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

2018 PRELIMINARY AUDITED SUMMARISED CONSOLIDATED FINANCIAL STATEMENTS FOR THE YEAR ENDED 28 FEBRUARY 2018

FINANCIAL COMMENTARY

During the past financial year Altron delivered substantially on its commitment to reposition the company for growth in the ICT sector. This entailed delivering on a clearly defined One Altron strategy anchored in four strategic pillars, namely improve revenue growth; improve profitability; transform the customer experience; and employee excellence.

We have made considerable progress in the continued divestment of non-core assets, lowering debt levels and reducing our exposure to the manufacturing sector. Of equal importance was turning the company into a streamlined organisation with the leaders of our business operations joining the Altron Group Executive Committee. We have appointed new managing directors in a number of our core businesses, including Bytes Systems Integration, Bytes Managed Solutions and Altech Netstar to drive the restructuring of these operations. We created a much leaner head office structure with 36% fewer employees, which has significantly reduced our corporate cost base.

We have successfully delivered on our stated aim of consistent double digit growth at an earnings before interest, tax, depreciation and amortisation ("EBITDA") level.

During the period the group's financial performance improved significantly on a normalised and constant currency basis. The numbers presented in this commentary are shown on this basis.

- Revenue from continuing operations increased by 14% to R14,7 billion
- EBITDA from continuing operations increased by 19% to R1,1 billion
- HEPS from continuing operations increased by 19% to 135 cents
- ROCE from continuing operations 21%

As announced through SENS on 29 September 2017 we completed the acquisition of IT solutions provider Phoenix Software in the UK. This has enhanced our international footprint, one of our key drivers for future growth.

Altron's strength lies in our diverse customer base of some 20 000 individual businesses which span both private and public sectors. In order to solidify and reduce the complexity of the customer relationship we embarked on a comprehensive "One Altron One Customer" sales programme whereby we invested in multi-skilling our sales team so as to enable them to add value to our customers through the provision of our full suite of end-to-end products and service offerings.

An element of our strategy was the disposal of the remaining assets no longer core to the business. As communicated to shareholders on SENS on 4 April 2018 the last of the conditions precedent with regards to the disposal of Powertech Transformers is expected to be fulfilled by 31 May 2018. Altron anticipates to complete the disposal of the remaining discontinued operations, CBI Telecom Cables and Altech UEC/Multimedia, in the current financial year. These residual operations traded profitably during the financial year at an EBITDA level.

During the review period the group's core operations had a satisfactory performance despite the difficult local economy, a strengthening currency and the one-off costs associated with the various restructuring processes.

Due to the current restructure and right-sizing of the business, as well as the disposal or closure of non-core operations, the normalised continuing operations' results provide stakeholders with an accurate measure of the core sustainable earnings of Altron going forward. We have also made adjustments to show the results on a constant currency basis to remove the 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 performance of the group before the impact of foreign currency movements on Altron's reported financial performance for the year ended 28 February 2018 for informational 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 14% to R14.7 billion, while EBITDA increased by 19% to R1.1 billion on a normalised and constant currency basis. The normalised EBITDA margin in turn improved to 7.6% compared to the prior period's 7.3%. Organic EBITDA growth was 13.3%, while the inclusion of Phoenix Software in the second half of the year delivered acquisitive growth of 5.5%.

Depreciation and amortisation charges increased to R252 million from R222 million in the prior year, while capital items were a loss of R38 million during the year, mostly as a result of the partial impairment of goodwill at Bytes Document Solutions. Net interest costs in the continuing operations decreased from R223 million to R178 million. This decrease is as a result of the repayment of a portion of our loans during the current financial year, together with the positive interest effect of the equity injection in April 2017.

Normalised and constant currency headline earnings increased by 31% from R382 million to R500 million. Normalised and constant currency headline earnings per share grew by 19% to 135 cents against the prior year of 113 cents after taking into account the specific issue of shares for cash to Value Capital Partners during the year.

Discontinued operations
The results of the discontinued operations continued to show a significant improvement from the previous year. EBITDA in the current year improved to a profit of R8 million compared to a prior period loss of R110 million. The main improvement came out of the Powertech Transformers and Altech UEC/Multimedia businesses which generated strong EBITDA growth. The results were further assisted by the reduced costs associated with the closure of the majority of the Powertech group operations.

Similarly, the after tax loss improved significantly from R717 million to R253 million, as a result of a combination of improved operational performance and a reduction in the interest expense as proceeds from disposals have been used to reduce debt.

CASH MANAGEMENT
Total operations
The overall net debt of R1.9 billion remained constant compared to the prior year. Cash generated from operations totalled R1.2 billion for the year. Net working capital increased by R298 million and included the City of Tshwane debtor in Altech Radio Holdings and the impact of acquisitions. Net finance expenses reduced from the prior year to R239 million, while tax paid amounted to R141 million.

The group invested R970 million in investment activates for the year, primarily funded out of internally generated cash. Included in this amount was R698 million relating to the acquisition of Phoenix Software and EZY2C, R257 million of contract fulfilment costs mainly in Altech Netstar that reflects improved growth in the subscriber base, investment in property, plant and equipment of R193 million which is roughly in line with the depreciation charge and broadly maintains the existing capital base, as well as R84 million relating to additions to intangibles as R&D was capitalised through the year. Also included in investing activities are inflows of R233 million relating to proceeds on the disposal of non-core businesses.

The R160 million of cash utilised in financing activities is predominantly the net result of the R400 million equity received from Value Capital Partners and the repayment of term loans of R627 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 15% to R13 billion, with EBITDA increasing by 14% to R884 million and EBITDA margin remaining constant at 6.7%. This growth was mainly driven by the performance of the international operations.

Bytes UK had another exceptional year, growing revenue by 49% in local currency terms and EBITDA by 29%. The business benefited from increased market share as well as price increases linked to the weaker British Pound. The acquisition of Phoenix Software, effective October 2017, added 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 R6.9 billion but achieved an 8% increase in EBITDA to R629 million, with the EBITDA margin improving to 9% from 8% in the prior year. The revenue decline was mostly in Bytes Managed Solutions due to a lack of spend from the financial sector.

Bytes Secure Transaction Solutions continued to perform well, growing revenue by 8% and EBITDA by 19%,

reaffirming its status as a key growth focus for the group. All components of this business performed well, with the NuPay division being the outstanding performer. The healthcare side of the business has been successful in moving into new adjacencies, such as public health records and administration outsource services, thereby achieving growth in an otherwise stagnant market.

Altech Radio Holdings has seen revenue improve by 2% and EBITDA down by 5% compared to the prior period. The strategy of diversifying the businesses' product suite to include broadband products and services continues to yield significant opportunities. In particular a number of broadband network contracts were won during the year under review, leaving the business well positioned for growth. The results of this business were adversely impacted by the challenges relating to the City of Tshwane broadband network contract. The court date for the hearing of this matter has been set down for 22 May 2018, and we remain confident of reaching a settlement prior to this date.

Bytes Document Solutions experienced a challenging year after it reset its cost base through a restructuring process. On a normalised basis the business achieved a 23% improvement in EBITDA.

Bytes Managed Solutions experienced sharp revenue and EBITDA declines. This was as a result of lower spend from financial institutions. The business continues to diversify its offerings into retail and hospitality to avoid future segmental dependency and to return to profitable growth.

Bytes Universal Systems has been merged into Bytes Systems Integration. Despite a year of change, revenues remained relatively flat while EBITDA in the combined businesses improved slightly based on early integration efficiencies. The combined business is expected to yield more efficiencies and a better customer experience.

Altech Netstar

Altech Netstar had a strong performance, reporting a 13% increase in revenue and 9% improvement in EBITDA against the prior year. The business continued to make strides though a number of significant innovation initiatives including a collision avoidance proximity system, remote jamming detection and jamming resistant units, together with strong growth into the insurance telematics market. Altech Netstar's acquisition of EZY2C in Australia during the year, together with its acquisition of Pinpoint in the previous year, produced satisfactory results in line with the Altron strategy to diversify its off-shore earnings.

Arrow Altech Distribution

Arrow Altech Distribution's revenue was down 7% and EBITDA 18%, both impacted by the stronger rand and weak demand from the defence industry. In challenging economic conditions, the business maintained its leading component distributor position in this market, holding onto the significant gains in the market 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 UEC/Multimedia

Altech UEC delivered a mixed performance, decreasing revenue by 20% but generating R44 million EBITDA compared to the R21 million in the prior year. Subsequent to year-end, the business has been further rationalised to decrease its cost base. Following the dawn raid by the Competition Commission at, among others, Altech UEC in November 2017, the potential acquirer at the time withdrew from discussions. Shareholders are referred to the announcement by Altron on 15 December 2017, with an updated announcement on 22 February 2018 on the outcome of the independent enquiry conducted by external legal firm, Bowmans. This confirmed Altron's adherence to due process on 22 February 2018 and cleared the business of any wrongdoing. A new potential acquirer for this business has since been identified, with these negotiations at an early stage.

Powertech

Significant 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. Swanib Cables was sold 1 September 2017, while the effective date of the disposals of Powertech Quadpro and Powertech Switchgear was 31 October 2017. Crabtree was sold effective 1 February 2018.

Together with CBI Telecom Cable Powertech Transformers are the last remaining businesses in the Powertech stable still to be disposed of.

We expect to finalise the disposal of the three remaining non-core assets within the current year.

DIVIDEND

The board has considered it's dividend policy and intends adopting a 2,5 times cover going forward. An interim dividend will be declared for the period ending 31 August 2018.

DIRECTORATE

During the past financial year, our board went through a number of changes to ensure alignment to our new ICT-focused strategy. As part of this process, Mr Mike Leeming was appointed as chairman with effect from 1 March 2017, with Mr Mteto Nyati appointed as Altron Chief Executive with effect from 1 April 2017. Dr WP Venter was appointed as Chairman Emeritus and non-executive director on 28 February 2017. Mr RE Venter retired as Chief Executive and assumed a non-executive director position on the Altron board, with effect from 1 April 2017. The board also appointed Messrs Antony Ball and Sam Sithole as non-executive directors, with effect from 9 March 2017, and Messrs Brett Dawson and Stewart van Graan as non-executive directors, with effect from 1 June 2017. Messrs Myron Berzack, Jacob Modise and Simon Susman retired as non-executive directors of Altron with effect from 31 May 2017.

We also announced the resignation of Mr Alex Smith as Chief Financial Officer ("CFO") and executive director, with effect from 28 February 2018. Mr Tim Jacobs has been appointed as Acting CFO for a six-month period until 31 August 2018.

As a collective, the board assumes responsibility for organisational performance and brings a wealth of industry expertise and experience to the group by steering and setting the direction for the realisation of Altron's core purpose and values through its strategy.

OUTLOOK

Altron is now well-positioned for growth and to execute on its One Altron strategy of offering end-to-end solutions to its vast customer base. We continue to focus on organic growth, supplemented by selective acquisitions. In particular:

- Altech Netstar will make a step change in fleet management and telematics growth on the back of breakthroughs in our routes-to-market;
- we are building a Microsoft practice focusing on cloud computing, data analytics and security. These fourth industrial revolution capabilities are being built organically and through acquisitions;
- we have developed a Smart City blueprint in collaboration with key players in the local government space. This blueprint has a strong bias towards safety, security and healthcare. The broadband infrastructure being rolled out by Altech Radio Holdings is a key enabler;
- we will accelerate our cybertech offering, leveraging our competitive advantage where Altron has already had wins both in the SA and UK markets; and
- where we have a presence in African countries we will add to our range of activities to include the full suite of Altron's solutions for our customers.

We remain committed to our stated target of delivering double digit EBITDA growth.

SUMMARISED CONSOLIDATED STATEMENT OF COMPREHENSIVE INCOME

	% Change	2018 (Audited) R millions	2017 (Audited) R millions
CONTINUING OPERATIONS			
Revenue	6	14 743	13 892
Operating costs before capital items		(13 708)	(12 942)
Earnings before interest, tax, depreciation, amortisation and capital items (EBITDA before capital items)	9	1 035	950
Depreciation and amortisation		(252)	(222)
Operating profit before capital items	8	783	728
Capital items (Note 1)		(38)	8
Result from operating activities	1	745	736
Finance income		164	218
Finance expense		(342)	(441)
Share of profit of equity-accounted investees, net of taxation		(1)	-
Profit before taxation	10	566	513
Taxation		(145)	(98)
Profit for the year from continuing operations	1	421	415
DISCONTINUED OPERATIONS			
Revenue		2 938	5 825
Operating costs before capital items		(2 930)	(5 935)
EBITDA before capital items		8	(110)

Depreciation and amortisation		-	-
Operating profit/(loss) before capital items	107	8	(110)
Capital items (Note 1)		(271)	(496)
Result from operating activities		(263)	(606)
Finance income		56	45
Finance expense		(77)	(117)
Loss before taxation		(284)	(678)
Taxation		31	(39)
Loss for the year from discontinued operations		(253)	(717)
Profit/(loss) for the year from total operations		168	(302)
Other comprehensive income			
Items that will not be reclassified to profit or loss			
Remeasurement of net defined benefit asset		(5)	26
Items that are or may be reclassified subsequently to profit or loss			
Foreign currency translation differences in respect of foreign operations		(62)	(59)
Realisation of foreign currency translation reserve on disposal of subsidiaries		-	(154)
Effective portion of changes in the fair value of cash flow hedges		2	(7)
Transfer to reserves		(3)	-
Other comprehensive income for the year, net of taxation		(68)	(194)
Total comprehensive income for the year		100	(496)
Profit/(loss) attributable to:			
Non-controlling interests		(19)	(117)
Non-controlling interests from continuing operations		17	20
Non-controlling interests from discontinued operations		(36)	(137)
Altron equity holders		187	(185)
Altron equity holders from continuing operations		404	395
Altron equity holders from discontinued operations		(217)	(580)
Profit/(loss) for the year from total operations		168	(302)
Total comprehensive income attributable to:			
Non-controlling interests		(18)	(118)
Non-controlling interests from continuing operations		17	20
Non-controlling interests from discontinued operations		(35)	(138)
Altron equity holders		118	(378)
Altron equity holders from continuing operations		356	341
Altron equity holders from discontinued operations		(238)	(719)
Total comprehensive income for the year		100	(496)
Basic earnings per share from continuing operations (cents)	(7)	109	117
Diluted earnings per share from continuing operations (cents)	(7)	108	116
Basic loss per share from discontinued operations (cents)	66	(58)	(171)
Diluted loss per share from discontinued operations (cents)	66	(58)	(171)
Basic earnings/(loss) per share from total operations (cents)	194	51	(54)
Diluted earnings/(loss) per share from total operations (cents)	191	50	(55)

SUMMARISED CONSOLIDATED
BALANCE SHEET

	2018 (Audited) R millions	2017 (Audited) R millions
Assets		
Non-current assets	3 709	2 816

Property, plant and equipment	615	569
Intangible assets, including goodwill	1 669	1 029
Equity-accounted investments	20	23
Other investments	468	302
Rental finance advances	98	113
Non current receivables and other assets	461	404
Defined benefit asset	164	178
Deferred taxation	214	198
Current assets	5 749	6 735
Inventories	993	1 046
Trade and other receivables, including derivatives	3 270	2 669
Assets classified as held-for-sale	714	1 644
Taxation receivable	4	3
Cash and cash equivalents	768	1 373
Total assets	9 458	9 551
Equity and liabilities		
Total equity	2 545	2 028
Non-current liabilities	1 491	1 971
Loans	1 413	1 923
Provisions	5	5
Deferred taxation	73	43
Current liabilities	5 422	5 552
Loans	314	312
Bank overdraft	972	956
Trade and other payables, including derivatives	3 582	3 177
Provisions	20	16
Liabilities classified as held-for-sale	465	1 024
Taxation payable	69	67
Total equity and liabilities	9 458	9 551
Net asset value per share (cents)	752	669

SUMMARISED CONSOLIDATED
STATEMENT OF CHANGES IN EQUITY

	Attributable to Altron equity holders						
	Share capital and premium R millions	Treasury shares R millions	Reserves R millions	Retained earnings R millions	Total R millions	Non-controlling interests R millions	Total equity R millions
Balance at 29 February 2016 (Audited)	2 735	(299)	(2 320)	2 731	2 847	(111)	2 736
Total comprehensive income for the year							
Loss for the year	-	-	-	(185)	(185)	(117)	(302)
Other comprehensive income							
Foreign currency translation differences in respect of foreign operations	-	-	(60)	-	(60)	-	(60)
Realisation of foreign currency translation reserve on disposal of subsidiaries	-	-	(153)	-	(153)	-	(153)
Remeasurement of net defined benefit asset	-	-	26	-	26	-	26
Effective portion of changes in the fair value of cash flow hedges	-	-	(6)	-	(6)	(1)	(7)
Reclassification of statutory reserves on disposal	-	-	190	(190)	-	-	-
Total other comprehensive income	-	-	(3)	(190)	(193)	(1)	(194)
Total comprehensive income for the year	-	-	(3)	(375)	(378)	(118)	(496)
Transactions with owners, recorded directly in equity							
Contributions by and distributions to owners							
Dividends to equity holders	-	-	-	-	-	(4)	(4)

Issue of share capital	12	-	(12)	-	-	-	-
Share-based payment transactions	-	-	11	-	11	1	12
Total contributions by and distributions to owners	12	-	(1)	-	11	(3)	8
Changes in ownership interests in subsidiaries							
Buy-back of non-controlling interest	-	-	(212)	-	(212)	200	(12)
Non controlling interests of subsidiaries disposed	-	-	-	-	-	(208)	(208)
Total changes in ownership interests in subsidiaries	-	-	(212)	-	(212)	(8)	(220)
Total transactions with owners	12	-	(213)	-	(201)	(11)	(212)
Balance at 28 February 2017 (Audited)	2 747	(299)	(2 536)	2 356	2 268	(240)	2 028
Total comprehensive income for the year							
Profit for the year	-	-	-	187	187	(19)	168
Other comprehensive income							
Foreign currency translation differences in respect of foreign operations	-	-	(62)	-	(62)	-	(62)
Remeasurement of net defined benefit asset	-	-	(5)	-	(5)	-	(5)
Effective portion of changes in the fair value of cash flow hedges	-	-	1	-	1	1	2
Transfer to reserves	-	-	(3)		(3)	-	(3)
Total other comprehensive income	-	-	(69)	-	(69)	1	(68)
Total comprehensive income for the year	-	-	(69)	187	118	(18)	100
Transactions with owners, recorded directly in equity							
Contributions by and distributions to owners							
Dividends to equity holders	-	-	-	-	-	(5)	(5)
Issue of share capital	413	-	(13)	-	400	-	400
Share-based payment transactions	-	-	20	-	20	-	20
Total contributions by and distributions to owners	413	-	7	-	420	(5)	415
Changes in ownership interests in subsidiaries							
Buy-back of non-controlling interest	-	-	(16)	-	(16)	16	-
Acquisition of subsidiary	-	-	-	-	-	2	2
Total changes in ownership interests in subsidiaries	-	-	(16)	-	(16)	18	2
Total transactions with owners	413	-	(9)	-	404	13	417
Balance at 28 February 2018 (Audited)	3 160	(299)	(2 614)	2 543	2 790	(245)	2 545

Dividends per share declared (cents) - nil (2017: nil)

SUMMARISED CONSOLIDATED
STATEMENT OF CASH FLOWS

	2018 (Audited) R millions	2017 (Audited) R millions
Cash flows from operating activities	581	94
Cash generated by operations	1 233	1 308
Interest received	178	241
Interest paid	(417)	(557)
Dividends received from equity accounted investees and other investments	32	23
Changes in working capital	(298)	(821)
Taxation paid	(141)	(96)
Dividends paid, including to non-controlling interests	(6)	(4)
Cash flows (utilised in)/generated from investing activities	(970)	1 580
Proceeds on the disposal of subsidiaries and businesses net of cash	233	2 060
Acquisition of subsidiaries, net of cash	(698)	-
Additions to intangible assets	(84)	(123)
Additions to property, plant and equipment	(193)	(191)
Investment in contract fulfilment costs	(257)	(237)
Other investing activities	29	71
Cash flows utilised in financing activities	(160)	(1 479)
Loans repaid	(627)	(3 532)
Proceeds from share issue	400	-
Loans advanced	67	2 065
Other financing activities	-	(12)
Net (decrease)/increase in cash and cash equivalents	(549)	195

Net cash and cash equivalents at the beginning of the year	329	326
Cash and cash equivalents at the beginning of the year	417	206
Cash previously classified as held-for-sale	(88)	120
Effect of exchange rate fluctuations on cash held	16	(192)
Cash classified as held-for-sale	-	88
Net cash and cash equivalents at the end of the year	(204)	417

NOTES

BASIS OF PREPARATION

The summarised consolidated financial statements are prepared in accordance with the requirements of the JSE Limited Listings Requirements for preliminary reports, and the requirements of the Companies Act of South Africa applicable to summary financial statements. The Listings Requirements require preliminary reports to be prepared in accordance with the framework concepts and the measurement and recognition requirements of International Financial Reporting Standards (IFRS) and the SAICA Financial Reporting Guides as issued by the Accounting Practices Committee and Financial Pronouncements as issued by the Financial Reporting Standards Council and to also, as a minimum, contain the information required by IAS 34 - Interim Financial Reporting.

The accounting policies applied in the preparation of the consolidated financial statements from which the summarised consolidated financial statements were derived are in terms of International Financial Reporting Standards and are consistent with those accounting policies applied in the preparation of the previous consolidated financial statements.

This report was compiled under the supervision of Mr Tim Jacobs CA (SA), Acting Chief Financial Officer.

REPORT OF THE INDEPENDENT AUDITORS

These summarised consolidated financial statements for the year ended 28 February 2018 have been audited by KPMG Inc., who expressed an unmodified opinion thereon. The auditor also expressed an unmodified opinion on the consolidated financial statements from which these summarised consolidated financial statements were derived. A copy of the auditor's report on the summarised consolidated financial statements and of the auditor's report on the consolidated financial statements are available for inspection at the company's registered office, together with the financial statements identified in the respective auditor's report.

The auditor's report does not necessarily report on all of the information contained in this announcement. Shareholders are therefore advised that in order to obtain a full understanding of the nature of the auditor's engagement they should obtain a copy of the auditor's report together with the accompanying financial information from the issuer's registered office.

	Movement year on year	2018 (Audited)	2017 (Audited)
Headline earnings per share from continuing operations (cents)	4%	119	114
Normalised headline earnings per share from continuing operations (cents)	16%	135	116
Headline earnings/(loss) per share from discontinued operations (cents)	105%	2	(43)
Headline earnings per share from total operations (cents)	70%	121	71
Diluted headline earnings per share from total operations (cents)	69%	120	71

1. CAPITAL ITEMS

CONTINUING OPERATIONS		
Net profit on disposal of property, plant and equipment	1	1
Reversal of impairment	-	10
Impairment of property, plant and equipment	(17)	(3)
Impairment of goodwill	(30)	-
Profit on disposal of subsidiary and businesses	-	2
Reversal of provision related to East Africa disposal	10	-
Impairment of historic proceeds receivable	(2)	-
Impairment of equity-accounted investment	-	(2)
	(38)	8

DISCONTINUED OPERATIONS		
(Loss)/profit on disposal of discontinued operations	(90)	22
Impairment of intangible assets	(6)	(16)
Net profit on disposal of property, plant and equipment	-	12
Release of foreign currency translation surplus	-	22
Release of discontinuance provision	-	12
Impairment of held-for-sale disposal groups	(175)	(548)
	(271)	(496)
TOTAL	(309)	(488)

2. RECONCILIATION BETWEEN ATTRIBUTABLE EARNINGS AND HEADLINE EARNINGS

Attributable to Altron equity holders	187	(185)
Capital items - gross	309	488
Tax effect of capital items	(22)	11
Non-controlling interests in capital items	(26)	(74)
Headline earnings	448	240

3. RECONCILIATION BETWEEN ATTRIBUTABLE EARNINGS AND HEADLINE EARNINGS FROM CONTINUING OPERATIONS

Attributable to Altron equity holders	404	395
Capital items - gross	38	(8)
Tax effect of capital items	(1)	-
Headline earnings	441	387

4. RECONCILIATION BETWEEN ATTRIBUTABLE EARNINGS AND HEADLINE EARNINGS FROM DISCONTINUED OPERATIONS

Attributable to Altron equity holders	(217)	(580)
Capital items - gross	271	496
Tax effect of capital items	(21)	11
Non-controlling interests in capital items	(26)	(74)
Headline earnings	7	(147)

5. RECONCILIATION BETWEEN HEADLINE EARNINGS AND NORMALISED HEADLINE EARNINGS

Normalised headline earnings from continuing operations have been presented to demonstrate the impact of material once-off costs on the headline earnings of the group.
The presentation of normalised headline earnings is not an IFRS requirement.

Headline earnings from continuing operations	441	387
Foreign currency gains on deferred acquisition liability	(6)	-
Retrenchment and restructuring costs	77	-
Acquisition related costs	8	-
Contribution from closed businesses	-	6
Tax effect of adjustments	(20)	(2)
	500	391

6. RECONCILIATION BETWEEN ATTRIBUTABLE EARNINGS AND DILUTED EARNINGS

There were no reconciling items between attributable earnings and diluted earnings

7. ACQUISITION OF SUBSIDIARIES AND BUSINESS

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

Effective 1 July 2017, Altech Netstar acquired 100% of the issued share capital of EZY2C in Australia, a provider of fleet and asset management solutions, for a purchase price of A$15,9 million, of which A$8,7 million was paid upfront and the remainder is payable and determined on the achievement of certain earn-out targets over the next two years. The acquisition contributed revenue of R54 million and a net profit after tax of R16 million to the group. If the company was acquired on 1 March 2017, the contributed revenue would have been R75 million and the net profit after tax would have been R18 million. Goodwill of R140 million was recognised and relates to a premium paid to increase our footprint in Australia. These amounts as indicated above have been calculated using the group's accounting policies:

The following table summarises the recognised amounts of assets acquired and liabilities assumed at the date of acquisition and a reconciliation of the cash outflow for the acquisition:	Carrying amount R millions	Fair value adjustments R millions	Recognised values R millions
Non-current assets	1	17	18
Current assets	11	-	11
Non-current liabilities	-	(5)	(5)
Current liabilities	(5)	-	(5)
Total net assets on acquisition	7	12	19
Goodwill on acquisition			140
Total purchase consideration			159
Less: Cash and cash equivalents in subsidiaries and businesses acquired			(2)
Less: Deferred purchase consideration			(70)
Net cash outflow on acquisitions			87

Acquisition of Blenheim Group Limited ("Phoenix")
On 1 October 2017, Bytes Technology Group Limited (Bytes UK) acquired 100% of the issued share capital of Blenheim Group Limited.

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

The purchase consideration paid of GBP35,9 million was funded from a combination of cash resources in Bytes UK, existing group facilities and a new trade finance facility in Bytes UK. The acquisition contributed revenue of R843 million and a net profit after tax of R18 million to the group.

If the company was acquired on 1 March 2017, the contributed revenue would have been R2,283 million and the net profit after tax would have been R59 million.

Goodwill of R415 million was recognised and relates to a premium paid to increase our footprint in the United Kingdom.

These amounts as indicated above have been calculated using the group's accounting policies:

The following table summarises the recognised amounts of assets acquired and liabilities assumed at the date of acquisition and a reconciliation of the cash outflow for the acquisition:	Carrying amount R millions	Fair value adjustments R millions	Recognised values R millions
Non-current assets	24	241	265
Current assets	320	-	320
Non-current liabilities	(2)	(41)	(43)
Current liabilities	(305)	-	(305)
Total net assets on acquisition	37	200	237
Goodwill on acquisition			415
Total purchase consideration			652
Less: Cash and cash equivalents in subsidiaries and businesses acquired			(72)
Net cash outflow on acquisitions			580

8. DISPOSAL OF SUBSIDIARIES AND BUSINESSES
All the operations listed below formed part of the Powertech group, which has been disclosed as a discontinued operation. These disposals were completed as part of the group's stated intention of reducing its exposure to the manufacturing sector.

DISPOSAL OF 100% INTEREST IN THE AUTO X (PTY) LTD GROUP (POWERTECH BATTERY GROUP)
Effective 1 July 2017, Powertech Industries (Pty) Ltd disposed of 100% of its equity interest in the Auto X group for R324 million.

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 R91 million at 28 February

2018. 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) LTD
Effective 1 March 2017, Powertech Industries disposed of 100% of its equity interest in Webroy for R11 million.

DISPOSAL OF 100% INTEREST IN POWERTECH SYSTEM INTEGRATORS (PTY) LTD ("PTSI")
Effective 1 August 2017, Power Technologies (Pty) Ltd disposed of 100% of its equity interest in PTSI for R20 million.

DISPOSAL OF QUADPRO SOUTH AFRICA (PTY) LTD ("QUADPRO")
Effective 31 October 2017, Power Technologies (Pty) Ltd disposed of 100% of its equity interest in Quadpro for R10 million.

DISPOSAL OF SWANIB CABLES (PTY) LTD
Effective 1 September 2017, Power Technologies International Holdings (Pty) Ltd disposed of 100% of its equity interest in Swanib for R56 million.

DISPOSAL OF CRABTREE, A DIVISION OF POWERTECH INDUSTRIES (PTY) LTD
Effective 1 February 2018, Powertech Industries disposed of its Crabtree division for R40 million.

The table below summarises the assets and liabilities of the operations disposed during the year and a reconciliation of the cash proceeds received on disposal:

	R million
Non-current assets	126
Current assets	680
Non-current liabilities	(1)
Current liabilities	(289)
Disposal value	516
Less: Preference share receivable	(80)
Less: Proceeds receivable	(16)
Loss on disposal of subsidiaries and businesses	(88)
Cash and cash equivalents disposed	(116)
Proceeds received on disposal	216

9. 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 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.

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

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

Net assets of disposal group held-for-sale:

	2018 R millions Total	2017 R millions Total
Assets classified as held-for-sale	714	1 644
Non-current assets	129	392
Current assets	585	1 252
Liabilities classified as held-for-sale	(465)	(1 024)
Non-current liabilities	(5)	(16)

	2018	2017
Current liabilities	(460)	(1 008)

Breakdown of disposal groups held-for-sale:

Breakdown of disposal groups held-for-sale:

	2018 R millions Powertech Transformers	2018 R millions Multimedia Group	2018 R millions Other	2018 R millions Total
	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)

Breakdown of disposal groups held-for-sale:

	2017 R millions Powertech System Integrators	2017 R millions Powertech Battery Group	2017 R millions Powertech Transformers	2017 R millions Multimedia Group	2017 R millions Other	2017 R millions Total
	182	498	805	348	359	2 192
Non-current assets	25	164	307	141	216	853
Current assets	157	334	498	207	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	(109)	(124)	(276)	(290)	(225)	(1 024)
Non-current liabilities	-	-	(5)	(9)	(2)	(16)
Current liabilities	(109)	(124)	(271)	(281)	(223)	(1 008)

Cash flows of discontinued operations:

	2018 R millions	2017 R millions
Net cash utilised in operating activities	(178)	(21)
Net cash generated from investing activities	186	878
Net cash utilised in financing activities	(9)	(20)
Net cash flow for the year	(1)	837

10. POST BALANCE SHEET EVENTS

Meaningful progress has been made with regards to the fulfilment of the conditions precedent to the Powertech Transformers transaction. The last of the conditions precedent is expected to be fulfilled by 31 May 2018.

11. RELATED PARTY TRANSACTIONS

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

Exposure to Credit Risk: Gross trade receivable with Thobela Telecoms ("TT")

Altech Radio Holdings ("ARH") holds a jointly controlled interest in TT. TT is the vehicle through which the City of Tshwane ("CoT") has contracted for the procurement and installation of a fibre broadband network ("CoT project"). ARH has in turn been contracted by TT to complete implementation of the CoT project. In the current year, CoT initiated legal proceedings to halt progress on the project combined with a review of the tender given concerns over internal CoT irregularities related to the tender process.

As at year end a balance of R265 million remains outstanding from TT.

Internal legal counsel as well as management's external legal representatives have been continuously involved in the legal dispute with CoT on behalf of ARH, TT and the other partners.

There are currently settlement discussions between CoT, TT and ARH in an attempt to reach a conclusion on the matter and recover the outstanding balance. Should the settlement discussions not succeed CoT's court review application will be heard during May 2018. Management believe the possibility of CoT's review application succeeding is remote.

As at year-end management has not raised a provision in respect of the outstanding balance of R265 million from TT.

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

12. FINANCIAL INSTRUMENTS AT FAIR VALUE

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

The TAR ("Technology Acceptance Receivable") 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 was revalued in the current year and resulted in no profit or loss on remeasurement. The fair value of the preference share investment remained at R21 million at year end.

The contingent purchase considerations (earn-out on acquisitions) 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 R66 million at year end which resulted in a remeasurement loss of R2 million.

The derivative foreign exchange contracts used for hedging working capital exposures 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 R72 million (liability) at year end which resulted in a remeasurement loss of R41 million.

The preference share investment in Auto X is disclosed as a level 3 financial assets in terms of the fair value hierarchy with fair valuation inputs which are not based on observable market data (unobservable inputs). A discounted cash flow valuation model is used to determine fair value with key inputs being discount rates and the estimated timing and quantum of anticipated cash flows from the Automotive Production Development Programme.

There were no transfers between Levels 1, 2 or 3 of the fair value hierarchy for the year ended 28 February 2018.

This announcement does not include the information required pursuant to paragraph 16A(j) of IAS 34. The full preliminary report is available on the issuers website, at the issuers registered office and upon request.

13. STANDARDS ISSUED BUT NOT YET EFFECTIVE

The group is required to adopt IFRS 9 Financial Instruments and IFRS 15 Revenue from Contracts with Customers from 1 March 2018, and IFRS 16 Leases from 1 March 2019. The group has made an initial assessment of the impact that the standards will have on its financial statements and is in the process of quantifying the impact on equity as at 1 March 2018 and 1 March 2019. Further the group is in the process of implementing changes to its processes relating to revenue, financial instruments and leases.

IFRS 15 REVENUE FROM CONTRACTS WITH CUSTOMERS (SALE OF GOODS, SERVICES)

IFRS 15 establishes a comprehensive framework for determining whether, how much and when revenue is recognised. It replaces existing revenue recognition guidance, including IAS 18 Revenue, IAS 11 Construction Contracts and IFRIC 13 Customer Loyalty Programmes.

The group is in the process of implementing changes to our processes related to revenue recognition and the control activities within them. This includes the development of new policies based on the five step model provided in the new revenue standard, training, ongoing contract review and gathering of information for disclosures.

i. Sale of goods and rendering of services
For the sale of goods, revenue is predominantly recognised when the goods are delivered to the customers' premises, which is taken to be the point in time at which the customer accepts the goods and the related risks and rewards of ownership transfer. Revenue is recognised at this point provided that the revenue and costs can be measured reliably, the recovery of the consideration is probable and there is no continuing management involvement with the goods.

Under IFRS 15, revenue will be recognised when a customer obtains control of the goods. Our initial assessment indicates that contracts may include more performance obligations than what is currently recognised under IAS 18, while other areas of the business may see separate revenue streams combined into a single performance obligation. This may result in a change in the timing of revenue recognition. The group has a number of contracts that have variable transaction prices. The application of the constraint may change the amount and timing of revenue recognised.

ii. Rendering of services
The group is involved in performing various services. Revenue is currently recognised using the stage-of-completion method. Under IFRS 15, the total consideration in the service contracts will be allocated to all services based on their stand-alone selling prices. The stand-alone selling prices will be determined based on the list prices at which the group sells the services in separate transactions. The group is in the process of re-assessing the methodologies used for measuring progress for revenues recognised over time. This may result in changes to the timing of revenue recognised from services rendered.

iii. Transition
The group plans to adopt IFRS 15 using the cumulative effect method, with the effect of initially applying this standard recognised at the date of initial application (i.e. 1 March 2018). As a result, the group will not apply the requirements of IFRS 15 to the comparative period presented.

iv. Disclosures
The group has assessed the impact of the new disclosure requirements on its financial statements and will be revising related accounting policies; providing additional disclosures for performance obligations, contract assets and contract liabilities and significant judgement and estimates related to revenue recognition.

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.

IFRS 9 FINANCIAL INSTRUMENTS
IFRS 9 Financial Instruments sets out the requirements for recognising and measuring financial assets, financial liabilities and some contracts to buy or sell non-financial items. This standard replaces IAS 39 Financial Instruments: recognition and measurement.

i. Classification - Financial assets
IFRS 9 contains a new classification and measurement approach for financial assets that reflects the business model in which assets are managed and their cash flow characteristics. IFRS 9 contains three principal classification categories for financial assets: measured at amortised cost, fair value through other comprehensive income ("FVOCI") and fair value through profit or loss ("FVTPL"). The standard eliminates the existing IAS 39 categories of held to maturity, loans and receivables and available for sale. Under IFRS 9, derivatives embedded in contracts where the host is a financial asset in the scope of the standard are never bifurcated. Instead, the hybrid financial instrument as a whole is assessed for classification.

Based on its assessment, the group does not believe that the new classification requirements will have a material impact on its accounting for trade receivables, loans, FEC's and share linked incentives ("SLI") hedges that are managed on a fair value basis. At 28 February 2018, the group had investments classified as available-for-sale with a fair value of R206 million that are held for long-term strategic purposes. 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.

ii. Impairment - Financial assets and contract assets
IFRS 9 replaces the 'incurred loss' model in IAS 39 with a forward-looking 'expected credit loss' (ECL) model. This will require considerable judgement about how changes in economic factors affect ECLs, which will be determined on a probability-weighted basis. The new impairment model will apply to financial assets measured at amortised cost or FVOCI, except for investments in equity instruments, and to contract assets. Under IFRS 9, loss allowances will be measured on the life time ECLs basis. These are ECLs that result from all possible default events over the expected life of a financial instrument.

The group will be applying a lifetime ECL model for its trade receivables and contract assets without a significant financing component and also, it has chosen to apply this policy for its trade receivables and contract assets with a significant financing component. The group is in the process of refining its impairment model under IFRS 9.

iii. Classification - Financial liabilities
IFRS 9 largely retains the existing requirements in IAS 39 for the classification of financial liabilities. However, under IAS 39 all fair value changes of liabilities designated as at FVTPL are recognised in profit or loss, whereas under IFRS 9 these fair value changes are generally presented as follows:

- the amount of change in the fair value that is attributable to changes in the credit risk of the liability is presented in OCI; and
- the remaining amount of change in the fair value is presented in profit or loss.

The group has not designated any financial liabilities at FVTPL and it has no current intention to do so.

iv. Hedge accounting

When initially applying IFRS 9, the group may choose as its accounting policy to continue to apply the hedge accounting requirements of IAS 39 instead of the requirements in IFRS 9. The group has chosen to apply the new requirements of IFRS 9. IFRS 9 requires the group to ensure that hedge accounting relationships are aligned with the group's risk management objectives and strategy and to apply a more qualitative and forward-looking approach to assessing hedge effectiveness. IFRS 9 introduces new requirements on rebalancing hedge relationships and prohibiting voluntary discontinuation of hedge accounting. Under the new model, it is possible that more risk management strategies, particularly those involving hedging a risk component (other than foreign currency risk) of a non-financial item, will be likely to qualify for hedge accounting. The group does not currently undertake hedges of such risk components.

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 borrowings, receivables, sales and inventory purchases. The group designates only the change in fair value of the spot element of the forward exchange contract as the hedging instrument in cash flow hedging relationships. 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 is in the process of re-evaluating its hedge accounting policies in terms of IFRS 9 and has not yet quantified the impact.

v. Disclosures

IFRS 9 will require extensive new disclosures, in particular about hedge accounting, credit risk and ECLs. The group's assessment included an analysis to identify data gaps against current processes and the group is in the process of implementing the system and controls changes that it believes will be necessary to capture the required data.

vi. Transition

Changes in accounting policies resulting from the adoption of IFRS 9 will generally be applied retrospectively, except as described below.

- The Group will take advantage of the exemption allowing it not to restate comparative information for prior periods with respect to classification and measurement (including impairment) changes. Differences in the carrying amounts of financial assets and financial liabilities resulting from the adoption of IFRS 9 will generally be recognised in retained earnings and reserves as at 1 March 2018.
- The following assessments have to be made on the basis of the facts and circumstances that exist at the date of initial application (1 March 2018).
  - The determination of the business model within which a financial asset is held.
  - The designation and revocation of previous designations of certain financial assets and financial liabilities as measured at FVTPL.
  - The designation of certain investments in equity instruments not held for trading as at FVOCI.

OTHER STANDARDS

The following relevant amended standards and interpretations are not expected to have a significant impact on the group's consolidated financial statements.

- Annual Improvements to IFRSs 2014-2016 Cycle - Amendments to IFRS 1 and IAS 28.
- Classification and Measurement of Share-based Payment Transactions (Amendments to IFRS 2).
- IFRIC 22 Foreign Currency Transactions and Advance Consideration.
- IFRIC 23 Uncertainty over Income Tax Treatments.

14. NET ASSET VALUE PER SHARE

Net asset value per share is calculated by dividing total shareholders equity excluding non-controlling interest by the number of shares in issue.

OPERATIONAL RESULTS

NORMALISED CONTINUING OPERATIONS

Normalised revenue and EBITDA before capital items from continuing operations have been presented to demonstrate the impact of material once-off costs on the group.

The presentation of normalised revenue and EBITDA before capital items is not an IFRS requirement.

	%	2018	2017

	Change	(Audited)	(Audited)
Revenue:			
Continuing operations revenue	6%	14 743	13 892
Autopage		-	(316)
NOR paper		-	(271)
Normalised operations revenue*	11%	14 743	13 305
EBITDA before capital items			
Continuing operations EBITDA before capital items	9%	1 035	950
Contribution from closed businesses		-	6
Foreign currency gains on deferred acquisition liability		(6)	-
Retrenchment and restructuring costs		77	-
Acquisition related costs		8	-
Normalised EBITDA before capital items**	17%	1 114	956

* Normalised revenue is stated for continuing operations adjusting for the businesses that were disposed of in the previous financial year

** Normalised EBITDA is stated for continuing operations before capital items and non-operational once-off costs relating to retrenchments, acquisition related costs, foreign currency profits on transaction funding as well as certain restructuring costs

SEGMENT ANALYSIS

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

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

	Revenue			EBITDA before capital items		
	February 2018	February 2017	Growth	February 2018	February 2017	Growth
Altech Radio Holdings	1 155	1 127	2%	80	84	(5%)
Bytes Document Solutions	1 353	1 365	(1%)	70	57	23%
Bytes Managed Solutions	1 027	1 321	(22%)	74	89	(17%)
Bytes People Solutions	438	426	3%	29	41	(29%)
Bytes Secure Transaction Solutions	1 073	992	8%	253	212	19%
Bytes Systems Integration SA Group*	1 897	1 943	(2%)	123	102	21%
Altron ICT South African operations	6 943	7 174	(3%)	629	585	8%
Bytes Technology Group UK	6 088	4 504	35%	206	171	20%
Other International operations	244	284	(14%)	16	20	(20%)
Altron ICT International operations	6 332	4 788	32%	222	191	16%
Shared Services and corporate	-	5	(100%)	33	17	94%
Altron ICT	13 275	11 967	11%	884	793	11%
Altech Netstar	1 378	1 224	13%	291	266	9%
Altech Arrow	560	602	(7%)	33	40	(18%)
Corporate and financial services	(470)	(488)	4%	(94)	(143)	34%
Normalised Continuing Operations	14 743	13 305	11%	1 114	956	17%
Autopage	-	316	-	-	3	-
NOR Paper	-	271	-	-	(9)	-
Foreign currency gains on deferred acquisition liability	-	-	-	6	-	-
Retrenchment and restructuring costs	-	-	-	(77)	-	-
Acquisition related costs	-	-	-	(8)	-	-
Continuing operations as reported	14 743	13 892	6%	1 035	950	9%

	Revenue			EBITDA before capital items		
	February 2018	February 2017	Growth	February 2018	February 2017	Growth
Altech Multimedia	974	1 225	(20%)	44	21	110%
Altech Autopage	-	-		(23)	(78)	71%
Powertech Cables	103	1 836	(94%)	5	46	(89%)
Powertech Transformers	1 015	1 041	(2%)	(28)	(73)	62%
Powertech Battery	344	944	(64%)	33	78	(58%)
Powertech System Integrators	241	583	(59%)	(11)	(52)	79%
Other Powertech Segments	261	196	33%	(12)	(52)	77%
Powertech Group	1 964	4 600	(57%)	(13)	(53)	75%
Discontinued Operations	2 938	5 825	(50%)	8	(110)	107%
Altron Group	17 681	19 717	(10%)	1 043	840	24%

Segment EBITDA before capital items can be reconciled to operating profit before capital items as follows:	February 2018	February 2017
EBITDA before capital items	1 043	840
Reconciling items:		
Depreciation	(149)	(136)
Amortisation	(103)	(86)
Total operating profit before capital items	791	618
Discontinued operations (loss)/profit before capital items	(8)	110
Continuing operations profit before capital items	783	728

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

SUPPLEMENTARY INFORMATION
(TOTAL OPERATIONS)

	2018 (Audited)	2017 (Audited)
Depreciation	149	136
Amortisation	103	86
Net foreign exchange losses	44	226
Cashflow movements		
Capital expenditure (including intangibles)	277	314
Net additions to contract fulfilment costs	58	20
Additions to contract fulfilment costs	257	237
Net expensing of contract fulfilment costs during the year	(199)	(216)
Terminations of contract fulfilment costs	-	(1)
Capital commitments	-	21
Lease commitments	513	465
Payable within the next 12 months:	180	147
Payable thereafter:	333	318
Weighted average number of shares (millions)	370	338
Diluted average number of shares (millions)	372	340
Shares in issue at the end of the year (millions)	371	339
Ratios		
EBITDA margin	5.9%	4.3%
ROCE	18.5%	14.5%
ROE	16.7%	11.4%
ROA	10.2%	8.3%
RONA	15.5%	12.2%
Current ratio	1.1:1	1.2:1
Acid test ratio	0.9:1	1:1

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.

Constant Currency Pro Forma Financial Information

Basis of preparation

The purpose of the Constant Currency Pro Forma Financial Information of the Company included in the 2018 SENS Announcement is solely to illustrate the impact of the Constant Currency Pro forma Adjustments on the Audited Financial Information as if the Constant Currency Pro forma Adjustments had been undertaken on 1 March 2016 for purposes of the pro forma normalised revenue from continuing operations, normalised EBITDA before capital items from continuing operations and normalised headline earnings from continuing operations for the year ended 28 February 2017.

The constant currency adjustment was calculated by translating the prior year foreign currency amounts for normalised revenue from continuing operations, normalised EBITDA before capital items from continuing operations and normalised headline earnings from continuing operations for the Bytes Technology Group UK segment into Rands using the current year average exchange rate.

The average exchange rate (Pounds) used to translate the prior year amounts was R17.18:GBP.

The Constant Currency Pro Forma Financial Information included in the message to shareholders is prepared for illustrative purposes only, and because of its nature, it may not fairly present the issuer's financial results of operations.

A reasonable assurance report, prepared in terms of International Standard on Assurance Engagements (IASE) 3420, Assurance Engagements to Report on the Compilation of Pro Forma Financial Information included in a Prospectus, has been obtained with regard to the Constant Currency Pro Forma Financial Information and is available for inspection at the Company's registered office.

The following depicts constant currency adjustments made to the reported financial information as reported in the segmental analysis:

Normalised revenue from continuing operations

Year ended February R'million	2018	2017	% Change
Normalised revenue as reported (unadjusted financial information)(1)	14 743	13 305	
Constant currency adjustment (pro forma adjustments)(3)	–	(414)	
Normalised revenue (pro forma financial information)	14 743	12 891	14
Exchange rate (Pounds)	17.18	18.92	

EBITDA before capital items from continuing operations

Year ended February R'million	2018	2017	% Change
Normalised EBITDA before capital items as reported (unadjusted financial information)(1)	1 114	956	
Constant currency adjustment (pro forma adjustments)(3)	–	(16)	
Normalised EBITDA (pro forma financial information)	1 114	940	19

Headline earnings from continuing operations

Year ended February R'million	2018	2017	% Change
Normalised headline earnings as reported (unadjusted financial information)(2)	441	387	
Normalised adjustments after tax(2)	59	4	
Constant currency adjustment (pro forma adjustments)(3)	–	(9)	
Normalised headline earnings (pro forma financial information)	500	382	19

(1) The information was obtained from the segment analysis included in the audited summarised consolidated financial statements
(2) This is the sum of all the normalised adjustments in respect of the continuing operations, adjusted for tax and amounts attributable to non-controlling interests, obtained from the segment analysis and note 5 included in the audited summarised consolidated financial statements

(3) The pro forma adjustments were calculated by converting the prior year foreign currency amounts related to the Bytes Technology Group UK segment into Rands, using the average Rand/Pound exchange rate for the year ended 28 February 2018.

On behalf of the board

Mike Leeming	Mteto Nyati
Chairman	Chief Executive

10 May 2018

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

Zimbabwean

EXECUTIVE
Mr M Nyati (Chief Executive)

SECRETARIES
Mr WK Groenewald FCIS (Group Company Secretary)
For Altron Management Services Proprietary Limited

SPONSOR
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