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

2017
UNAUDITED CONSOLIDATED
INTERIM RESULTS
FOR THE SIX MONTHS ENDED 31 AUGUST 2017

CONDENSED CONSOLIDATED STATEMENT OF COMPREHENSIVE INCOME

R million	% change	Six months ended 31.08.17 (Unaudited)	Six months ended 31.08.16 (Unaudited)	Year ended 28.02.17 (Audited)
CONTINUING OPERATIONS				
Revenue	(10)	6 792	7 537	13 892
Earnings before interest, tax, depreciation and amortisation (EBITDA)	2	452	445	950
Depreciation and amortisation		(118)	(108)	(222)
Operating profit before capital items	(1)	334	337	728
Capital items (note 1)		(16)	(1)	8
Result from operating activities		318	336	736
Finance income		85	111	218
Finance expense		(172)	(194)	(441)
Share of profit of equity-accounted investees, net of taxation		(1)	-	-
Profit before taxation		230	253	513
Taxation		(60)	(66)	(98)
Profit for the period from continuing operations		170	187	415
DISCONTINUED OPERATIONS				
Revenue		1 905	3 890	5 825
Earnings before interest, tax, depreciation and amortisation (EBITDA)		(9)	(65)	(110)
Depreciation and amortisation		-	-	-
Operating loss before capital items		(9)	(65)	(110)
Capital items (note 1)		(63)	(107)	(496)
Result from operating activities		(72)	(172)	(606)
Finance income		25	9	45
Finance expense		(42)	(96)	(117)
Share of profit of equity-accounted investees, net of taxation		-	17	-
Loss before taxation		(89)	(242)	(678)
Taxation		(6)	18	(39)
Loss for the period from discontinued operations		(95)	(224)	(717)
Profit/(loss) for the period from total operations		75	(37)	(302)
Other comprehensive income				
Items that will never be reclassified to profit or loss				
Remeasurement of net defined benefit asset/obligation		-	-	26
Items that are or may be reclassified subsequently to profit or loss				
Foreign currency translation differences in respect of foreign operations		5	(28)	(59)
Realisation of foreign currency translation reserve on disposal		-	(132)	(154)
Effective portion of changes in the fair value of cash flow hedges		5	-	(7)
Other comprehensive income for the period, net of taxation		10	(160)	(194)
Total comprehensive income for the period		85	(197)	(496)

	Six months	Six months	Year

R million		% change	ended 31.08.17 (Unaudited)	ended 31.08.16 (Unaudited)	ended 28.02.17 (Audited)
Net profit/(loss) attributable to:					
Non-controlling interests			(12)	(57)	(117)
Non-controlling interests from continuing operations			7	5	20
Non-controlling interests from discontinued operations			(19)	(62)	(137)
Altron equity holders			87	20	(185)
Altron equity holders from continuing operations			163	182	395
Altron equity holders from discontinued operations			(76)	(162)	(580)
Net profit/(loss) for the period			75	(37)	(302)
Total comprehensive income attributable to:					
Non-controlling interests			(11)	(56)	(118)
Non-controlling interests from continuing operations			7	5	20
Non-controlling interests from discontinued operations			(18)	(61)	(138)
Altron equity holders			96	(141)	(378)
Altron equity holders from continuing operations			178	141	341
Altron equity holders from discontinued operations			(82)	(282)	(719)
Total comprehensive income for the period			85	(197)	(496)
Basic earnings per share from continuing operations	(cents)		44	54	117
Diluted basic earnings per share from continuing operations	(cents)		44	53	116
Basic loss per share from discontinued operations	(cents)		(21)	(48)	(171)
Diluted basic loss per share from discontinued operations	(cents)		(21)	(47)	(171)
Basic earnings/(loss) per share from total operations	(cents)		23	6	(54)
Diluted basic earnings/(loss) per share from total operations	(cents)		23	6	(55)

CONDENSED CONSOLIDATED BALANCE SHEET

R million	31.08.17 (Unaudited)	31.08.16 (Unaudited)	28.02.17 (Audited)
ASSETS			
Non-current assets	3 187	2 907	2 816
Property, plant and equipment	570	591	569
Intangible assets including goodwill	1 193	1 055	1 029
Equity-accounted investments	23	5	23
Other investments	503	321	302
Rental finance advances	95	128	113
Non-current receivables and other assets	432	383	404
Defined benefit asset	162	192	178
Deferred taxation	209	232	198
Current assets	5 626	7 624	6 735
Inventories	931	899	1 046
Trade and other receivables, including derivatives	2 605	2 874	2 669
Assets classified as held-for-sale	1 013	2 399	1 644
Taxation receivable	5	3	3
Cash and cash equivalents	1 072	1 449	1 373
Total assets	8 813	10 531	9 551
EQUITY AND LIABILITIES			
Total equity	2 523	2 352	2 028
Equity holders of Altron	2 760	2 729	2 268
Non-controlling interests	(237)	(377)	(240)
Non-current liabilities	1 694	198	1 971
Loans	1 633	159	1 923
Provisions	4	5	5
Deferred taxation	57	34	43
Current liabilities	4 596	7 981	5 552

Loans	323	2 017	312
Bank overdraft	808	1 217	956
Trade and other payables, including derivatives	2 654	3 426	3 177
Provisions	19	7	16
Liabilities classified as held-for-sale	739	1 189	1 024
Taxation payable	53	125	67
Total equity and liabilities	8 813	10 531	9 551
Net asset value per share (cents)	744	807	669

CONDENSED CONSOLIDATED STATEMENT OF CHANGES IN EQUITY

	Attributable to Altron equity holders						
R million	Share capital and premium	Treasury shares	Reserves	Retained earnings	Total	Non-controlling interests	Total equity
Balance at 29 February 2016 (Audited)	2 735	(299)	(2 320)	2 731	2 847	(111)	2 736
Total comprehensive income for the period							
Profit for the period	-	-	-	20	20	(57)	(37)
Other comprehensive income							
Foreign currency translation differences in respect of foreign operations	-	-	(29)	-	(29)	1	(28)
Realisation of foreign currency translation reserve on disposal of subsidiaries	-	-	(132)	-	(132)	-	(132)
Transfer between reserves	-	-	190	(190)	-	-	-
Total other comprehensive income	-	-	29	(190)	(161)	1	(160)
Total comprehensive income for the period	-	-	29	(170)	(141)	(56)	(197)
Transactions with owners, recorded directly in equity							
Contributions by and distributions to owners							
Dividends to equity holders	-	-	-	-	-	(4)	(4)
Issue of share capital	7	-	-	-	7	-	7
Disposal of non-controlling interest	-	-	-	-	-	(207)	(207)
Share-based payment transactions	-	-	16	-	16	1	17
Total contributions by and distributions to owners	7	-	16	-	23	(210)	(187)
Total transactions with owners	7	-	16	-	23	(210)	(187)
Balance at 31 August 2016 (Unaudited)	2 742	(299)	(2 275)	2 561	2 729	(377)	2 352
Total comprehensive income for the period							
Loss for the period	-	-	-	(205)	(205)	(60)	(265)
Other comprehensive income							
Foreign currency translation differences in respect of foreign operations	-	-	(30)	-	(30)	(1)	(31)
Remeasurement of defined benefit obligation	-	-	26	-	26	-	26
Realisation of foreign currency translation reserve on closure of held for sale group	-	-	(22)	-	(22)	-	(22)
Effective portion of changes in the fair value of cash flow hedges	-	-	(6)	-	(6)	(1)	(7)
Total other comprehensive income	-	-	(32)	-	(32)	(2)	(34)
Total comprehensive income for the period	-	-	(32)	(205)	(237)	(62)	(299)

CONDENSED CONSOLIDATED STATEMENT OF CHANGES IN EQUITY

R million	Attributable to Altron equity holders Share capital and premium	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	–	–	(5)	–	(5)	–	(5)
Issue of share capital	5	–	(12)	–	(7)	–	(7)
Disposal of non-controlling interest	–	–	–	–	–	(1)	(1)
Total contributions by and distributions to owners	5	–	(17)	–	(12)	(1)	(13)
Changes in ownership interests in subsidiaries							
Buy-back of non-controlling interest	–	–	(212)	–	(212)	200	(12)
Total changes in ownership interests in subsidiaries	–	–	(212)	–	(212)	200	(12)
Total transactions with owners	5	–	(229)	–	(224)	199	(25)
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)
Share-based payment transactions	–	–	13	–	13	–	13
Issue of share capital	410	–	(10)	–	400	–	400
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

CONDENSED CONSOLIDATED STATEMENT OF CASH FLOWS

R million	Six months ended 31.08.17 (Unaudited)	Six months ended 31.08.16 (Unaudited)	Year ended 28.02.17 (Audited)
Cash flows generated from/(utilised in) operating activities	15	(279)	94
Cash generated by operations	598	569	1 308
Interest received	86	113	241
Interest paid	(214)	(284)	(557)
Dividends received from equity-accounted investees and other investments	1	27	23

Changes in working capital	(363)	(646)	(821)
Taxation paid	(90)	(54)	(96)
Cash available from operating activities	18	(275)	98
Dividends paid, including to non-controlling interests	(3)	(4)	(4)
Cash flows (utilised in)/from investing activities	(296)	1 773	1 580
Proceeds on the disposal of subsidiaries, associate and businesses net of cash disposed	117	2 060	2 060
Acquisition of subsidiaries, net of cash acquired	(86)	-	-
Additions to intangible assets	(43)	(70)	(123)
Additions to property, plant and equipment	(99)	(86)	(191)
Other investing activities	(185)	(131)	(166)
Cash flows from/(utilised in) financing activities	73	(1 594)	(1 479)
Loans repaid	(335)	(1 592)	(3 532)
Proceeds from share issue	400	-	-
Loans advanced	-	9	2 065
Other financing activities	8	(11)	(12)
Net (decrease)/increase in cash and cash equivalents	(208)	(100)	195
Net cash and cash equivalents at the beginning of the period	329	326	326
Cash and cash equivalents at the beginning of the period	417	206	206
Cash previously classified as held-for-sale	(88)	120	120
Effect of exchange rate fluctuations on cash held	20	(50)	(192)
Bank overdraft classified as held-for-sale	123	56	88
Net cash and cash equivalents at the end of the period	264	232	417

NOTES

R millions		% Change	Six months ended 31.08.17 (Unaudited)	Six months ended 31.08.16 (Unaudited)	Year ended 28.02.17 (Audited)
Headline earnings per share from continuing operations	(cents)	(13)	47	54	114
Normalised headline earnings per share from continuing operations	(cents)	8	57	53	116
Headline loss per share from discontinued operations	(cents)	70	(7)	(23)	(43)
Headline earnings per share from total operations	(cents)	29	40	31	71
Diluted headline earnings per share from total operations	(cents)	29	40	31	71

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 2017. 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 31.08.17 (Unaudited)	Six months ended 31.08.16 (Unaudited)	Year ended 28.02.17 (Audited)
1. CAPITAL ITEMS			
CONTINUING OPERATIONS			
Net profit on disposal of property, plant and equipment	1	-	1
Impairment of property, plant and equipment	-	(3)	(3)
Impairment of equity-accounted investment	-	-	(2)
Impairment of intangible assets	(17)	-	-
Reversal of impairment	-	-	10

Profit on disposal of subsidiary and businesses	-	2	2
	(16)	(1)	8
DISCONTINUED OPERATIONS			
Impairment of intangible assets	-	-	(16)
Impairment of held-for-sale disposal groups	(48)	(139)	(548)
(Loss)/profit on disposal of discontinued operations	(15)	26	22
Release of foreign currency translation surplus	-	-	22
Release of discontinuance provision	-	-	12
Net profit on disposal of property, plant and equipment	-	6	12
	(63)	(107)	(496)
Total	(79)	(108)	(488)
2 RECONCILIATION BETWEEN ATTRIBUTABLE EARNINGS AND HEADLINE EARNINGS			
Attributable to Altron equity holders	87	20	(185)
Capital items - gross	79	108	488
Tax effect of capital items	(12)	-	11
Non-controlling interest in capital items	(5)	(23)	(74)
Headline earnings	149	105	240

R millions	Six months ended 31.08.17 (Unaudited)	Six months ended 31.08.16 (Unaudited)	Year ended 28.02.17 (Audited)
3. RECONCILIATION BETWEEN ATTRIBUTABLE EARNINGS AND HEADLINE EARNINGS FROM CONTINUING OPERATIONS			
Attributable to Altron equity holders	163	182	395
Capital items - gross	16	1	(8)
Tax effect of capital items	(5)	-	-
Headline earnings	174	183	387
4. RECONCILIATION BETWEEN ATTRIBUTABLE EARNINGS AND HEADLINE EARNINGS FROM DISCONTINUED OPERATIONS			
Attributable to Altron equity holders	(76)	(162)	(580)
Capital items - gross	63	107	496
Tax effect of capital items	(7)	-	11
Non-controlling interest in capital items	(5)	(23)	(74)
Headline earnings	(25)	(78)	(147)

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 once-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	174	183	387
Foreign currency losses on transaction funding	2	-	-
Restructuring costs	47	-	-
Contribution from closed businesses	-	(4)	6
Tax effect of adjustments	(13)	1	(2)
Normalised headline earnings	210	180	391

6\. RECONCILIATION BETWEEN ATTRIBUTABLE EARNINGS AND DILUTED EARNINGS

There were no reconciling items between attributable earnings and diluted earnings.

7\. ACQUISITION OF SUBSIDIARY

Acquisition of Fleet Logistics (Pty) Limited ("EZY2C") in Australia

Effective 1 July 2017, Altech Netstar acquired the issued share capital of EZY2C in Australia, a provider of fleet and asset management solutions, for a maximum purchase price of A$15,9 million, of which A$8,7 million was paid upfront and the remainder is payable on the achievement of certain earn-out targets over the next two years. The acquisition contributed revenue of R15 million and a net profit after tax of R 5 million to the group. Management is still finalising the full purchase price allocation - the initial assessment is presented below. If the company was acquired on 1 March 2017, the contributed revenue would have been R37 million and the net profit after tax would have been R6 million.

R million The acquired balances at the effective date were as follows:	Recognised values	Fair value adjustments	Carrying amount
Non-current assets	1	17	18
Current assets	12	-	12
Non-current liabilities	-	(5)	(5)
Current liabilities	(6)	-	(6)
Total net assets on acquisition	7	12	19
Goodwill on acquisition			142
Total consideration			161
Less: Cash and cash equivalents in subsidiary acquired			(3)
Less: Deferred purchase consideration			(72)
Net cash outflow on acquisition			86

8. DISPOSAL OF SUBSIDIARIES AND BUSINESSES

Disposal of 100% interest in the Auto X (Pty) Limited group (Powertech Battery Group)

Effective 1 July 2017, Powertech Industries (Pty) Limited disposed of 100% of its equity interest in the Auto X group for R324 million. This operation formed part of the Powertech group, which has been disclosed as a discontinued operation. R188 million was received on the effective date, while the balance of the proceeds will be settled out of actual receipts received by Auto X from the automotive production development programme. This receivable is in the form of a preference share, with a carrying value of R131 million at 31 August 2017. The preference share receivable in Auto X is included in other investments on the group's balance sheet.

Disposal of 100% interest in Webroy (Pty) Limited

Effective 1 March 2017, Powertech Industries disposed of 100% of its equity interest in Webroy for R11 million. This operation formed part of the Powertech group, which has been disclosed as a discontinued operation.

Disposal of 100% interest in Powertech System Integrators (Pty) Limited ("PTSI")

Effective 1 August 2017, Power Technologies (Pty) Limited disposed of 100% of its equity interest in PTSI for R30 million. This operation formed part of the Powertech group, which has been disclosed as a discontinued operation.

Net assets of the above operations disposed are as follows:

	R million
Non-current assets	123
Current assets	484
Non-current liabilities	(1)
Current liabilities	(226)
Disposal value	380
Loss on disposal of subsidiaries	(15)
Cash and cash equivalents disposed	(94)
Proceeds receivable (PTSI)	(30)
Preference share receivable	(131)
Proceeds received on disposal	110

9. DISCONTINUED OPERATIONS

Impairment of held-for-sale disposal groups

The carrying value of each distinct operation was compared to the latest offer from prospective buyers and any shortfall to the carrying value was then impaired.

The impairments reflect a decline in expected proceeds due to the prolonged disposal processes, the performance of the operations and the uncertainties in the local macro-economic environment.

During the 2016 financial year, 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.

Management believe 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.

Net assets of disposal groups held-for-sale:

R million	31.08.2017	31.08.2016	28.02.2017
Assets classified as held-for-sale	1 013	2 399	1 644
Non-current assets	256	815	392
Current assets	757	1 584	1 252

Liabilities classified as held-for-sale	(739)	(1 189)	(1 024)
Non-current liabilities	(9)	(36)	(16)
Current liabilities	(730)	(1 153)	(1 008)

Breakdown of disposal groups held-for-sale:

R million	31.08.2017 Powertech Transformers	31.08.2017 Multimedia Group	31.08.2017 Other	31.08.2017 Total
	812	310	400	1 522
Non-current assets	308	158	215	681
Current assets	504	152	185	841
Impairment of held for sale disposal group				(509)
Assets classified as held-for-sale				1 013
Liabilities classified as held-for-sale	(355)	(243)	(141)	(739)
Non-current liabilities	-	(9)	-	(9)
Current liabilities	(355)	(234)	(141)	(730)

Breakdown of disposal groups held-for-sale:

R million	28.02.2017 Powertech Transformers	28.02.2017 Powertech Battery Group	28.02.2017 Multimedia Group	28.02.2017 Powertech System integrators	28.02.2017 Other	28.02.2017 Total
	805	498	348	182	359	2 192
Non-current assets	307	164	141	25	216	853
Current assets	498	334	207	157	143	1 339
Impairment of held for sale disposal group						(548)
Assets classified as held-for-sale						1 644
Liabilities classified as held-for-sale	(276)	(124)	(290)	(109)	(225)	(1 024)
Non-current liabilities	(5)	-	(9)	-	(2)	(16)
Current liabilities	(271)	(124)	(281)	(109)	(223)	(1 008)

R million	Six months ended 31.08.2017	Six months ended 31.08.2016	Year ended 28.02.2017
Cash flows utilised in discontinued operations:			
Net cash utilised in operating activities	(6)	(2)	(21)
Net cash generated from investing activities	84	921	878
Net cash utilised in financing activities	(1)	(793)	(20)
Net cash flow for the period	77	126	837

10. FAIR VALUE OF FINANCIAL INSTRUMENTS

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 is disclosed as a Level 3 financial asset 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 with key inputs being discount and perpetuity growth rates as well as revenue growth rates. The fair value of the preference share investment remained at R21 million for the period.

The contingent purchase considerations are disclosed as Level 3 financial liabilities 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 with key inputs being forecast revenue growth rates, forecast profit margins and discount rates. The fair value of the contingent purchase considerations was assessed as R75 million at the reporting period which resulted in a remeasurement loss of R2 million.

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 (i.e. as prices) or indirectly (i.e. derived from prices) as well as foreign exchange. A market comparison technique is used to determine fair value. The fair value of the derivative foreign exchange contracts was assessed as R28 million (liability) at the reporting period which resulted in a remeasurement loss of R20 million.

The derivative total equity return swap used for hedging the share linked incentive expense is disclosed as Level 2 financial instruments in terms of the fair value hierarchy with fair valuation inputs determined from quoted prices (unadjusted) in active markets for identical assets or liabilities. The fair value of the total equity return swap entered into in the current year was assessed at R4 million (asset) at the reporting period which resulted in an equal gain of R4 million being recognised.

There were no transfers between Levels 1, 2 or 3 of the fair value hierarchy for the period ended 31 August 2017.

11. POST-BALANCE SHEET EVENTS

Post the reporting period, Bytes Technology Group Limited UK acquired 100% of the issued share capital of Blenheim for a consideration of GBP35,9 million.

Blenheim is the holding company of Phoenix Software Limited, a business focused on the resale of software products and associated services.

The transaction was effective on 1 October 2017. The transaction was funded from a combination of cash resources in Bytes UK, existing group facilities and a new trade finance facility in Bytes UK.

12. 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.

SEGMENTAL 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:

	Revenue			EBITDA		
	Aug 2017	Aug 2016	Feb 2017	Aug 2017	Aug 2016	Feb 2017
Continuing operations						
Altech Radio Holdings Group	586	455	1 127	32	27	84
Bytes Document Solutions Group	660	951	1 636	25	35	48
Bytes Managed Solutions	517	670	1 321	29	32	89
Bytes People Solutions	220	219	426	19	21	41
Bytes Secure Transaction Solutions	504	465	992	110	95	212
Bytes Systems Integration SA Group	625	647	1 274	7	2	39
Bytes Universal Systems	296	362	669	16	28	63
Altron ICT South African operations	3 408	3 769	7 445	238	240	576
Bytes Technology Group UK	2 525	2 479	4 504	109	110	171
Other International operations	114	208	284	12	6	20
Altron ICT International operations	2 639	2 687	4 788	121	116	191
Shared Services, Corporate and cons	-	4	5	6	3	17
Altron ICT	6 047	6 460	12 238	365	359	784
Altech Autopage Group	-	316	316	-	3	3
Altech Netstar Group	668	597	1 224	133	126	266
Arrow Altech Distribution	291	308	602	21	24	40
Corporate and Cons and financial services	(214)	(144)	(488)	(67)	(67)	(143)
Continuing operations	6 792	7 537	13 892	452	445	950
Discontinued operations						
Altech Multimedia Group	599	566	1 225	47	17	21
Altech Autopage Group	-	-	-	(7)	(49)	(78)
Powertech Cables Group*	103	1 721	1 836	5	42	46
Powertech Transformers Group	522	630	1 041	(51)	(38)	(73)
Powertech Battery Group**	344	481	944	33	32	78
Powertech System Integrators***	214	341	583	(12)	(56)	(52)

Other Powertech Segments	123	151	196	(24)	(13)	(52)
Powertech Group	1 306	3 324	4 600	(49)	(33)	(53)
Discontinued operations	1 905	3 890	5 825	(9)	(65)	(110)
Altron Group	8 697	11 427	19 717	443	380	840

* Powertech Cables Group for the half year ended 31 August 2017 consists of Swanib Cables, prior year comparatives include Aberdare Cables Group which was disposed effective 30 June 2016.

** Powertech Battery Group disposed of 1 July 2017 (refer to note 8), this segment also includes Webroy which was disposed 1 March 2017.

*** Powertech System Integrators disposed of 1 August 2017. System Integrators segmental includes QuadPro, which has not been disposed of as at 31 August 2017.

Segment EBITDA can be reconciled to group operating profit before capital items as follows:	Aug 2017	Aug 2016	Feb 2017
Segment EBITDA	443	380	840
Reconciling items:			
Depreciation	(71)	(65)	(136)
Amortisation	(47)	(43)	(86)
Group operating profit before capital items	325	272	618

SUPPLEMENTARY INFORMATION - TOTAL OPERATIONS

R million		31.08.17 (Unaudited)	31.08.16 (Unaudited)	28.02.17 (Audited)
Depreciation		71	65	136
Amortisation		47	43	86
Net foreign exchange losses		4	104	226
Cash flow movements				
Capital expenditure (including intangibles)		142	156	314
Net additions to contract fulfilment costs		26	8	20
Additions to contract fulfilment costs		118	101	237
Net expensing of contract fulfilment costs during the year		(92)	(89)	(216)
Terminations of contract fulfilment costs		-	(4)	(1)
Capital commitments		5	36	21
Lease commitments		410	443	465
Payable within the next 12 months		166	165	147
Payable thereafter		244	278	318
Weighted average number of shares	(millions)	369	338	338
Diluted average number of shares	(millions)	371	342	340
Shares in issue at end of period	(millions)	371	338	339
Ratios (total operations)				
EBITDA margin	%	5,1	3,3	4,3
ROCE	%	14,5*	12,0*	14,5
ROE	%	11,5*	8,4*	11,4
ROA	%	9,5*	6,5*	8,3
RONA	%	12,6*	10,4*	12,2
Current ratio		1.2:1	1:1	1.2:1
Acid test ratio		1:1	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.

MESSAGE TO SHAREHOLDERS

During the past six months, Altron has continued to make good progress on delivering on its strategy of repositioning the group in the ICT space, divesting of non-core assets, lowering debt levels and reducing its exposure to the manufacturing sector. Two key acquisitions have been completed and the group's financial performance has improved significantly on a normalised and constant currency basis:

- EBITDA from continuing operations increased by 19%* to R501 million
- HEPS from continuing operations increased by 16%* to 57 cents
- Net debt expected to reduce to R1.1 billion on conclusion of disposals

*Constant currency information.

The board identified the current financial year as the one in which the business is to be repositioned for growth in order to deliver on Altron's intention of producing consistent, double digit growth at the earnings before interest, tax, depreciation and amortisation (EBITDA) level. To this end, good progress has been made in the right-sizing of the corporate cost base, the simplification of reporting lines, regrouping the operations in a more customer-centric manner, and improving the sales efficiencies across the group with a strong focus on customer marketing around One Altron. This process will be largely completed in the current financial year, and will accelerate our focus on delivering superior growth.

An important aspect of this process is to close out the disposal of the remaining discontinued operations. Since the last report to shareholders, the group has successfully concluded the disposal of Powertech Batteries, Swanib Cables, Powertech IST, Powertech Quadpro and Powertech Switchgear, with all proceeds being used to repay borrowings. The disposal of Crabtree is awaiting Competition Commission approvals in neighbouring countries, while we continue to work on the disposal of Altech Multimedia and Powertech Transformers.

During the review period the group's continuing operations have delivered results in line with expectations, despite the difficult local economy, a strengthening currency, and the once-off costs associated with the various restructuring processes. In order to give a clearer view of the underlying performance, we have disclosed normalised information for the continuing operations in our interim reporting. In this message we have also made adjustments to show the results on a constant currency basis to remove the significant impact of the strengthening of the Rand in respect of our UK operations. The constant currency financial information has been compiled by the directors to illustrate the impact of foreign currency movements on Altron's reported financial performance for the six months ended 31 August 2017 for illustrative purposes only. This information is the responsibility of the directors and has not been reviewed or audited by the auditors.

FINANCIAL OVERVIEW

INCOME

Continuing operations

Revenue for the continuing operations grew by approximately 5%* to R6.8 billion, while EBITDA increased by 19%* to R501 million on a normalised and constant currency basis. The normalised EBITDA margin improved to 7.4% compared to the prior period's 6.5%*. Much of this growth came from the international operations as local trading conditions remain challenging.

Depreciation and amortisation charges increased to R118 million, while capital items were a loss of R16 million during the current period compared to a negligible loss in the prior period. Net interest costs in the continuing operations marginally increased from R83 million to R87 million. This increase reflects a combination of higher borrowing costs as well as an increased allocation of debt to the continuing operations as a result of the reduced expectations around proceeds from the sale of the discontinued operations compared to those in August 2016, although some of this was offset by the benefits of the equity injection in April 2017.

Normalised and constant currency headline earnings increased by 27%* from R165 million* to R209 million. Normalised and constant currency headline earnings per share grew by 16%* to 57 cents against the prior year of 49 cents* following the specific issue of shares for cash to Value Capital Partners in May 2017.

Discontinued operations

The results of the discontinued operations showed a significant improvement from the previous period. EBITDA losses in the current period improved to a loss of R9 million compared to a prior period loss of R65 million. The main improvement came out of the Altech Multimedia business which generated strong EBITDA growth, while the Powertech businesses saw a 48% deterioration from the prior corresponding period. The results were further assisted by the reduced costs associated with the closure of the Altech Autopage business.

The substantial improvements in the discontinued operations, with the loss from these operations again reducing significantly from R224 million to R95 million, are a combination of improved operational performance, progress on the disposals and the resultant decline in the interest expense.

CASH MANAGEMENT

Total operations
The overall net debt position continues to improve. Cash generated by operations was higher than the prior period on the improved EBITDA performance, but cash available from operating activities was affected by an absorption into working capital. Much of this is cyclical, which is expected to reverse into the year-end.

Cash utilised in investing activities relates primarily to capital expenditure, the normal investment into contract fulfilments costs at Altech Netstar and the Australian acquisition completed by Altech Netstar. These were partly offset by the proceeds on the various Powertech disposals completed during the period. Capital expenditure in the continuing operations is broadly in line with the depreciation charge, while the net investment into contract fulfilment costs amounted to R26 million.

The R73 million of cash flow from financing activities is predominantly due to the R400 million from Value Capital Partners, offset by the repayment of loans of R335 million.

SUBSIDIARY REVIEW

SUBSIDIARY INCOME AND GROWTH

Continuing operations
ICT Operations
After normalising for the factors referred to above, revenue from the group's ICT businesses is up 5%* to R6 billion, with EBITDA increasing by 12%* to R376 million and EBITDA margin improving to 6.2% from 5.9%*. This growth was driven by the performance of the international operations.

The Bytes UK operations had another exceptional six months, growing revenue by 25% in local currency terms and EBITDA by 21%, with the business benefiting from increased market share as well as price increases linked to the weaker British Pound. The acquisition of the Blenheim Group and its largest subsidiary Phoenix Software, as announced to shareholder on SENS on 29 September 2017, will add further scale to Bytes UK, making it a significant player in the UK software market and operating in a space with good revenue growth prospects.

On a normalised basis the South African ICT operations saw a 3% decrease in revenue to R3.4 billion, but achieved a 6% increase in EBITDA to R254 million, with the EBITDA margin improving to 7.4% from 6.8%. The revenue decline is indicative of the challenging local economic environment, while the margin expansion arose from the increased contribution of the higher margin businesses, particularly Bytes Secure Transaction Solutions.

Bytes Secure Transaction Solutions continues to perform well, growing revenue by 8% and EBITDA by 16%, reaffirming its status as a key growth focus for the group. Most components of this business performed well, with the NuPay division continuing to deliver strong growth. The healthcare side of the business has been successful in moving into new adjacencies, thereby achieving growth in an otherwise stagnant market.

Altech Radio Holdings has seen revenue improve by 29% and EBITDA by 19% compared to the prior period. The strategy of diversifying the businesses' product suite to include broadband products and services continues to result in significant growth for the business compared to the previous period, despite challenges around the City of Tshwane broadband contract. There remain significant opportunities in this market segment that the business is well placed to exploit.

Bytes Document Solutions and Bytes Managed Solutions, experienced both revenue and EBITDA declines. New initiatives are under way in each of the operations, with the focus on maximising revenue while ensuring that cost bases are appropriate and operating efficiencies are maximised.

Bytes Systems Integration produced improved results but continues to operate at very low margins, while Bytes Universal Systems had a slow first half, falling short of its potential. These two businesses are in the process of being combined under a new managing director.

Altech Netstar
Altech Netstar had a strong performance, reporting a 12% increase in revenue and 6% improvement in EBITDA against the prior corresponding period. Consumer gross connections grew by 32%, while fleet management's gross connections grew by 9%. Altech Netstar saw some benefit from its recently acquired Australian business EZY2C as it further diversifies its income streams in line with Altron's strategy to increase off-shore earnings. The business is accelerating its focus into telematics and fleet management using the intellectual property from the Pinpoint acquisition.

Arrow Altech Distribution
Arrow Altech Distribution's revenue was down 6% impacted by the stronger rand, with EBITDA decreasing by 12.5%. In challenging economic conditions, the business maintained its leading component distributor position in this market, holding onto the significant gains made in the prior year. The business continues to strategically align itself with its

international partner, Arrow Electronics Inc, in introducing new initiatives to diversify revenue streams.

Discontinued operations

Altech Multimedia
Altech UEC delivered a good performance, increasing revenue by 6% and generating R47 million of EBITDA compared to the R17 million in the prior period. This improved performance is a reflection of reasonable manufacturing volumes, a more stable foreign exchange environment, and the benefits of some of the restructuring of previous periods.

Altech Autopage
The final close-out of the disposal for Altech Autopage is progressing well, with the collection of the debtors' books continuing in line with expectations.

Powertech
Meaningful progress has been made with regard to the disposal of the remaining Powertech businesses. Powertech Batteries was disposed of effective from 1 July 2017, whilst Powertech System Integrators was sold effective 1 August 2017. Powertech Quadpro, Powertech Switchgear and Swanib Cables were sold after the balance sheet date. We are awaiting Competition Commission approval for the Crabtree disposal, while Powertech Transformers remains in the Powertech stable at this time. The results for the period have been influenced by a further restructuring exercise at Powertech Transformers as well as the closure of the Powertech head office.

DIRECTORATE
Messrs MC Berzack, JRD Modise and SN Susman retired from the Altron board as non-executive directors and from the relevant committees with effect from 31 May 2017. Messrs BW Dawson and SW van Graan were appointed as non-executive directors of Altron with effect from 1 June 2017. Mr Dawson has been appointed to the Altron Investment Committee, while Mr Van Graan serves on the Altron Audit Committee, Risk Management Committee, Social and Ethics Committee and Investment Committee.

Our new board has brought expertise and relevant experience to our various deliberations and are playing an active part in supporting the executive team.

OUTLOOK
The focus of the remainder of the current financial year is to position the group to deliver on its growth targets going forward by completing the process of focusing the group squarely into the ICT sector and completing the restructuring and realignment exercises.

Conditions remain challenging in the South African economy but we remain confident that our continuing operations will generate growth over the prior period. Our recent investments into international markets are aligned with the strategic intention to geographically diversify earnings, with a focus on businesses with a high element of annuity income, and these should make a contribution to the second half of the year.

The closing out of the disposal of the remaining non-core assets remains a priority in order to release further capital to strengthen the balance sheet and enable further investment in the core ICT assets.

Much has been achieved in the first half of the financial year and the board is confident that the group is well positioned to complete its initiatives for the current financial year.

On behalf of the board

Mike Leeming
Chairman

Mteto Nyati
Chief Executive

Alex Smith
Chief Financial Officer

26 October 2017

Board of directors
Non-executive
Mr MJ Leeming, Mr AC Ball, Mr BW Dawson, Mr GG Gelink, Dr PM Maduna, Ms DNM Mokhobo, Mr S Sithole(#),
Mr SW van Graan, Dr WP Venter, Mr RE Venter

Executive
Mr M Nyati (Chief Executive), Mr AMR Smith(##)
(#)Zimbabwean, (##)British

Secretaries
Altron Management Services Proprietary Limited - Mr WK Groenewald (Group Company Secretary)

Sponsor
Investec Bank