opportunities.

DIVIDEND

Notice is hereby given that an interim gross cash dividend of 28 cents per share (22.4 cents net of 20% dividend withholding tax) for the six months ended 30 August 2018 has been declared, payable to shareholders recorded in the register of the company at the close of business on the record date appearing below. The Board has confirmed by resolution that the solvency and liquidity test as contemplated by the Companies Act, No. 71 of 2008, as amended, has been duly considered, applied and satisfied. This is a dividend as defined in the Income Tax Act, No. 58 of 1962 and is payable from income reserves. The income tax number of the company is 9725149711. The number of ordinary shares in issue at the date of this declaration is 399 186 510, including 28 180 080 treasury shares. The salient dates applicable to the interim dividend are as follows:

Dividend dates

Last day to trade <i>cum</i> interim dividend	Tuesday, 13 November 2018
Commence trading <i>ex</i> interim dividend	Wednesday, 14 November 2018
Record date	Friday, 16 November 2018
Payment date	Monday, 19 November 2018

Share certificates may not be dematerialised or rematerialised between Wednesday, 14 November 2018 and Friday, 16 November 2018.

2018 UNAUDITED CONSOLIDATED INTERIM RESULTS FOR THE SIX MONTHS ENDED 31 AUGUST 2018 AND INTERIM DIVIDEND ANNOUNCEMENT CONTINUED

DIRECTORATE

During the past financial half-year, our Board took further steps to ensure alignment to our new ICT focused strategy and implementing its diversity policy at board level. As part of this process, Ms Berenice Francis was appointed as an independent non-executive director on the Board with effect from 21 June 2018. Shareholders also approved the appointment of Ms Francis as a member of the Altron Audit Committee on 1 August 2018.

The Board further announced that Dr WP Venter, Chairman Emeritus and the founder of Altron 53 years ago, retired as non-executive director of the Board, with effect from 31 July 2018.

Mr Tim Jacobs resigned as acting Chief Financial Officer ("CFO"), with effect from 19 October 2018. Mr Andrew Holden, the current Chief Operating Officer ("COO") of Altron, was appointed in the joint role of COO and acting CFO on 19 October 2018. As previously communicated, the recruitment process of identifying a permanent CFO remains ongoing.

OUTLOOK

Altron remains well-positioned for continued growth and execution of its One Altron strategy of offering end-to-end solutions to its extensive customer base. We continue to focus on organic growth, supplemented by selective acquisitions. In particular, we will:

- fully integrate Altron Karabina;
- build stronger Cloud and Data Analytics capabilities;
- operationalise the Huawei and Altron Internet of Things partnership;
- establish a presence in India through Netstar; and
- conclude a debt refinancing package.

This information is the responsibility of the directors and has not been reviewed or audited by the auditors.

Johannesburg
25 October 2018

Sponsor

Investec Bank Limited

CONDENSED CONSOLIDATED STATEMENT OF COMPREHENSIVE INCOME

R millions	% change	Six months ended 31 August 2018 (Unaudited)	Six months ended 31 August 2017* (Unaudited)	Year ended 28 February 2018* (Audited)
Continuing operations				
Revenue	44	9 779	6 792	14 743
Operating costs before capital items**		(9 102)	(6 248)	(13 518)
Earnings before interest, tax, depreciation and amortisation and capital items (EBITDA before capital items)**	24	677	544	1 225
Depreciation and amortisation**		(256)	(210)	(442)
Operating profit before capital items	26	421	334	783
Capital items (note 1)		16	(16)	(38)
Result from operating activities		437	318	745
Finance income		72	85	164
Finance expense		(162)	(172)	(342)
Share of profit of equity accounted investees, net of taxation		–	(1)	(1)
Profit before taxation		347	230	566
Taxation		(78)	(60)	(145)
Profit for the period from continuing operations		269	170	421
Discontinued operations				
Revenue		921	1 905	2 938
Operating costs before capital items		(856)	(1 914)	(2 930)
Earnings before interest, tax, depreciation and amortisation and capital items (EBITDA before capital items)		65	(9)	8
Depreciation and amortisation		–	–	–
Operating profit/(loss) before capital items		65	(9)	8
Capital items (note 1)		(48)	(63)	(271)
Result from operating activities		17	(72)	(263)
Finance income		13	25	56
Finance expense		(14)	(42)	(77)
Profit/(loss) before taxation		16	(89)	(284)
Taxation		4	(6)	31
Profit/(loss) for the period from discontinued operations		20	(95)	(253)
Profit for the period from total operations		289	75	168
Other comprehensive income				
Items that will never be reclassified to profit or loss				
Remeasurement of net defined benefit asset/obligation		–	–	(5)
Items that are or may be reclassified subsequently to profit or loss				
Foreign currency translation differences in respect of foreign operations		165	5	(62)
Transfer to reserves		–	–	(3)
Effective portion of changes in the fair value of cash flow hedges		12	5	2
Other comprehensive income for the period, net of taxation		177	10	(68)
Total comprehensive income for the period		466	85	100

* The group has initially applied IFRS 15 using the modified retrospective method. Under this method, the comparative information is not restated. During the current year, the group has also adopted IFRS 9 and, in accordance with the standard, comparative information has not been restated. See note 12.

** Contract fulfilment costs relating to hardware and fitment have been reclassified to depreciation. These expenses were previously included in operating costs before capital items.

CONDENSED CONSOLIDATED STATEMENT OF COMPREHENSIVE INCOME CONTINUED

R millions	% change	Six months ended 31 August 2018 (Unaudited)	Six months ended 31 August 2017* (Unaudited)	Year ended 28 February 2018* (Audited)
Net profit/(loss) attributable to:				
Non-controlling interests		(3)	(12)	(19)
Non-controlling interests from continuing operations		–	7	17
Non-controlling interests from discontinued operations		(3)	(19)	(36)
Altron equity holders		292	87	187
Altron equity holders from continuing operations		269	163	404
Altron equity holders from discontinued operations		23	(76)	(217)
Net profit for the period		289	75	168
Total comprehensive income attributable to:				
Non-controlling interests		–	(11)	(18)
Non-controlling interests from continuing operations		–	7	17
Non-controlling interests from discontinued operations		–	(18)	(35)
Altron equity holders		466	96	118
Altron equity holders from continuing operations		434	178	356
Altron equity holders from discontinued operations		32	(82)	(238)
Total comprehensive income for the period		466	85	100
Basic earnings per share from continuing operations	(cents) 66	73	44	109
Diluted basic earnings per share from continuing operations	(cents) 64	72	44	108
Basic profit/(loss) per share from discontinued operations	(cents) 129	6	(21)	(58)
Diluted basic profit/(loss) per share from discontinued operations	(cents) 129	6	(21)	(58)
Basic earnings per share from total operations	(cents) 229	79	24	51
Diluted basic earnings per share from total operations	(cents) 239	78	23	50

* The group has initially applied IFRS 15 using the modified retrospective method. Under this method, the comparative information is not restated. During the current year, the group has also adopted IFRS 9 and, in accordance with the standard, comparative information has not been restated. See note 12.

** Contract fulfilment costs relating to hardware and fitment have been reclassified to depreciation. These expenses were previously included in operating costs before capital items.

CONDENSED CONSOLIDATED BALANCE SHEET

R millions	Six months ended 31 August 2018 (Unaudited)	Six months ended 31 August 2017* (Unaudited)	Year ended 28 February 2018* (Audited)
Assets			
Non-current assets	3 787	3 187	3 709
Property, plant and equipment	618	570	615
Intangible assets including goodwill	1 761	1 193	1 669
Equity-accounted investments	20	23	20
Other investments	463	503	468
Rental finance advances	88	95	98
Contract fulfilment costs and other	448	432	461
Defined benefit asset	170	162	164
Deferred taxation	219	209	214
Current assets	6 169	5 626	5 749
Inventories	1 002	931	993
Trade and other receivables	3 343	2 605	3 270
Financial assets at fair value through profit and loss	83	–	–
Contract assets	226	–	–
Assets classified as held for sale	274	1 013	714
Taxation receivable	4	5	4
Cash and cash equivalents	1 237	1 072	768
Total assets	9 956	8 813	9 458
Equity and liabilities			
Total equity	3 062	2 523	2 545
Equity holders of Altron	3 264	2 760	2 790
Non-controlling interests	(202)	(237)	(245)
Non-current liabilities	1 192	1 694	1 491
Loans	1 128	1 633	1 413
Provisions	5	4	5
Deferred taxation	59	57	73
Current liabilities	5 702	4 596	5 422
Loans	354	323	314
Bank overdraft	1 187	808	972
Trade and other payables	3 014	2 654	3 582
Financial liabilities at fair value through profit and loss	20	–	–
Contract liabilities	762	–	–
Provisions	52	19	20
Liabilities classified as held for sale	196	739	465
Taxation payable	117	53	69
Total equity and liabilities	9 956	8 813	9 458
Net asset value per share (cents)	880	744	752

* The group has initially applied IFRS 15 using the modified retrospective method. Under this method, the comparative information is not restated. During the current year, the group has also adopted IFRS 9 and, in accordance with the standard, comparative information has not been restated. See note 12

CONDENSED CONSOLIDATED STATEMENT OF CHANGES IN EQUITY

R millions	Share capital and premium	Attributable to Altron equity holders Treasury shares	Reserves	Retained earnings	Total	Non-controlling interests	Total equity
Balance at 28 February 2017 (Audited)*	2 747	(299)	(2 536)	2 356	2 268	(240)	2 028
Total comprehensive income for the period							
Profit for the period	–	–	–	87	87	(12)	75
Other comprehensive income							
Foreign currency translation differences in respect of foreign operations	–	–	5	–	5	–	5
Effective portion of changes in the fair value of cash flow hedges	–	–	4	–	4	1	5
Total other comprehensive income	–	–	9	–	9	1	10
Total comprehensive income for the period	–	–	9	87	96	(11)	85
Transactions with owners, recorded directly in equity							
Contributions by and distributions to owners							
Dividends to equity holders	–	–	–	–	–	(5)	(5)
Issue of share capital	410	–	(10)	–	400	–	400
Share-based payment transactions	–	–	13	–	13	–	13
Total contributions by and distributions to owners	410	–	3	–	413	(5)	408
Changes in ownership interests in subsidiaries							
Acquisition of subsidiary	–	–	–	–	–	2	2
Buy-back of non-controlling interest	–	–	(17)	–	(17)	17	–
Total changes in ownership interests in subsidiaries	–	–	(17)	–	(17)	19	2
Total transactions with owners	410	–	(14)	–	396	14	410
Balance at 31 August 2017 (unaudited)*	3 157	(299)	(2 541)	2 443	2 760	(237)	2 523
Total comprehensive income for the period							
Profit for the period	–	–	–	100	100	(7)	93
Other comprehensive income							
Foreign currency translation differences in respect of foreign operations	–	–	(67)	–	(67)	–	(67)
Remeasurement on net defined benefit asset	–	–	(5)	–	(5)	–	(5)
Transfer to reserves	–	–	(3)	–	(3)	–	(3)
Effective portion of changes in the fair value of cash flow hedges	–	–	(3)	–	(3)	–	(3)
Total other comprehensive income	–	–	(78)	–	(78)	–	(78)
Total comprehensive income for the period	–	–	(78)	100	22	(7)	15

* The group has initially applied IFRS 15 using the modified retrospective method. Under this method, the comparative information is not restated. During the current year, the group has also adopted IFRS 9 and, in accordance with the standard, comparative information has not been restated. See note 12.

R millions	Share capital and premium	Attributable to Altron equity holders Treasury shares	Reserves	Retained earnings	Total	Non-controlling interests	Total equity
Transactions with owners, recorded directly in equity							
Contributions by and distributions to owners							
Share-based payment transactions	–	–	7	–	7	–	7
Issue of share capital	3	–	(3)	–	–	–	–
Total contributions by and distributions to owners	3	–	4	–	7	–	7
Changes in ownership interests in subsidiaries							
Buy-back of non-controlling interest	–	–	1	–	1	(1)	–
Total changes in ownership interests in subsidiaries	–	–	1	–	1	(1)	–
Total transactions with owners	3	–	5	–	8	(1)	7
Balance at 28 February 2018 (Audited)*	3 160	(299)	(2 614)	2 543	2 790	(245)	2 545
Impact of change in accounting policy (note 12)	–	–	–	(4)	(4)	–	(4)
Restated total equity at the beginning of the financial year	3 160	(299)	(2 614)	2 539	2 786	(245)	2 541
Total comprehensive income for the period							
Profit for the period	–	–	–	292	292	(3)	289
Other comprehensive income							
Foreign currency translation differences in respect of foreign operations	–	–	165	–	165	–	165
Effective portion of changes in the fair value of cash flow hedges	–	–	9	–	9	3	12
Total other comprehensive income	–	–	174	–	174	3	177
Total comprehensive income for the period	–	–	174	292	466	–	466
Transactions with owners, recorded directly in equity							
Contributions by and distributions to owners							
Dividends to equity holders	–	–	–	–	–	(6)	(6)
Share-based payment transactions	–	–	12	–	12	–	12
Issue of share capital	1	–	(1)	–	–	–	–
Total contributions by and distributions to owners	1	–	11	–	12	(6)	6
Changes in ownership interests in subsidiaries							
Non-controlling interest disposed	–	–	–	–	–	49	49
Total changes in ownership interests in subsidiaries	–	–	–	–	–	49	49
Total transactions with owners	1	–	11	–	12	43	55
Balance at 31 August 2018 (unaudited)	3 161	(299)	(2 429)	2 831	3 264	(202)	3 062

* The group has initially applied IFRS 15 using the modified retrospective method. Under this method, the comparative information is not restated. During the current year, the group has also adopted IFRS 9 and, in accordance with the standard, comparative information has not been restated. See note 12

CONDENSED CONSOLIDATED STATEMENT OF CASH FLOWS

R millions	Six months ended 31 August 2018 (Unaudited)	Six months ended 31 August 2017 (Unaudited)	Year ended 28 February 2018 (Audited)
Cash flows from operating activities	486	15	582
Cash generated by operations	720	598	1 234
Interest received	77	86	178
Interest paid	(177)	(214)	(417)
Dividends received from equity accounted investees and other investments	4	1	32
Changes in working capital	(90)	(363)	(298)
Taxation paid	(48)	(90)	(141)
Cash available from operating activities	486	18	588
Dividends paid, including to non-controlling interests	–	(3)	(6)
Cash flows utilised in investing activities	(65)	(296)	(971)
Proceeds on the disposal of subsidiaries and businesses net of cash	73	117	233
Acquisition of subsidiaries, net of cash acquired	–	(86)	(698)
Acquisition of intangible assets	(24)	(43)	(84)
Acquisition of property, plant and equipment	(72)	(99)	(194)
Investment in contract fulfilment costs	(95)	(118)	(257)
Other investing activities	53	(67)	29
Cash flows (utilised in)/from financing activities	(249)	73	(160)
Loans repaid	(251)	(335)	(627)
Proceeds from share issue	–	400	400
Loans advanced	–	–	67
Other financing activities	2	8	–
Net increase/(decrease) in cash and cash equivalents	172	(208)	(549)
Net cash and cash equivalents at the beginning of the period	(204)	329	329
Cash and cash equivalents at the beginning of the period	(204)	417	417
Cash previously classified as held for sale	–	(88)	(88)
Effect of exchange rate fluctuations on cash held	82	20	16
Bank overdraft classified as held for sale	–	123	–
Net cash and cash equivalents at the end of the period	50	264	(204)

NOTES

		Six months ended 31 August 2018 (Unaudited)	Six months ended 31 August 2017 (Unaudited)	Year ended 28 February 2018* (Audited)
Cents	% change			
Headline earnings per share from continuing operations	49	70	47	119
Normalised headline earnings per share from continuing operations	25	71	57	135
Headline earnings/(loss) per share from discontinued operations	286	13	(7)	2
Headline earnings per share from total operations	108	83	40	121
Diluted headline earnings per share from total operations	95	78	40	120

* The group has initially applied IFRS 15 using the modified retrospective method. Under this method, the comparative information is not restated during the current year. The group has also adopted IFRS 9 and, in accordance with the standard, comparative information has not been restated. See note 12.

BASIS OF PREPARATION

The condensed consolidated interim financial statements for the six months ended 31 August 2018 are prepared in accordance with International Financial Reporting Standard, (IAS) 34 *Interim Financial Reporting*, SAICA Financial Reporting Guides as issued by the Accounting Practices Committee (APC), Financial Pronouncements as issued by the Financial Reporting Standards Council (FRSC), and the requirements of the Companies Act of South Africa.

The condensed consolidated interim financial statements should be read in conjunction with the annual financial statements for the year ended 28 February 2018, which have been prepared in accordance with International Financial Reporting Standards (IFRS).

This report was compiled under the supervision of Mr Tim Jacobs CA(SA), acting Chief Financial Officer. The condensed consolidated interim financial results have not been audited or reviewed by the company's auditor, PricewaterhouseCoopers Inc.

Principal accounting policies

The group has adopted all the new, revised or amended accounting pronouncements as issued by the International Accounting Standards Board (IASB) which were effective for the group from 1 March 2018. The following standards had an impact on the group:

- IFRS 9 *Financial instruments* (IFRS 9), and
- IFRS 15 *Revenue from Contracts with Customers* (IFRS 15).

The accounting policies applied in the preparation of the condensed consolidated interim financial statements are in terms of IFRS and are consistent with those accounting policies applied in the preparation of the previous consolidated annual financial statements except for the adoption of the accounting standards as stated above. Refer to note 12 for details.

NOTES CONTINUED

R millions	Six months ended 31 August 2018 (Unaudited)	Six months ended 31 August 2017 (Unaudited)	Year ended 28 February 2018 (Audited)
1. CAPITAL ITEMS			
Continuing operations			
Net profit on disposal of property, plant and equipment	16	1	1
Impairment of property, plant and equipment	–	–	(17)
Impairment of intangible assets	–	(17)	–
Impairment of goodwill	–	–	(30)
Reversal of provision related to East Africa disposal	–	–	10
Impairment of historic proceeds receivable	–	–	(2)
	16	(16)	(38)
Discontinued operations			
Impairment of property, plant and equipment	(6)	–	–
Impairment of intangible assets	(22)	–	(6)
Impairment of held-for-sale disposal groups	(53)	(48)	(175)
Profit/(loss) on disposal of discontinued operations	30	(15)	(90)
Net profit on disposal of property, plant and equipment	3	–	–
	(48)	(63)	(271)
Total	(32)	(79)	(309)
2. RECONCILIATION BETWEEN ATTRIBUTABLE EARNINGS AND HEADLINE EARNINGS			
Attributable to Altron equity holders	292	87	187
Capital items	32	79	309
Tax effect of capital items	2	(12)	(22)
Non-controlling interest in capital items	(18)	(5)	(26)
Headline earnings	308	149	448
3. RECONCILIATION BETWEEN ATTRIBUTABLE EARNINGS AND HEADLINE EARNINGS FROM CONTINUING OPERATIONS			
Attributable to Altron equity holders	269	163	404
Capital items	(16)	16	38
Tax effect of capital items	5	(5)	(1)
Headline earnings	258	174	441
4. RECONCILIATION BETWEEN ATTRIBUTABLE EARNINGS AND HEADLINE EARNINGS FROM DISCONTINUED OPERATIONS			
Attributable to Altron equity holders	23	(76)	(217)
Capital items	48	63	271
Tax effect of capital items	(3)	(7)	(21)
Non-controlling interest in capital items	(18)	(5)	(26)
Headline earnings	50	(25)	7

	Six months ended 31 August 2018 (Unaudited)	Six months ended 31 August 2017 (Unaudited)	Year ended 28 February 2018 (Audited)
R millions			

5. RECONCILIATION BETWEEN HEADLINE EARNINGS AND NORMALISED HEADLINE EARNINGS FROM CONTINUING OPERATIONS

Normalised headline earnings from continuing operations have been presented to demonstrate the impact of material one-off costs on the headline earnings of the continuing operations.

The presentation of normalised headline earnings is not an IFRS requirement.

Headline earnings are reconciled to normalised headline earnings as follows:

Headline earnings	258	174	441
Foreign currency losses on transaction funding/gains on deferred acquisition liability	–	2	(6)
Retrenchment and restructuring costs	9	47	77
Acquisition related costs	–	–	8
Tax effect of adjustments	(3)	(13)	(20)
Normalised headline earnings	264	210	500

6. RECONCILIATION BETWEEN ATTRIBUTABLE EARNINGS AND DILUTED EARNINGS

There were no reconciling items between attributable earnings and diluted earnings

7. DISPOSAL OF SUBSIDIARIES AND BUSINESSES

Disposal of 80% interest in Powertech Transformers Proprietary Limited ("Powertech Transformers")

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

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

R millions

Net assets of the above operations disposed are as follows:

Non-current assets	2
Current assets	493
NCI	49
Current liabilities	(285)
Disposal value	259
Profit on disposal of subsidiaries	30
Cash and cash equivalents disposed	(39)
Proceeds receivable	(189)
Proceeds received on disposal	61

NOTES CONTINUED

8. DISCONTINUED OPERATIONS

Impairment of held-for-sale disposal groups

Previously, the decision was taken to dispose of the Powertech group and the Multimedia group and, as a result, these businesses have been classified as discontinued operations. The relevant requirements of IFRS 5 have been met for this classification.

The disposal groups are stated at fair value less costs to sell. The non-recurring fair value measurement of the disposal groups was determined with reference to amongst other things indicative offers from prospective buyers and any shortfall to the carrying value was then impaired.

The impairments charged in the current period reflect a decline in expected proceeds due to the prolonged disposal processes and the performance of the operations.

Powertech Transformers was disposed of in the current period (note 7).

Management believes that the conclusion of the remaining disposals will be effected within the next 12 months.

The Powertech and Multimedia group businesses were previously classified as held-for-sale as well as discontinued operations.

R millions	31 August 2018	31 August 2017	28 February 2018
Net assets of disposal groups held for sale:			
Assets classified as held for sale	274	1 013	714
Non-current assets	75	256	129
Current assets	199	757	585
Liabilities classified as held for sale	(196)	(739)	(465)
Non-current liabilities	–	(9)	(5)
Current liabilities	(196)	(730)	(460)

R millions	31 August 2018 Multimedia group	31 August 2018 Other	31 August 2018 Total
Breakdown of disposal groups held for sale:			
Assets classified as held for sale	233	128	361
Non-current assets	34	128	162
Current assets	199	–	199
Impairment of held for sale disposal group			(87)
			274
Liabilities classified as held for sale	(196)	–	(196)
Non-current liabilities		–	–
Current liabilities	(196)		(196)

R millions	28 February 2018 Powertech Transformers	28 February 2018 Multimedia group	28 February 2018 Other	28 February 2018 Total
Breakdown of disposal groups held for sale:	670	228	138	1 036
Non-current assets	224	60	5	289
Current assets	446	168	133	747
Impairment of held for sale disposal group				(322)
Assets classified as held for sale				714
Liabilities classified as held for sale	(263)	(160)	(42)	(465)
Non-current liabilities	–	(5)	–	(5)
Current liabilities	(263)	(155)	(42)	(460)

R millions	Six months ended 31 August 2018	Six months ended 31 August 2017	Year ended 28 February 2018
Cash flows utilised in discontinued operations			
Net cash utilised in operating activities	110	(6)	(178)
Net cash generated from investing activities	62	84	186
Net cash utilised in financing activities	–	(1)	(9)
Net cash flow for the period	172	77	(1)

NOTES CONTINUED

9. FAIR VALUE MEASUREMENT OF FINANCIAL INSTRUMENTS

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

Accounting classifications and fair values

The following table shows the carrying amounts and fair values of financial assets and liabilities, including their levels in the fair value hierarchy. It does not include fair value information for financial assets and financial liabilities not measured at fair value if the carrying amount is a reasonable approximation of fair value.

31 August 2018	Carrying amount				Fair value			
	Designated at fair value	Fair value hedging instruments	Financial assets at fair value through other comprehensive income (FVOCI)	Total	Level 1	Level 2	Level 3	Total
R millions								
Financial assets measured at fair value								
Equity investments	–	–	198	198	–	–	198	198
Derivative assets at fair value: used for hedging	–	83	–	83	–	83	–	83
	–	83	198	281	–	83	198	281
Financial liabilities measured at fair value								
Derivative liabilities at fair value: used for hedging	–	(20)	–	(20)	–	(20)	–	(20)
Deferred purchase considerations	(64)	–	–	(64)	–	–	(64)	(64)
	(64)	(20)	–	(84)	–	(20)	(64)	(84)
28 February 2018	Carrying amount				Fair value			
	Designated at fair value	Fair value hedging instruments	Available for sale*	Total	Level 1	Level 2	Level 3	Total
R millions								
Financial assets measured at fair value								
Equity investments	–	–	206	206	–	–	206	206
Derivative assets at fair value: used for hedging	–	30	–	30	–	30	–	30
	–	30	206	236	–	30	206	236
Financial liabilities measured at fair value								
Derivative liabilities at fair value: used for hedging	–	(96)	–	(96)	–	(96)	–	(96)
Deferred purchase considerations	(66)	–	–	(66)	–	–	(66)	(66)
	(66)	(96)	–	(162)	–	(96)	(66)	(162)

* See note 12.8 for details regarding the restatement as a result of change in accounting policy.

Financial assets that are not subsequently measured at fair value namely; rental finance advances, trade and other receivables, cash and cash equivalents and non-current receivables are categorised as financial assets at amortised cost (refer to note 12.6). It has been concluded that the carrying amount of these assets approximates their fair value.

Financial liabilities that are not subsequently measured at fair value namely; loans, bank overdrafts and trade and other payables are categorised as other financial liabilities. It has been concluded that the carrying amount of these liabilities approximates their fair value.

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

- Level 1 Quoted prices (unadjusted) in active markets for identical assets or liabilities.
Level 2 Inputs other than quoted prices included within Level 1 that are observable for the asset or liability, either directly (i.e. as prices) or indirectly (i.e. derived from prices).
Level 3 Inputs for the asset or liability that are not based on observable market data (unobservable inputs).

Measurement of fair values

Valuation techniques and significant unobservable inputs

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

Financial instruments measured at fair value

Type	Valuation technique	Significant unobservable inputs	Inter-relationship between significant unobservable inputs and fair value measurements
Derivative assets and liabilities at fair value: used for hedging	<i>Market comparison technique:</i> The fair value of foreign currency and commodity contracts (used for hedging) are marked-to-market by comparing the contracted forward rate to the present value of the current forward rate of an equivalent contract with the same maturity date.	Not applicable	Not applicable
Preference share in Technologies Acceptances Receivables Proprietary Limited	The discounted cash flow method was used to present value the forecasted income from the preference share investment over a 10-year (February 2018: 10-year) period. The directors' valuation is equal to the fair value.	Discount rate of 13.50% (February 2018: 13.50%) Forecast annual perpetuity growth 3% (February 2018: 3%)	The estimated fair value would increase (decrease) if: – the discount rate were lower (higher); – the annual revenue growth rate were higher (lower)
Deferred purchase consideration	Discounted cash flows: The valuation model considers the present value of the expected payment, discounted using a risk adjusted discount rate. The expected payment is determined by considering the possible scenarios of forecast adjusted profit after tax, the amount to be paid under each scenario and the probability of each scenario.	Forecast annual revenue growth rate 8% to 12% (February 2018: 8% to 12%) – Forecast adjusted Profit after tax margin 20% to 30% (February 2018: 39% to 72%) – Risk-adjusted discount rate 15% (February 2018: 15%)	The estimated fair value would increase (decrease) if: – the annual revenue growth rate were higher (lower) – the adjusted PAT margin were higher (lower); or – the risk-adjusted discount rate were lower (higher).

NOTES CONTINUED

9. FAIR VALUE MEASUREMENT OF FINANCIAL INSTRUMENTS CONTINUED

Transfers

There were no transfers between levels 1, 2 or 3 of the fair value hierarchy for the period ended 31 August 2018 and the year ended 28 February 2018.

R millions	
Reconciliation of deferred purchase consideration	
Balance at 28 February 2018	66
Released during the year	(10)
Unwinding of interest	(1)
Foreign exchange	9
Balance at 31 August 2018	64

10. POST-BALANCE SHEET EVENTS

Post the reporting period, Altron TMT SA Group Proprietary Limited concluded a share sale agreement to acquire the entire issued share capital of iS Partners Proprietary Limited ("iS Partners"), including its primary subsidiaries, Karabina Solutions Proprietary Limited ("Karabina") and Zetta Business Solutions Proprietary Limited ("Zetta"), effective 3 September 2018.

Karabina (previously known as iS Partners) provides business technology services with expertise across multiple industries.

The business focuses on the implementation, customisation, integration as well as core application development on the Microsoft platform for Business Intelligence ("BI"), Customer Relationship Management ("CRM"), Knowledge Management ("KM") and Corporate Performance Management ("CPM") solutions.

The maximum purchase price of approximately R225 million, of which R162 million was paid upfront and the remainder is payable over two years.

Management is still finalising the full purchase price allocation and related Goodwill. Management is still in the process of determining the effect on revenue and net profit after tax if the company was acquired on 1 March 2018.

Dividends declared

Dividends declared at the board meeting held on 24 October 2018 amounted to 28 cents per share.

11. RELATED PARTY TRANSACTIONS

The group entered into various sale and purchase transactions with related parties in the ordinary course of business.

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

12. NEW AND AMENDED STANDARDS ADOPTED BY THE GROUP

The group has adopted the following new accounting pronouncements as issued by the IASB, which were effective for the group from 1 March 2018:

- IFRS 15 *Revenue from Contracts with Customers* (IFRS 15), and
- IFRS 9 *Financial instruments* (IFRS 9)

12.1 Transition to IFRS 15

The group has applied IFRS 15 using the modified retrospective method, by recognising the cumulative effect of initially applying IFRS 15 as an adjustment to the opening balance of equity at 1 March 2018. The comparative information has not been restated and continues to be reported under IAS 18 and IAS 11. The details of the significant changes and quantitative impact of the changes are set out below.

The group applied the following practical expedients when applying IFRS 15 using the modified retrospective method:

- The group did not quantify the effect on opening retained income for contracts that were completed contracts at 1 March 2017.
- The group did not quantify the effect on opening retained income for contracts that began and ended in the same annual reporting period.
- For modified contracts, the group used the contractual terms that existed at 1 March 2017.
- The group does not adjust the promised amount of consideration for the effects of a significant financing component if the group expects, at contract inception, that the period between when the group transfers a promised good or service to a customer and when the customer pays for that good or service will be one year or less.

12.2 Adoption of IFRS 15

The group principally generates revenue from providing the following products and services:

- Project related revenue
- Rental of hardware and related services
- Maintenance and support
- Training and skills development
- Outsource services
- Sale of hardware
- Software and related licenses – once off
- Software and related licences – recurring
- Software application and development
- Switching services and other transactional services

IFRS 15 establishes a comprehensive framework for determining whether, how much and when revenue is recognised. It replaced IAS 18 *Revenue*, IAS 11 *Construction Contracts* and related interpretations. Under IFRS 15, revenue is recognised at an amount that reflects the consideration to which an entity expects to be entitled for transferring goods or services to a customer.

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

For bundled packages of products and services, the group accounts for individual products and services separately if they are distinct, i.e. if a product or service is separately identifiable from other items in the bundled package and if a customer can benefit from it. The consideration is allocated between separate products and services in a bundle based on their standalone selling prices. The standalone selling prices are determined based on the list prices at which the company sells its products and services separately.

In the comparative period, revenue was measured at the fair value of the consideration received or receivable. Revenue from the sale of goods was recognised when the significant risks and rewards of ownership had been transferred to the customer, recovery of the consideration was probable, the associated costs and possible return of goods could be estimated reliably, there was no continuing management involvement with the goods and the amount of revenue could be measured reliably. Revenue from rendering of services was recognised in proportion to the stage of completion of the work performed at the reporting date. The stage of completion is time based and dependent on the terms of the contract.

NOTES CONTINUED

12.2 Adoption of IFRS 15 continued

Revenue from operating lease arrangements is recognised in profit and loss on a straight-line basis over the term of the lease.

On adoption of IFRS 15, by applying the modified retrospective method, the opening balance of equity at 1 March 2018 was restated as follows:

R millions	
Retained earnings at 1 March 2018 as previously reported	2 543
Deferral of perpetual licence sales (refer below)	(4)
Opening retained earnings 1 March 2018 restated	2 539

The following tables show the adjustments recognised for each individual line item. Line items that were not affected by the changes have not been included. As a result, the sub-totals disclosed cannot be recalculated from the numbers provided. The adjustments are explained in more detail below.

12.3 Impact on financial statements

Balance sheet (extract) 31 August 2018 R millions	Impact of changes in accounting policies		
	As reported	Adjustments to IFRS 15 (12.1.4)	Balances without adoption of IFRS 15
Current assets			
Trade and other receivables, including derivatives	3 343	149	3 492
Inventories	1 002	77	1 079
Contract assets	226	(226)	–
Total assets	4 571	–	4 571
Current liabilities			
Trade and other payables, including derivatives	3 014	752	3 766
Taxation payable	117	1	118
Contract liabilities	762	(762)	–
Total liabilities	3 893	(9)	3 884
Total equity attributable to holders of Altron	2 831	9	2 840

Impact of changes in accounting policies			
Consolidated statement of comprehensive income (extract)			
Six months to 31 August 2018	As	Adjustments	Balances
R millions	reported	to IFRS 15 (12.1.4)	without adoption of IFRS 15
Revenue	9 779	27	9 806
Operating costs before capital items	(9 102)	(21)	(9 123)
Earnings before interest, tax, depreciation and amortisation and capital items (EBITDA before capital items)	677	6	683
Operating profit before capital items	421	6	427
Results from operating activities	437	6	443
Profit before taxation	347	6	353
Taxation	(78)	(1)	(79)
Profit for the period from continuing operations	269	5	274
Profit for the period from discontinued operations	20		20
Profit for the period from total operations	289	5	294
Profit is attributable to:			
Non-controlling interests	(3)	–	(3)
Altron equity holders	292	5	297
	289	5	294
Total comprehensive income for the period	466	5	471
Total comprehensive income attributable to:			
Non-controlling interests	–	–	–
Altron equity holders	466	5	471
	466	5	471
Basic earnings per share from continuing operations (cents)	73	1	74
Diluted basic earnings per share from continuing operations (cents)	72	1	73
Basic earnings per share from total operations (cents)	79	1	80
Diluted basic earnings per share from total operations (cents)	78	1	80
Headline earnings per share (cents)	70	1	71

NOTES CONTINUED

12.4 Nature of changes in the accounting policies

The nature of the changes in the accounting policies were as follows:

Products and services	Nature, timing of satisfaction of performance obligations and significant payment terms	Nature of change in accounting policy	Impact
Maintenance, consumables and other support services	<p><i>Software asset management services (including platform hosting) – perpetual license sales</i></p> <p>Bytes UK provides Software Asset Management Services. Certain management service contracts are sold together with a perpetual licence.</p> <p>The majority of these contracts are paid for up front. Under IAS 18, the service together with the licence was accounted for as two separate revenue streams. Revenue from the licence was recognised upfront, on the transfer of risks and rewards, while revenue from the service was recognised over the contract term.</p>	Under IFRS 15, the licence and the service cannot be separated and should therefore be classified as one performance obligation. The timing of revenue recognition has therefore changed and licence sales should be deferred over the contract term.	This has resulted in revenue from perpetual licences being deferred and recognised over the contract term and an increase in income received in advance (reclassified to contract liabilities).

12.5 Presentation of assets and liabilities related to contracts with customers

Reclassification of Inventory Work in Progress to contract assets

Altech Radio Holdings enters into government contracts mainly to build, operate and transfer Broadband Networks. The supply of equipment and build of the network is recognised as milestones are achieved per the agreement. Work has been completed but not billed, therefore the entitlement to consideration is recognised as a contract asset. This was previously recognised in inventory work in progress. The current period adjustment amounted to R77 million.

Reclassification of other unbilled revenue to contract assets

R149 million of unbilled revenue from contracts with customers was reclassified from trade and other receivables, including derivatives to contract assets.

These contract assets relate to the group's rights to consideration for work completed but not billed at the reporting date.

Reclassification of consideration received in advance to contract liabilities

Income received in advance amounting to R561 million was reclassified to contract liabilities. This includes an adjustment for preventative maintenance on contracts amounting to R20 million for which revenue was previously deferred.

Revenue continues to be deferred under IFRS 15, however, a contract liability is raised instead of a provision.

Revenue will be recognised as the maintenance services are performed.

12.6 Adoption of IFRS 9

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

- Change from IAS 39 incurred loss model to the expected credit loss (ECL) model to calculate impairments of financial instruments.
- Change in classification of the measurement categories for financial instruments.

12.7 Impairment

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

Under IFRS 9 the group calculates allowance for credit losses as ECLs for financial assets measured at amortised cost or at fair value through other comprehensive income (FVOCI) (except for investments in equity instruments) and to contract assets.

ECLs are a probability weighted estimate of credit losses. Credit losses are measured as the present value of all cash shortfalls (i.e. the difference between the cash flows due to the entity in accordance with the contract and cash flows that the group expects to receive). ECLs are discounted at the original effective interest rate of the financial asset.

The group applies the simplified approach to determine the ECL for trade receivables and contract assets. This results in calculating lifetime expected credit losses for these trade receivables.

To measure the expected credit losses, trade receivables and contract assets have been grouped based on shared credit risk characteristics and the days past due. The contract assets relate to unbilled work completed and have substantially the same risk categories as the trade receivables.

The group has therefore concluded that the expected loss rates for trade receivables are a reasonable approximation of the loss rates for the contract assets. ECL for trade receivables is calculated using a provision matrix where there is sufficient historical credit loss information. Where applicable, specific provisions are also considered.

For contract assets and trade receivables with low default portfolios with insufficient historic annual internal defaults, ECLs are determined using a simplified PD/LGD/EAD approach.

Provision matrix

ECLs are calculated by applying a loss ratio to the aged balance of trade receivables at each reporting date. The loss ratio is calculated according to the ageing/payment profile of sales by applying historic write-offs to the payment profile of the sales population.

Trade receivable balances have been grouped so that the ECL calculation is performed on groups of receivables with similar risk characteristics and historical loss patterns. The historic loss ratio is then adjusted for forward looking information to determine the ECL for the portfolio of trade receivables at the reporting period to the extent that there is a strong correlation between the forward-looking information and the ECL.

Specific provision

Specific provisions are applied when:

- evidence is available for a specific trade receivable which provides a more reliable loss estimate; and
- outlier trade receivables are identified. This would include trade receivables with significant exposures and or clearly different credit risk characteristics. The estimated ECL percentage is applied with adjustments using managements assessments and professional judgement.

Simplified PD/LGD/EAD approach

For low default portfolios with insufficient historic annual internal defaults, the ECL is calculated using a formula incorporating the following parameters: exposure at default (EAD), probability of default (PD), loss given default (LGD) (i.e. $PD \times LGD \times EAD = ECL$). Exposures are mainly segmented by customer type (e.g. sovereign/government, banks and corporates). Under this approach, external sources of information are considered for a representative of the company's trade receivables' exposure.

12.8 Classification, initial recognition and subsequent measurement

IFRS 9 introduces new measurement categories for financial assets. The measurement categories of IFRS 9 and IAS 39 are illustrated in the table below.

From 1 March 2018, the group classifies financial assets in each of the IFRS 9 measurement categories based on the group's business model for managing the financial asset and the cash flow characteristics of the financial asset. There was no impact on the accounting for trade receivables, loans, FECs and share linked incentives ("SLI") hedges that are managed on a fair value basis.

NOTES CONTINUED

12.8 Classification, initial recognition and subsequent measurement continued

IAS 39 category	IFRS 9 Category
Financial assets at fair value through profit or loss (FVTPL)	Financial assets at FVTPL
Loans and receivables	Financial assets at amortised cost
Available for sale	Instruments at fair value through other comprehensive income (FVOCI)*

* This includes both debt and equity instruments. The biggest change is that on derecognition of equity instruments gains and losses accumulated in OCI are not reclassified to profit or loss

The following investments held for long-term strategic purposes, were classified as available for sale at 28 February 2018.

Under IFRS 9, the group has designated these investments as measured at FVOCI. Consequently, all fair value gains and losses will be reported in OCI, no impairment losses will be recognised in profit or loss and no gains or losses will be reclassified to profit or loss on disposal.

R millions	Carrying value 31 August 2018 Note 9	Carrying value 28 February 2018 Note 9
Preference share investment in Technologies Acceptances Receivables Proprietary Limited ("TAR")	21	21
Investment in Aberdare Cables Proprietary Limited	94	94
Preference share investment in Auto X Proprietary Limited	83	91
	198	206

The carrying value of the above investments approximate the fair value, therefore no adjustments were made to OCI in the current reporting period.

Reclassification of derivative assets included in trade and other receivables to financial assets at fair value through profit and loss

Previously the group included derivative assets at fair value in trade and other receivables. Derivative assets relate to the fair value of foreign currency contracts used for hedging and represent a separate measurement category under IFRS 9. For this reason, derivative assets amounting to R83 million have been reclassified and separately disclosed as financial assets at fair value through profit and loss.

Reclassification of derivative liabilities included in trade and other payables to financial liabilities at fair value through profit and loss

Previously the group included derivative liabilities at fair value in trade and other payables. Derivative assets relate to the fair value of foreign currency contracts used for hedging and represent a separate measurement category under IFRS 9. For this reason, derivative liabilities amounting to R20 million have been reclassified and separately disclosed as financial liabilities at fair value through profit and loss.

12.9 Transition to IFRS 9

The group has applied IFRS 9 using the modified retrospective method, by recognising the cumulative effect of initially applying IFRS 9 as an adjustment to the opening balance of equity at 1 March 2018. The comparative information has not been restated and continues to be reported under IAS 39. There were no material adjustments to opening retained earnings.

Hedge accounting

The group uses forward foreign exchange contracts to hedge the variability in cash flows arising from changes in foreign exchange rates relating to foreign currency payables, receivables, sales and inventory purchases.

Under IAS 39, the change in fair value of the forward element of the forward exchange contracts ('forward points') is recognised immediately in profit or loss.

The group has elected not to adopt the hedge accounting requirements of IFRS 9, but to continue applying the hedge accounting requirements of IAS 39.

13. STANDARDS ISSUED BUT NOT YET EFFECTIVE

IFRS 16 Leases

IFRS 16 replaces existing leases guidance, including IAS 17 Leases, IFRIC 4 Determining whether an Arrangement contains a Lease, SIC-15 Operating Leases – Incentives and SIC-27 Evaluating the Substance of Transactions Involving the Legal Form of a Lease. The standard is effective for annual periods beginning on or after 1 January 2019. Early adoption is permitted for entities that apply IFRS 15 at or before the date of initial application of IFRS 16.

IFRS 16 introduces a single, on-balance sheet lease accounting model for lessees. A lessee recognises a right-of-use asset representing its right to use the underlying asset and a lease liability representing its obligation to make lease payments. There are recognition exemptions for short-term leases and leases of low-value items. Lessor accounting remains similar to the current standard i.e. lessors continue to classify leases as finance or operating leases. The group has completed an initial assessment of the potential impact on its consolidated financial statements but has not yet completed its detailed assessment. The actual impact of applying IFRS 16 on the financial statements in the period of initial application will depend on future economic conditions, including the group's borrowing rate at 1 March 2019, the composition of the group's lease portfolio at that date, the group's latest assessment of whether it will exercise any lease renewal options and the extent to which the group chooses to use practical expedients and recognition exemptions.

In addition, the nature of expenses related to those leases will now change as IFRS 16 replaces the straight-line operating lease expense with a depreciation charge for right-of-use assets and interest expense on lease liabilities.

i. Determining whether an arrangement contains a lease

The group plans to apply the practical expedient to grandfather the definition of a lease on transition. This means that it will apply IFRS 16 to all contracts entered into before 1 March 2019 and identified as leases in accordance with IAS 17 and IFRIC 4.

ii. Transition

As a lessee, the group will apply the standard using the modified retrospective approach with optional practical expedients. The lessee applies the election consistently to all of its leases. The group plans to apply IFRS 16 initially on 1 March 2019, using the modified retrospective approach. Therefore, the cumulative effect of adopting IFRS 16 will be recognised as an adjustment to the opening balance of retained earnings at 1 March 2019, with no restatement of comparative information.

When applying the modified retrospective approach to leases previously classified as operating leases under IAS 17, the lessee can elect, on a lease-by-lease basis, whether to apply a number of practical expedients on transition. The group is assessing the potential impact of using these practical expedients. The group is not required to make any adjustments for leases in which it is a lessor except where it is an intermediate lessor in a sub-lease.

REVENUE INFORMATION AND DISAGGREGATION

The Altron group is a diversified group which derives its revenues and profits from a variety of sources. Segmentation is based on the group's internal organisation and reporting of revenue and EBITDA based upon internal accounting presentation (refer to summary of segment information).

31 August 2018 R millions	Altron ICT South African operations			
	Altron ARH	Altron Bytes Document Solutions	Altron Bytes Managed Solutions	Altron Bytes People Solutions
Revenue by product				
Project related revenue	256	–	60	–
Rental of hardware and related services	21	11	–	–
Maintenance and support	130	135	308	–
Training and skills development	–	–	–	40
Outsource services	–	151	–	172
Sale of hardware	89	423	149	–
Software and related licenses – one off	–	–	–	25
Software and related licenses – recurring	–	–	–	–
Software application and development	–	–	–	–
Switching services and other transactional services	–	–	–	–
Total revenue	496	720	517	237
Revenue by geographic region				
Rest of Africa	37	71	59	–
South Africa	459	649	458	237
Total Africa	496	720	517	237
United Kingdom	–	–	–	–
Australia	–	–	–	–
Other	–	–	–	–
Total international	–	–	–	–
Total revenue	496	720	517	237

31 August 2017* R millions	Altron ICT South African operations			
	Altron ARH	Altron Bytes Document Solutions	Altron Bytes Managed Solutions	Altron Bytes People Solutions
Revenue by product				
Project related revenue	334	–	74	–
Rental of hardware and related services	22	11	–	–
Maintenance and support	160	131	303	–
Training and skills development	–	–	–	73
Outsource services	–	149	–	127
Sale of hardware	70	369	140	–
Software and related licenses – one off	–	–	–	20
Software and related licenses – recurring	–	–	–	–
Software application and development	–	–	–	–
Switching services and other transactional services	–	–	–	–
Total revenue	586	660	517	220
Revenue by geographic region				
Rest of Africa	17	75	46	–
South Africa	569	585	471	220
Total Africa	586	660	517	220
United Kingdom	–	–	–	–
Australia	–	–	–	–
Other	–	–	–	–
Total international	–	–	–	–
Total revenue	586	660	517	220

* The group has initially applied IFRS 15 using the cumulative effect method. Under this method, the comparative information is not restated. See note 12.

Revenue by reportable segment is disaggregated by major product/service and geographic region below.
The analysis excludes Discontinued operations and Corporate and Cons and financial services

Altron ICT South African operations			Altron ICT International operations			Altron Arrow	Netstar
Altron Bytes Secure Transaction Solutions	Altron Bytes Systems Integration	Altron ICT South African operations	Bytes Technology Group UK	Altron Rest of Africa	Altron ICT International operations		
2	136	454	115	–	115	–	–
4	29	65	–	–	–	–	732
36	80	689	318	32	350	–	10
–	–	40	16	–	16	–	–
3	264	590	–	–	–	–	–
130	382	1 173	63	98	161	287	–
97	–	122	1 963	–	1 963	–	–
–	–	–	2 813	–	2 813	–	–
–	137	137	–	–	–	–	–
308	–	308	–	–	–	–	–
580	1 028	3 578	5 288	130	5 418	287	742
10	56	233	–	130	130	–	2
570	972	3 345	–	–	–	287	630
580	1 028	3 578	–	130	130	287	632
–	–	–	5 075	–	5 075	–	–
–	–	–	–	–	–	–	110
–	–	–	213	–	213	–	–
–	–	–	5 288	–	5 288	–	110
580	1 028	3 578	5 288	130	5 418	287	742

Altron ICT South African operations			Altron ICT International operations			Altron Arrow	Netstar
Altron Bytes Secure Transaction Solutions	Altron Bytes Systems Integration	Altron ICT South African operations	Bytes Technology Group UK	Altron Rest of Africa	Altron ICT International operations		
1	122	531	10	–	10	–	–
2	26	61	–	–	–	–	651
40	72	706	232	31	263	–	17
–	–	73	13	–	13	–	–
1	236	513	–	–	–	–	–
108	342	1 029	42	83	125	291	–
77	–	97	916	–	916	–	–
–	–	–	1 312	–	1 312	–	–
–	123	123	–	–	–	–	–
275	–	275	–	–	–	–	–
504	921	3 408	2 525	114	2 639	291	668
5	50	193	–	114	114	–	–
496	871	3 212	–	–	–	291	593
501	921	3 405	–	114	114	291	593
–	–	–	2 374	–	2 374	–	–
–	–	–	–	–	–	–	75
3	–	3	151	–	151	–	–
3	–	3	2 525	–	2 525	–	75
504	921	3 408	2 525	114	2 639	291	668

SEGMENT SUMMARY

The group has identified reportable segments that are used by the group executive committee (chief operating decision maker (CODM)) to make key operating decisions, allocate resources and assess performance. The reportable segments are grouped according to 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 and capital items (EBITDA) generated by each of the group's reportable segments are summarised as follows:

R millions	Revenue			EBITDA		
	August 2018	August 2017*	February 2018*	August 2018	August 2017*	February 2018*
Altron ARH	496	586	1 155	0	32	80
Altron Bytes Document Solutions	720	660	1 353	32	25	70
Altron Bytes Managed Solutions	517	517	1 027	30	32	74
Altron Bytes People Solutions	237	220	438	23	19	29
Altron Bytes Secure Transaction Solutions	580	504	1 073	134	110	253
Altron Bytes Systems Integration**	1 028	921	1 897	36	29	123
Altron ICT South African operations	3 578	3 408	6 943	255	247	629
Bytes Technology Group UK	5 288	2 525	6 088	207	109	206
Altron Rest of Africa	130	114	244	14	12	16
Altron ICT International operations	5 418	2 639	6 332	221	121	222
Shared Services, Corporate and cons	–	–	–	7	8	33
Altron ICT Netstar****	8 996	6 047	13 275	483	376	884
Altron Arrow	742	668	1 378	258	227	481
Corporate and con and financial services	287	291	560	15	21	33
	(246)	(214)	(470)	(70)	(31)	(94)
Normalised continuing operations	9 779	6 792	14 743	686	593	1 304
Foreign currency gains or deferred acquisition liability	–	–	–	–	(2)	6
Retrenchment and restructuring costs	–	–	–	(9)	(47)	(77)
Acquisition related costs	–	–	–	–	–	(8)
Continuing operations as reported	9 779	6 792	14 743	677	544	1 225
Altech Multimedia group	494	599	974	33	47	44
Altech Autopage group	–	–	–	(4)	(7)	(23)
Powertech Cables	–	103	103	–	5	5
Powertech Transformers group***	427	522	1 015	39	(51)	(28)
Powertech Battery	–	344	344	–	33	33
Powertech System integrators	–	214	241	–	(12)	(11)
Other Powertech Segments	–	123	261	(3)	(24)	(12)
Powertech group	427	1 306	1 964	36	(49)	(13)
Discontinued operations	921	1 905	2 938	65	(9)	8
Altron group	10 700	8 697	17 681	742	535	1 233

* The group has initially applied IFRS 15 using the modified retrospective method. Under this method, the comparative information is not restated. See note 12.

** Bytes Systems Integration and Bytes Universal Systems were merged into one segment effective 1 October 2017.

*** Powertech Transformers group was disposed of 31 July 2018 (refer to note 7).

**** Contract fulfilment costs relating to hardware and fitment have been reclassified to depreciation. These expenses were previously included in operating costs before capital items.

R millions	August 2018	August 2017*	February 2018*
Segment EBITDA can be reconciled to group operating profit before capital items as follows:			
Segment EBITDA	742	535	1 233
Reconciling items:			
Depreciation****	(192)	(163)	(339)
Amortisation	(64)	(47)	(103)
Group operating profit before capital items	486	325	791
Capital items	(32)	(79)	(309)
Results from operating activities	454	246	482
Finance income	85	110	220
Finance expense	(176)	(214)	(419)
Share of profit of equity accounted investees, net of taxation	–	(1)	(1)
Profit before taxation	363	141	282

* The group has initially applied IFRS 15 using the modified retrospective method. Under this method, the comparative information is not restated. See note 12.

SUPPLEMENTARY INFORMATION

R millions	Six months ended 31 August 2018 (Unaudited)	Six months ended 31 August 2017* (Unaudited)	Year ended 28 February 2018* (Audited)
Total operations			
Depreciation***	192	163	339
Amortisation	64	47	103
Net foreign exchange (profit)/losses	(31)	4	44
Cashflow movements			
Capital expenditure (including intangibles)	96	142	278
Net additions to contract fulfilment costs	(12)	26	58
Additions to contract fulfilment costs	95	118	257
Depreciation of hardware and fitment***	(107)	(92)	(199)
Capital commitments	16	5	-
Contingent liabilities			
There were no contingent liabilities identified as at 31 August 2018			
Lease commitments	452	410	513
Payable within the next 12 months:	176	166	180
Payable thereafter:	276	244	333
Weighted average number of shares (millions)	371	369	370
Diluted average number of shares (millions)	373	371	372
Shares in issue at end of period (millions)	371	371	371
Ratios (total operations)			
EBITDA margin (%)	6.9	5.1	5.9
ROCE (%)	21.4[^]	14.5 [^]	18.5
ROE (%)	19.5[^]	11.5 [^]	16.7
ROA (%)	12.9[^]	9.5 [^]	10.2
RONA (%)	17.4[^]	12.6 [^]	15.5
Current ratio	1.1:1	1.2:1	1.1:1
Acid test ratio	0.9:1	1:1	0.9:1

* The group has initially applied IFRS 15 using the modified retrospective method. Under this method, the comparative information is not restated. During the current year, the group has also adopted IFRS 9 and, in accordance with the standard, comparative information has not been restated. See note 12

[^] Annualised

*** Contract fulfilment costs:

Contract fulfilment costs include hardware, fitment, commissions and other costs directly attributable to the negotiation and conclusion of customer service contracts.

Contract fulfilment costs relating to hardware and fitment have been reclassified to depreciation. These expenses were previously included in operating costs.

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